

**The Bonnie J. Addario
A Breath Away From The Cure
Foundation**

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2018

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
The Bonnie J. Addario A Breath Away From The Cure Foundation
San Carlos, California

We have audited the accompanying financial statements of The Bonnie J. Addario A Breath Away From The Cure Foundation, d.b.a. The Bonnie J. Addario Lung Cancer Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 an assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bonnie J. Addario A Breath Away From The Cure Foundation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter: Subsequent Event

As discussed in Note 10 to the financial statements, The Bonnie J. Addario A Breath Away From The Cure Foundation merged with the Lung Cancer Alliance in 2019 to become the GO₂ Foundation for Lung Cancer. Our opinion on the financial statements is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the December 31, 2017, financial statements of The Bonnie J. Addario A Breath Away From The Cure Foundation, and our report dated August 29, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Cook & Company".

A Professional Accountancy Corporation
San Francisco, California
July 30, 2019

The Bonnie J. Addario A Breath Away From The Cure Foundation

Statement of Financial Position December 31, 2018 with Comparative Totals for December 31, 2017

	<u>12/31/2018</u>	<u>12/31/2017 (Note 2)</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,661,451	\$ 1,673,028
Grants and pledges receivable - current (Note 3)	544,717	687,847
Other current assets	<u>17,043</u>	<u>3,597</u>
Total current assets	2,223,211	2,364,472
Grants & pledges receivable, net	954,258	1,120,622
Property and equipment, net (Note 4)	47,826	52,997
Beneficial interest in assets held by others	<u>11,233</u>	<u>11,736</u>
Total assets	<u><u>\$ 3,236,528</u></u>	<u><u>\$ 3,549,827</u></u>
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts payable	\$ 555,535	\$ 231,443
Accrued payroll liabilities	129,358	78,128
Grants payable	<u>389,321</u>	<u>492,068</u>
Total current liabilities	1,074,214	801,639
Grants payable	<u>-</u>	<u>100,000</u>
Total liabilities	1,074,214	901,639
Net Assets		
Without donor restrictions	30,764	104,581
With donor Restrictions (Note 5)	<u>2,131,550</u>	<u>2,543,607</u>
Total net assets	<u>2,162,314</u>	<u>2,648,188</u>
Total liabilities and net assets	<u><u>\$ 3,236,528</u></u>	<u><u>\$ 3,549,827</u></u>

See accompanying notes to financial statements and independent auditor's report.

The Bonnie J. Addario A Breath Away From The Cure Foundation

Statement of Activities & Changes in Net Assets for the Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total (Note 2)
Support and Revenue				
Grants	\$ 100,000	\$ 2,064,739	\$ 2,164,739	\$ 1,827,679
Fundraising event contributions	1,126,536	53,999	1,180,535	1,127,391
Sponsorships	664,337	692,500	1,356,837	1,219,977
Event revenue	303,033	-	303,033	268,262
Less: Direct event expenses	(634,139)	-	(634,139)	(530,021)
Memorials	225,822	70,825	296,647	171,469
Other contributions	351,384	253,707	605,091	244,148
Honoraria	16,275	-	16,275	27,159
Other income	16,106	-	16,106	3,927
Net assets released from restrictions	3,547,827	(3,547,827)	-	-
Total revenue and support	5,717,181	(412,057)	5,305,124	4,359,991
Expenses				
Program services expense				
Research	1,508,768	-	1,508,768	1,377,917
Patient services	2,401,605	-	2,401,605	1,543,775
Awareness	900,999	-	900,999	993,912
Total program expenses	4,811,372	-	4,811,372	3,915,604
Supporting services expense				
Management and general	533,842	-	533,842	366,501
Fundraising / development	445,784	-	445,784	296,206
Total supporting services expenses	979,626	-	979,626	662,707
Total expenses	5,790,998	-	5,790,998	4,578,311
Change in Net Assets	(73,817)	(412,057)	(485,874)	(218,320)
Net Assets, Beginning of Year	104,581	2,543,607	2,648,188	2,866,508
Net Assets, End of Year	\$ 30,764	\$ 2,131,550	\$ 2,162,314	\$ 2,648,188

See accompanying notes to financial statements and independent auditor's report.

