

Lung Cancer Alliance

Financial Statements
and Independent Auditors' Report

December 31, 2018 and 2017

Lung Cancer Alliance

Financial Statements
December 31, 2018 and 2017

Contents

Independent Auditors' Report.....	1-2
<i>Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements.....	9-20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lung Cancer Alliance

We have audited the accompanying financial statements of the Lung Cancer Alliance (LCA), which comprise the statements of financial position as of December 31, 2018 and 2017; 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 audits 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 LCA 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.

Handwritten signature of Rogers & Company PLLC in black ink.

Vienna, Virginia
October 4, 2019

Lung Cancer Alliance

Statements of Financial Position December 31, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 780,720	\$ 526,226
Investments	4,621,526	2,923,319
Accounts and interest receivable	37,656	23,901
Contributions receivable, net	1,175,236	288,826
Prepaid expenses	87,827	102,835
Security deposit	89,524	89,524
Trademark, net	3,493	5,237
Property and equipment, net	108,840	171,831
Total assets	<u>\$ 6,904,822</u>	<u>\$ 4,131,699</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 258,361	\$ 89,762
Deferred rent	97,044	130,637
Deferred dues	5,254	-
Total liabilities	<u>360,659</u>	<u>220,399</u>
Net Assets		
Without donor restrictions	2,556,350	2,647,328
With donor restrictions	3,987,813	1,263,972
Total net assets	<u>6,544,163</u>	<u>3,911,300</u>
Total liabilities and net assets	<u>\$ 6,904,822</u>	<u>\$ 4,131,699</u>

See accompanying notes.

Lung Cancer Alliance

Statement of Activities For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 861,096	\$ 7,026,970	\$ 7,888,066
Donated goods and services	349,354	-	349,354
Special events	131,226	-	131,226
Registration fees	47,075	-	47,075
Honoraria	15,840	-	15,840
Investment income, net	67,978	-	67,978
Other income	72,641	-	72,641
Released from restrictions	4,303,129	(4,303,129)	-
Total revenue and support	5,848,339	2,723,841	8,572,180
Expenses			
Program services:			
Science and research	758,366	-	758,366
Medical outreach	1,333,355	-	1,333,355
Public awareness	744,721	-	744,721
Community and support services	859,852	-	859,852
Advocacy	958,322	-	958,322
Total program services	4,654,616	-	4,654,616
Supporting services:			
Management and general	594,860	-	594,860
Direct benefits to donors	15,774	-	15,774
Fundraising	674,067	-	674,067
Total supporting services	1,284,701	-	1,284,701
Total expenses	5,939,317	-	5,939,317
Change in Net Assets	(90,978)	2,723,841	2,632,863
Net Assets, beginning of year	2,647,328	1,263,972	3,911,300
Net Assets, end of year	<u>\$ 2,556,350</u>	<u>\$ 3,987,813</u>	<u>\$ 6,544,163</u>

See accompanying notes.

Lung Cancer Alliance

Statement of Activities For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 966,005	\$ 1,951,507	\$ 2,917,512
Donated goods and services	45,305	-	45,305
Special events	117,690	80,000	197,690
Registration fees	42,835	-	42,835
Honoraria	8,200	-	8,200
Investment income, net	21,907	-	21,907
Other income	17,767	-	17,767
Released from restrictions	2,070,801	(2,070,801)	-
Total revenue and support	3,290,510	(39,294)	3,251,216
Expenses			
Program services:			
Science and research	510,038	-	510,038
Medical outreach	628,448	-	628,448
Public awareness	710,597	-	710,597
Community and support services	638,320	-	638,320
Advocacy	731,914	-	731,914
Total program services	3,219,317	-	3,219,317
Supporting services:			
Management and general	210,137	-	210,137
Direct benefits to donors	13,301	-	13,301
Fundraising	632,417	-	632,417
Total supporting services	855,855	-	855,855
Total expenses	4,075,172	-	4,075,172
Change in Net Assets	(784,662)	(39,294)	(823,956)
Net Assets , beginning of year	3,431,990	1,303,266	4,735,256
Net Assets , end of year	<u>\$ 2,647,328</u>	<u>\$ 1,263,972</u>	<u>\$ 3,911,300</u>

See accompanying notes.

Lung Cancer Alliance

Statement of Functional Expenses For the Year Ended December 31, 2018

	Program Services						Supporting Services			
	Science and Research	Medical Outreach	Public Awareness	Community and Support Services	Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, benefits, and taxes	\$ 476,025	\$ 442,110	\$ 465,380	\$ 393,686	\$ 588,797	\$ 2,365,998	\$ 172,876	\$ 326,646	\$ 499,522	\$ 2,865,520
Consulting fees	148,389	202,193	57,660	294,422	83,091	785,755	23,889	57,492	81,381	867,136
Office rent	54,561	68,202	77,295	68,202	86,389	354,649	31,827	68,202	100,029	454,678
Printing and postage	2,488	7,135	6,866	25,083	3,924	45,496	184	44,109	44,293	89,789
Travel and meals	25,321	102,135	13,624	27,597	71,800	240,477	16,411	40,717	57,128	297,605
Website and technology	15,443	29,175	27,794	18,797	41,927	133,136	1,433	65,544	66,977	200,113
Supplies and storage	1,278	2,669	2,149	2,257	2,672	11,025	1,091	2,186	3,277	14,302
Bank and credit card fees	-	1,358	1,138	2	756	3,254	6,027	12,911	18,938	22,192
Equipment rental	870	14,713	1,198	1,497	7,733	26,011	760	1,205	1,965	27,976
Telecommunications	3,615	4,421	4,809	8,529	4,801	26,175	2,889	4,219	7,108	33,283
Depreciation and amortization	8,201	10,083	11,428	10,083	12,772	52,567	3,479	10,083	13,562	66,129
Loss on disposal of assets	-	-	-	-	-	-	286	-	286	286
Events expenses	-	-	-	-	-	-	-	8,016	8,016	8,016
Scholarships	-	2,000	-	-	17,885	19,885	-	-	-	19,885
Advertising and marketing	17,064	442,025	51,461	4,616	9,966	525,132	180	21,472	21,652	546,784
Miscellaneous	2,792	2,237	4,184	2,096	22,137	33,446	2,505	20,585	23,090	56,536
Insurance	2,319	2,899	3,285	2,985	3,672	15,160	1,674	2,899	4,573	19,733
In-kind expenses	-	-	16,450	-	-	16,450	329,349	3,555	332,904	349,354
Total Expenses	\$ 758,366	\$ 1,333,355	\$ 744,721	\$ 859,852	\$ 958,322	\$ 4,654,616	\$ 594,860	\$ 689,841	\$ 1,284,701	\$ 5,939,317

See accompanying notes.

Lung Cancer Alliance

Statement of Functional Expenses For the Year Ended December 31, 2017

	Program Services						Supporting Services			
	Science and Research	Medical Outreach	Public Awareness	Community and Support Services	Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, benefits, and taxes	\$ 345,458	\$ 401,809	\$ 413,990	\$ 403,014	\$ 480,863	\$ 2,045,134	\$ 140,627	\$ 305,323	\$ 445,950	\$ 2,491,084
Consulting fees	68,789	19,089	99,069	49,977	30,965	267,889	22,700	69,431	92,131	360,020
Office rent	55,774	69,441	79,678	79,694	79,698	364,285	20,047	68,258	88,305	452,590
Printing and postage	462	10,863	9,701	35,170	2,797	58,993	-	46,013	46,013	105,006
Travel and meals	12,855	69,343	7,274	30,203	60,109	179,784	8,395	24,747	33,142	212,926
Website and technology	13,162	15,733	35,598	20,374	28,492	113,359	2,656	70,221	72,877	186,236
Supplies and storage	1,119	2,170	3,071	1,598	2,977	10,935	831	1,870	2,701	13,636
Bank and credit card fees	-	1,952	53	-	2,685	4,690	5,548	10,124	15,672	20,362
Equipment rental	1,054	15,893	1,219	1,367	6,668	26,201	833	997	1,830	28,031
Telecommunications	3,361	3,792	5,094	8,224	3,818	24,289	1,606	3,575	5,181	29,470
Depreciation and amortization	3,399	3,941	4,098	4,484	4,484	20,406	1,084	3,941	5,025	25,431
Events expenses	-	-	-	-	-	-	-	25,890	25,890	25,890
Scholarships	-	-	-	-	6,260	6,260	-	-	-	6,260
Miscellaneous	2,400	11,678	3,298	1,066	18,949	37,391	4,932	12,629	17,561	54,952
Insurance	2,205	2,744	3,149	3,149	3,149	14,396	878	2,699	3,577	17,973
In-kind expenses	-	-	45,305	-	-	45,305	-	-	-	45,305
Total Expenses	\$ 510,038	\$ 628,448	\$ 710,597	\$ 638,320	\$ 731,914	\$ 3,219,317	\$ 210,137	\$ 645,718	\$ 855,855	\$ 4,075,172

See accompanying notes.