The Bonnie J. Addario A Breath Away From The Cure Foundation

Statement of Functional Expenses

for the Year Ended December 31, 2018

with Comparative Totals for the Year Ended December 31, 2017

	Program Services							2018	2017
	Research	Patient Services	Awareness	Total Programs	Management and General	Fundraising / Development	Shared Costs	Total	Total (Note 2)
Grants made	\$ 1,017,951	\$ -	\$ 18,715	\$ 1,036,666	\$ -	\$ 5,738	\$ -	\$ 1,042,404	\$ 884,761
Salaries	121,071	820,810	298,354	1,240,235	193,630	220,798	-	1,654,663	1,333,599
Payroll taxes	8,542	58,363	20,947	87,852	13,682	15,396	-	116,930	95,333
Employee benefits	10,312	63,143	22,901	96,356	14,791	15,708	-	126,855	77,361
Professional fees - accounting	-	-	-	-	81,753	-	-	81,753	51,973
Professional fees - legal	-	8,147	2,776	10,923	67,577	2,684	-	81,184	42,963
Professional fees - fundraising	-	-	-	-	-	-	-	-	18,100
Other professional fees	197,828	806,044	176,027	1,179,899	44,892	67,868	87,779	1,380,438	972,532
Fundraising event expenses - rent	-	-	41,821	41,821	-	58,773	-	100,594	145,037
Fundraising event expenses - food and drink	-	-	24,778	24,778	-	52,770	-	77,548	113,249
Fundraising event expenses - entertainment	-	-	82,866	82,866	-	177,284	-	260,150	53,318
Fundraising event expenses - other	-	-	119,902	119,902	-	75,945	-	195,847	218,417
Advertising & promotion	31,705	182,474	119,624	333,803	31,366	10,458	23,396	399,023	346,217
Rent	-	-	-	-	-	-	67,488	67,488	69,052
Utilities	-	-	-	-	-	-	23,144	23,144	22,491
Repairs & maintenance	-	3,437	-	3,437	5,548	-	12,395	21,380	24,116
Telecommunications	16	7,966	181	8,163	-	85	25,226	33,474	31,352
Insurance	55	-	239	294	2,862	80	7,115	10,351	8,297
Supplies	182	16,287	3,713	20,182	1,059	3,081	35,872	60,194	43,507
Postage and delivery	61	7,446	11,190	18,697	84	12,669	7,575	39,025	30,090
Printing	643	81,897	7,911	90,451	985	8,702	273	100,411	70,485
Travel	23,946	177,803	74,767	276,516	11,283	33,449	3,675	324,923	261,427
Meetings & conferences	5,667	19,534	9,229	34,430	19,194	2,674	27,691	83,989	59,575
Subscriptions & memberships	6,139	1,931	3,634	11,704	1,340	4,663	8,342	26,049	28,644
Bank fees	6,765	1,580	55,867	64,212	3,682	17,144	421	85,459	78,402
Depreciation	-	-	-	-	-	-	25,556	25,556	15,135
Other	-	336	58	394	3,691	2,220	-	6,305	12,899
Shared cost allocation	77,885	144,407	74,866	297,158	36,423	22,367	(355,948)	-	-
Total expenses by function	1,508,768	2,401,605	1,170,366	5,080,739	533,842	810,556	-	6,425,137	5,108,332
Less expenses included with revenues on the statement of activities									
Direct expenses of fundraising events	-	-	(269,367)	(269,367)		(364,772)	-	(634,139)	(530,021)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,508,768</u>	<u>\$ 2,401,605</u>	<u>\$ 900,999</u>	<u>\$ 4,811,372</u>	<u>\$ 533,842</u>	<u>\$ 445,784</u>	<u>\$ -</u>	<u>\$ 5,790,998</u>	<u>\$4,578,311</u>

See accompanying notes to financial statements and independent auditor's report.

The Bonnie J. Addario A Breath Away From The Cure Foundation

Statement of Cash Flows for the Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (485,874)	\$ (218,320)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation expense	25,556	15,135
Loss on disposal of fixed asset		1,400
Other changes in assets and liabilities		
Grants and pledges receivable	309,494	411,328
Prepaid expenses and other assets	(13,446)	(1,258)
Accounts payable and accrued expenses	375,322	(74,929)
Grants payable	<u>(202,747)</u>	<u>(254,720)</u>
Net Cash from (used for) Operating Activities	<u>8,305</u>	<u>(121,364)</u>
 Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(19,882)</u>	<u>(17,920)</u>
Net Cash from (used for) Investing Activities	<u>(19,882)</u>	<u>(17,920)</u>
 Net Change in Cash and Cash Equivalents	(11,577)	(139,284)
Cash and Cash Equivalents, Beginning of Year	<u>1,673,028</u>	<u>1,812,312</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,661,451</u></u>	<u><u>\$ 1,673,028</u></u>

See accompanying notes to financial statements and independent auditor's report.