Lung Cancer Alliance

Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 2,632,863	\$ (823,956)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization – property and equipment	64,385	23,687
Amortization – trademark	1,744	1,744
Loss on disposal of property and equipment	286	-
Net realized and unrealized (gain) loss on investments	(5,527)	14
Donated stocks	(45,842)	(30,345)
Change in present-value discount on contributions receivable	16,563	(1,334)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and interest receivable	(13,755)	504
Contributions receivable	(902,973)	33,329
Prepaid expenses	15,008	(13,189)
Increase (decrease) in:		
Accounts payable and accrued expenses	168,599	(32,264)
Deferred rent	(33,593)	(15,280)
Deferred dues	5,254	-
Net cash provided by (used in) operating activities	<u>1,903,012</u>	<u>(857,090)</u>
Cash Flows from Investing Activities		
Purchase of CDs	(6,745,785)	(2,282,000)
Proceeds from maturities of CDs	5,492,000	2,882,000
Net change in short-term investments	(393,053)	(266,133)
Purchase of fixed assets	<u>(1,680)</u>	<u>(156,652)</u>
Net cash (used in) provided by investing activities	<u>(1,648,518)</u>	<u>177,215</u>
Net Increase (Decrease) in Cash	254,494	(679,875)
Cash, beginning of year	<u>526,226</u>	<u>1,206,101</u>
Cash, end of year	<u><u>\$ 780,720</u></u>	<u><u>\$ 526,226</u></u>
Supplementary Disclosure of Cash Flow Information		
Cash paid for unrelated business income taxes	<u>\$ 7,550</u>	<u>\$ -</u>
Supplementary Disclosure of Non-Cash Operating Activity		
Donated stocks	<u><u>\$ 45,842</u></u>	<u><u>\$ 30,345</u></u>

See accompanying notes.

Lung Cancer Alliance

Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Operations

The Lung Cancer Alliance (LCA) is a nonprofit organization exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3). LCA was originally incorporated in 1997 as the Alliance for Lung Cancer Advocacy, Support and Education under the authority of the State of Washington. During 2004, LCA relocated its headquarters to Washington, DC, and the Articles of Incorporation were amended to adopt the name Lung Cancer Alliance. LCA is one of the highest-rated nonprofit organizations dedicated to fighting lung cancer in the nation. Since its inception LCA has played a critical role in every major advance – changing how we support, talk about, detect and treat the disease – and turning those impacted into survivors. LCA’s mission is saving lives and advancing research by empowering those living with and at risk for lung cancer.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions in the following classes:

- *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* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Lung Cancer Alliance

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses net of investment management fees are included in investment income in the accompanying statements of activities. Money market and short-term investment funds, held as a portion of LCA's investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of cash flows.

Certificates of deposit with original maturities greater than three months, held as a portion of LCA's investment portfolio, are classified as investments, but are not subject to the provisions of fair value measurements.

Accounts Receivable

Accounts receivable consist of program fees related to LCA's advisory and consulting services and are recorded at net realizable value. It is LCA's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected. No allowance for uncollectible accounts has been established at December 31, 2018 and 2017, as all amounts are deemed fully collectible.

Contributions Receivable

Contributions receivable represent unconditional promises to give and are recorded at net realizable value. Contributions due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. Management believes that all contributions receivable are collectible at December 31, 2018 and 2017, and accordingly, no allowance for uncollectible accounts has been established.

Trademark

Consistent with accounting principles generally accepted in the United States of America, costs associated with the registration filings of the name of the organization are being amortized on a straight-line basis over a 15-year period.

Lung Cancer Alliance

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment with a cost in excess of \$1,500 and a useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the individual assets, which range from three to ten years. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of their estimated useful lives or the lease term. Expenditures for repairs and maintenance are expensed as incurred.

Revenue Recognition

Contributions and grants, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. LCA reports them as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to one of LCA's programs or to a future year. 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 statements of activities as net assets released from restrictions. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

LCA holds special events throughout the year as fundraising events. The gross revenues and expenses, including direct benefit to donors, from these events are presented in the statements of activities, and revenues are recognized when donations are received. Special events revenue consists of donations collected during special events and also registration for events that are recognized at the time the event takes place.

Registrations for meetings and events are recognized at the time the event takes place. Amounts received in advance of the event are included in deferred revenue in the accompanying financial statements.

Revenue from all other sources is recognized when earned.

Lung Cancer Alliance

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Donated Goods and Services

LCA receives donated goods and services that benefit both program and supporting services. Contributions of services are recognized when they create or enhance nonfinancial assets, or require specialized skills, are provided by qualified individuals, and would typically be purchased if not donated. Donated goods and services are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used. Contributions of donated goods and services for the years ended December 31, 2018 and 2017 were \$349,354 and \$45,305, respectively, which have been reflected as donated goods and services, and either capitalized costs or expenses in the accompanying statements of activities.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and were \$546,784 and \$77,776 for the years ended December 31, 2018 and 2017, respectively.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on the change in the net assets previously reported.

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

Lung Cancer Alliance

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncement Adopted

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The 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. LCA has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity and availability footnote, which is permitted by the ASU in the year of adoption. The implementation had no impact on the previously reported net assets.

Subsequent Events

In preparing these financial statements, LCA has evaluated events and transactions for potential recognition or disclosure through October 4, 2019, the date the financial statements were available to be issued. LCA did not have any material recognizable subsequent events during the period, except as described below.

On May 1, 2019, LCA and Bonnie J. Addario Lung Cancer Foundation (ALCF) completed a merger transaction pursuant to a definitive agreement dated March 19, 2019, whereby the GO2 Foundation for Lung Cancer (GO2 Foundation), a 501(c)(3) not-for-profit organization, was established. This merger will combine the strengths and financial health of these two national organizations to become one organization with locations in Washington, DC and the San Francisco Bay Area that will help improve the lives of millions of those touched by lung cancer.

3. Liquidity and Availability

LCA has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. As part of this liquidity management, LCA invests cash in excess of daily requirements in various short-term investments including certificates of deposit and short-term instruments.

Lung Cancer Alliance

Notes to Financial Statements December 31, 2018 and 2017

3. Liquidity and Availability (continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2018:

Cash	\$ 780,720
Investments	4,621,526
Accounts and interest receivable	37,656
Contributions receivable, net	1,175,236
Less: restricted by donors with purpose restrictions	<u>(3,987,813)</u>
Total available for general expenditures	<u><u>\$ 2,627,325</u></u>

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject LCA to significant concentrations of credit risk consist of cash and investments. LCA maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). LCA has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue and Receivable Risk

For the years ended December 31, 2018 and 2017, approximately 70% and 33%, respectively, of total revenue and support was provided by three major contributors. Any significant reduction in revenue and support from these contributors may impact LCA's financial position and operations.

At December 31, 2018, \$1,054,464 was owed to LCA by one contributor, which represents 90% of total contributions receivable for the year ended December 31, 2018. LCA did not have a concentration of receivable at December 31, 2017.

Lung Cancer Alliance

Notes to Financial Statements
December 31, 2018 and 2017

5. Investments and Fair Value Measurements

LCA follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. LCA recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, LCA uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following is a summary of the input levels used to determine fair value at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 807,703	\$ -	\$ -	\$ 807,703
Short-term investment funds:				
Government institutional	924,264	-	-	924,264
Treasury institutional	923,095	-	-	923,095
Total investments at fair value	<u>\$ 2,655,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,655,062</u>
Certificates of deposit				<u>1,966,464</u>
Total investments				<u><u>\$ 4,621,526</u></u>

Lung Cancer Alliance

Notes to Financial Statements December 31, 2018 and 2017

5. Investments and Fair Value Measurements (continued)

The following is a summary of the input levels used to determine fair value at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 450,852	\$ -	\$ -	\$ 450,852
Short-term investment funds:				
Government institutional	909,290	-	-	909,290
Treasury institutional	908,256	-	-	908,256
Total investments at fair value	<u>\$ 2,268,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,268,398</u>
Certificates of deposit				<u>654,921</u>
Total investments				<u><u>\$ 2,923,319</u></u>

Money market accounts consist primarily of domestic commercial paper and other cash management accounts. Money market accounts seek to maintain stable net assets values (NAV) of \$1.

Short-term investment funds are valued at their NAV at the end of each business day and are categorized in Level 1 of the fair value hierarchy.

Certificates of deposit held in the investment portfolio are not subject to the provisions of fair value measurements as they are recorded at cost.