The Bonnie J. Addario A Breath Away From The Cure Foundation

Notes to Financial Statements December 31, 2018

1. The Foundation

Nature of Activities

The Bonnie J. Addario A Breath Away From The Cure Foundation, d.b.a. The Bonnie J. Addario Lung Cancer Foundation (ALCF or the Foundation), was established in 2006 as a nonprofit organization and has been one of the largest philanthropies (patient-founded, patient-focused, and patient-driven) devoted exclusively to eradicating lung cancer through research, early detection, education, and treatment. The Foundation's goal has been to work with a diverse group of physicians, organizations, industry partners, individuals, patients, survivors, and their families to identify solutions and make timely and meaningful change and turn lung cancer into a chronically managed disease by 2023.

Major programs conducted in 2018 include:

Research – Through funding research grants focused on precision oncology, diagnostics, prognostics, therapeutics, targets, genetics, underlying biology, and translational bench-to-bedside research, we are committed to making a positive impact on patient lives today. Through supporting and investing in lung cancer research initiatives, focused on early detection and screening, target identification and validation, therapeutic discovery and development with a keen focus on ushering in the era of precision or personalized medicine for each lung cancer patient.

Patient Services – Education, support and empowerment are at the center of our patient services. We provide a road map to help guide patients and their families and a support system to anchor them through educational resources: Living Room educational support group, Patient 360 educational handbook, educational video library, Lung Cancer Registry, patient and caregiver advisory board, patient portal on our website, our community hospital Centers of Excellence program, and 1-on-1 patient support and guidance.

Awareness – We are promoting awareness of lung cancer, educating patients, caregivers, physicians, nurses and the general public, and empowering patients through knowledge to be their own advocates. Through public relations efforts, our messaging is both urgent and simple. Patients hold the key to unlocking the mystery of lung cancer and they must have a “seat at the table”. ALCF is working with clinicians and physicians to make lung cancer a chronically managed disease by 2023. Through creative campaigns, social and traditional media, and a patient founder serving as the advocate for patients everywhere, we deliver our message and provide a unifying voice through programs like Jill's Legacy, Don't Guess Test, Don't Quit on Me/Join the Fight, and various speaking engagements.

The Foundation is exempt from income taxes under Internal Revenue Code section 501(c)(3), and section 23701(d) of the California Revenue and Taxation Code, and is governed by a Board of Directors.

Funding

Major funding is received in the form of charitable grants from foundations and businesses, as well as contributions from individuals and families. In addition, a substantial amount of revenue is generated from the Foundation's various special events held throughout the year.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned, and expenses are recognized when they are incurred.

The Bonnie J. Addario A Breath Away From The Cure Foundation

Notes to Financial Statements December 31, 2018

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue and support are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. All expenses, including those funded by restricted contributions, are reported as decreases in *net assets without donor restrictions*. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Fair Value Measurements

FASB ASC #820 establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
- Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e. supported by little or no market activity).

Cash and Cash Equivalents

Cash and cash equivalents include deposits held in a bank checking account, as well as money market funds held with an investment firm.

Grants and Pledges Receivable

Grants receivable are reported at the amount management expects to receive from contributors based on formal promises received. Amounts due within one year are stated at face value. Pledges due beyond one year are recorded at fair value on a non-recurring basis (using Level 3 inputs) and discounted using a risk-adjusted rate based on the US Treasury Rates in effect at the inception of the pledge.

Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others consists of endowment contributions transferred to the Parasol Tahoe Community Foundation (PTCF) for investment purposes. Consistent with the regulations pertaining to such funds, the governing board of PTCF has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in its judgment, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the needs of the communities served by the PTCF. This investment is recorded at fair value (using Level 2 inputs) on a recurring basis.

The Bonnie J. Addario A Breath Away From The Cure Foundation

Notes to Financial Statements December 31, 2018

Property & Equipment

Property and equipment with an initial cost of at least \$1,000 consist of office equipment and the Foundation's website. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to five years.

Functional Expenses

The Foundation presents its expenses by function and natural category. The cost of employee compensation is allocated to programs and supporting services functions according to management's estimate of time and effort. Shared expenses are accumulated in a dedicated cost center and allocated to functions according to each function's proportionate share of direct expenses. Other expenses are charged directly to the appropriate function based on specific identification.

Allocation of Joint Costs

The Foundation conducts various athletic and community events that educate the public, raise awareness about lung cancer, and solicit contributions. The costs of these events are allocated among *fundraising* and *awareness* on the statement of functional expenses based on the content of the material provided to attendees.