Net investment income consists of the following for the years ended December 31:

	2018	2017
Interest and dividends	\$ 62,451	\$ 21,921
Realized loss	-	(11)
Unrealized gain	5,527	465
Investment management fees	<u>-</u>	<u>(468)</u>
Total investment income, net	<u><u>\$ 67,978</u></u>	<u><u>\$ 21,907</u></u>

Lung Cancer Alliance

Notes to Financial Statements December 31, 2018 and 2017

6. Contributions Receivable

Contributions receivable are due as follows at December 31:

	2018	2017
Due in less than one year	\$ 646,271	\$ 269,455
Due in one to five years	546,157	20,000
Total contributions receivable	1,192,428	289,455
Less: discount to net present value at 3.25%	(17,192)	(629)
Contributions receivable, net	<u>\$ 1,175,236</u>	<u>\$ 288,826</u>

7. Intangible Asset

Intangible asset consists of the following at December 31:

	2018	2017
Trademark	\$ 26,165	\$ 26,165
Less: accumulated amortization	(22,672)	(20,928)
Trademark, net	<u>\$ 3,493</u>	<u>\$ 5,237</u>

8. Property and Equipment

Property and equipment consists of the following at December 31:

	2018	2017
Website	\$ 156,738	\$ 156,738
Software	37,482	37,482
Furniture and equipment	37,164	87,520
Leasehold improvements	9,308	9,308
Total property and equipment	240,692	291,048
Less: accumulated depreciation and amortization	(131,852)	(119,217)
Property and equipment, net	<u>\$ 108,840</u>	<u>\$ 171,831</u>

Lung Cancer Alliance

Notes to Financial Statements
December 31, 2018 and 2017

9. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at December 31:

	2018	2017
Community and support services	\$ 2,147,061	\$ 562,276
Medical outreach	1,128,627	114,276
Science and research	383,554	192,895
Advocacy	202,000	151,673
Public awareness	121,571	162,852
Special events	5,000	80,000
Total net assets with donor restrictions	<u>\$ 3,987,813</u>	<u>\$ 1,263,972</u>

10. Commitments and Contingencies

Hotel Agreements

LCA holds meetings and conferences at various hotels throughout the United States. These events are contracted with the hotels in advance. In the event that LCA cancels its agreements with the hotels, it can be held liable for liquidated damages up to the amount of lost profit less the hotel's mitigation, depending upon the date of cancellation. Based on prior experience, management believes that the likelihood that LCA would pay any liquidated damages under these contracts is remote.

Government Grants

Pass through funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are completed, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

Operating Leases

In April 2015, LCA entered into a sublease agreement for a new office space in Washington, DC, which commenced on June 1, 2015 and expires on October 25, 2020. The sublease calls for annual rental increases of 4%, along with certain incentives. The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is reflected as deferred rent liability in the accompanying statements of financial position.

Lung Cancer Alliance

Notes to Financial Statements December 31, 2018 and 2017

10. Commitments and Contingencies (continued)

Operating Leases (continued)

Rent expense for the years ended December 31, 2018 and 2017 totaled \$454,678 and \$452,590, respectively.

Future minimum lease payments under the lease agreement are as follows for the years ending December 31:

2019	\$	494,691
2020		<u>412,815</u>
Total future minimum lease payments	\$	<u>907,506</u>

In addition, LCA leases certain office equipment under a non-cancelable operating lease.

11. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All costs incurred directly for a certain function or program are coded directly or split among those activities. The expenses that are allocated include salaries, benefits, taxes, consulting fees, office rent, office expenses, depreciation and amortization, and other expenses, which are allocated on the basis of estimates of time and effort.

12. Retirement Plan

LCA maintains a 403(b) defined contribution pension plan for all eligible employees. All employees are eligible to participate in the plan upon hire and are eligible for LCA's contributions upon completion of six months of regular full-time service and upon attaining 21 years of age. Employees contribute by payroll deductions on a pre-tax basis up to the amount allowable by federal law. Employee deferrals are immediately 100% vested and may begin at any time. LCA's contributions are discretionary and determined every year. For the years ended December 31, 2018 and 2017, LCA made contributions to the plan of 5% of each participant's compensation, which totaled \$107,625 and \$96,274, respectively.

Lung Cancer Alliance

Notes to Financial Statements December 31, 2018 and 2017

13. Income Taxes

LCA is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). For the year ended December 31, 2018, LCA generated unrelated business income from taxable transportation fringe benefits of approximately \$27,282 and the estimated tax expense is approximately \$7,550. For the year ended December 31, 2017, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded.

Contributions to LCA are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated LCA's tax positions and concluded that LCA's financial statements do not include any uncertain tax positions.