Income Taxes

As a public charity, the Foundation is exempt from income taxes except on activities unrelated to its mission. As management believes that all of the Foundation's activities are directly related to its mission, no provision has been made for income tax expense. The Foundation's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2016 through 2018 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Foundation's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2015 through 2018 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

These financial statements reflect the provisions of Accounting Standards Update No. 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and effective for calendar years ending in 2018 and beyond.

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 amongst not-for-profit entities. A key change required by ASU 2016-14 is the net asset class captions displayed in not-for-profit 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* are now reported as *net assets with donor restrictions*. A footnote on liquidity has also been added (Note 9).

The Bonnie J. Addario A Breath Away From The Cure Foundation

Notes to Financial Statements December 31, 2018

Prior Year Comparative Data

The financial statement information for the year ended December 31, 2017, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statements for that fiscal year.

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

3. Grants & Pledges Receivable

Current

Amounts due within one year	\$544,717
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Non-current

Amounts due in one to five years	1,064,000
Less: unamortized discount	(109,742)
Subtotal – non-current	954,258

Grants & pledges receivable, net	\$1,498,975
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4. Property & Equipment

Office furniture & equipment	\$84,793
Website	27,500
Less: accumulated depreciation	(64,467)
Property & equipment, net	\$47,826

5. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions at December 31, 2018 consists of awards received for the following:

General support for future periods	\$1,387,258
Centers of excellence	235,000
Living room program	185,000
Patient resources / handbook	115,000
Young Innovators team award	104,303
Other patient services	60,000
Patient registry	40,000
Other programs and activities	4,989
Total net assets with donor restrictions	\$2,131,550

The Bonnie J. Addario A Breath Away From The Cure Foundation

Notes to Financial Statements

December 31, 2018

6. Joint Costs

Joint costs were incurred for activities that included programmatic elements (i.e. educating participants and raising awareness), as well as the solicitation of contributions. These costs have been allocated as follows:

	<u>Awareness</u>	<u>Fundraising</u>	<u>Total</u>
Joint costs	\$827,762	\$620,122	\$1,447,884
Less: amounts included with revenue on the statement of activities	(269,367)	(364,772)	(634,139)
Total expenses included in the expense section of the statement of activities	\$558,395	\$255,350	\$813,745

7. Related Party Transactions

The Foundation rents two facilities in San Carlos on a month-to-month basis from an entity owned by a board member. Rent payments for 2018 totaled \$67,488.

In addition, three family members of a board member are employed as full-time employees of the Foundation. During 2018, two of these individuals were paid an annual salary of \$125,000, while the third was paid a salary of \$120,000.

8. Contingencies

Satisfaction of Donor Requirements

The Foundation receives contributions and grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor requirements have been met for grants and contributions that have been recognized in net assets without donor restrictions.

Cash Deposits in Excess of Federal Insurance Limits

As of December 31, 2018, the Foundation held \$1,246,521 in one financial institution, exceeding F.D.I.C insurance limits by \$996,521, however, management believes the risk of loss is minimal. To date, the Foundation has not experienced any such losses.

9. Liquidity & Availability

Bonnie J. Addario Lung Cancer Foundation (BJALCF) has \$ 1,072,682 of financial assets available within one year of the statement of financial position to meet cash needs for general expenditures which consists of the following:

Cash and cash equivalents	\$1,661,451
Grants receivable	290,000
Pledges receivable	33,000
Sponsorships receivable	221,718
Other receivables	3,805
Less those unavailable for general expenditures within one year due to restrictions by donors	(1,137,292)
Total net assets with donor restrictions	\$1,072,682

The Bonnie J. Addario A Breath Away From The Cure Foundation

Notes to Financial Statements December 31, 2018

This represents approximately 83 days of general expenditures. BJALCF is substantially supported by restricted grants. Because a donor restriction requires resources to be used specific projects or in a future period, BJALCF must maintain sufficient resources to meet those responsibilities to its donors. As a part of BJALCF's liquidity management, BJALCF structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the recent merger has diversified the Foundation's funding sources and the timing of funds receivable which will reduce the major disparity we previously experienced in regards to the consistent outlay of expenses against revenue that was heavily year end loaded.

10. Subsequent Events

Merger

In the spring of 2019, the Foundation merged with Lung Cancer Alliance to become GO₂ Foundation for Lung Cancer (GO₂) with a mission to transform what it means to live with lung cancer and increase the patient survival rate of the world's number one cancer killer annually. GO₂ will maintain its principal offices in the San Francisco Bay Area and Washington, D.C., and ALCF's Founder and Chair will serve as the Chair of the Board of Directors of GO₂.

Preparation of Financial Statements

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through July 30, 2019, the date the financial statements were available to be issued.