Lung Cancer Alliance

Financial Statements
and Independent Auditors' Report

April 30, 2019

Lung Cancer Alliance

Financial Statements
April 30, 2019

Contents

ROGERS & COMPANY

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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 statement of financial position as of April 30, 2019; the related statements of activities, functional expenses, and cash flows for the four-month period 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 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.

ROGERS & COMPANY

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LCA as of April 30, 2019, and the changes in its net assets and its cash flows for the four-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Merger

As discussed in Note 3 to the financial statements, on May 1, 2019, LCA and Bonnie J. Addario Lung Cancer Foundation (ALCF) completed a merger transaction pursuant to a definitive agreement dated March 20, 2019, whereby the GO2 Foundation for Lung Cancer (GO2), a 501(c)(3) not-for-profit organization, was established. All assets, liabilities, obligations and activities of LCA were merged into GO2 on May 1, 2019.

Change in Accounting Principles

As discussed in Note 2 to the financial statements, LCA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Rogers + Company PLLC

Vienna, Virginia
August 17, 2020

Lung Cancer Alliance

Statement of Financial Position
April 30, 2019

Assets		
Cash	$	1,461,366
Investments		5,405,571
Accounts and interest receivable		6,890
Contributions receivable, net		1,429,691
Prepaid expenses and other assets		211,331
Trademark, net		2,913
Property and equipment, net		89,033
Total assets	$	8,606,795
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$	220,641
Deferred revenue		22,050
Deferred rent		83,262
Total liabilities		325,953
Net Assets		
Without donor restrictions		2,059,131
With donor restrictions		6,221,711
Total net assets		8,280,842
Total liabilities and net assets	$	8,606,795

See accompanying notes.

Lung Cancer Alliance

Statement of Activities
For the Four-Month Period Ended April 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	$ 269,528	$ 3,339,100	$ 3,608,628
Registration fees	3,301	-	3,301
Investment income, net	34,167	-	34,167
Other income	21,653	-	21,653
Released from restrictions	1,105,202	(1,105,202)	-
Total revenue and support	1,433,851	2,233,898	3,667,749
Expenses			
Program services:			
Science and research	220,368	-	220,368
Medical outreach	326,245	-	326,245
Public awareness	305,802	-	305,802
Community and support services	396,433	-	396,433
Advocacy	294,750	-	294,750
Total program services	1,543,598	-	1,543,598
Supporting services:			
Management and general	162,501	-	162,501
Fundraising	224,971	-	224,971
Total supporting services	387,472	-	387,472
Total expenses	1,931,070	-	1,931,070
Change in Net Assets	(497,219)	2,233,898	1,736,679
Net Assets, beginning of period	2,556,350	3,987,813	6,544,163
Net Assets, end of period	$ 2,059,131	$ 6,221,711	$ 8,280,842

See accompanying notes.

Lung Cancer Alliance

Statement of Functional Expenses
For the Four-Month Period Ended April 30, 2019

	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	$ 175,375	$ 144,241	$ 116,373	$ 144,392	$ 201,317	$ 781,698	$ 99,759	$ 130,792	$ 230,551	$ 1,012,249
Consulting fees	1,208	42,839	148,593	177,666	30,896	401,202	29,704	23,485	53,189	454,391
Office rent	19,598	30,259	22,513	21,808	26,292	120,470	10,818	20,322	31,140	151,610
Printing and postage	4,101	2,223	64	26,566	111	33,065	7	4,687	4,694	37,759
Travel and meals	10,857	9,582	2,599	13,574	3,814	40,426	12,176	18,507	30,683	71,109
Website and technology	2,112	8,678	7,891	2,112	11,914	32,707	3,070	16,289	19,359	52,066
Supplies and storage	848	957	531	658	684	3,678	312	666	978	4,656
Bank and credit card fees	-	-	242	3	382	627	2,140	1,589	3,729	4,356
Equipment rental	250	319	459	333	390	1,751	274	334	608	2,359
Telecommunications	797	1,275	1,101	2,838	1,259	7,270	673	1,077	1,750	9,020
Depreciation and amortization	3,089	5,517	2,869	3,089	3,531	18,095	1,324	2,648	3,972	22,067
Events expenses	-	-	-	-	-	-	-	1,068	1,068	1,068
Scholarships	-	-	-	-	227	227	-	-	-	227
Advertising and marketing	248	77,684	106	1,029	500	79,567	4	151	155	79,722
Miscellaneous	996	1,083	1,635	1,476	12,417	17,607	1,859	2,594	4,453	22,060
Insurance	889	1,588	826	889	1,016	5,208	381	762	1,143	6,351
Total Expenses	$ 220,368	$ 326,245	$ 305,802	$ 396,433	$ 294,750	$ 1,543,598	$ 162,501	$ 224,971	$ 387,472	$ 1,931,070

See accompanying notes.

Lung Cancer Alliance

Statement of Cash Flows
For the Four-Month Period Ended April 30, 2019

Cash Flows from Operating Activities	
Change in net assets	$ 1,736,679
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization – property and equipment	21,487
Amortization – trademark	580
Net realized and unrealized gain on investments	(3,188)
Change in present-value discount on contributions receivable	27,552
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts and interest receivable	30,766
Contributions receivable	(282,007)
Prepaid expenses and other assets	(123,504)
Security deposit	89,524
Increase (decrease) in:	
Accounts payable and accrued expenses	(37,720)
Deferred revenue	16,796
Deferred rent	(13,782)
Net cash provided by operating activities	1,463,183
Cash Flows from Investing Activities	
Purchase of CDs	(828,512)
Proceeds from maturities of CDs	729,000
Net change in short-term investments	(681,345)
Purchase of fixed assets	(1,680)
Net cash used in investing activities	(782,537)
Net Increase in Cash	680,646
Cash, beginning of period	780,720
Cash, end of period	$ 1,461,366

See accompanying notes.

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

<u>Basis of Accounting and Presentation</u>

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.

<u>Investments</u>

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 statement 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.

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

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 April 30, 2019, 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 April 30, 2019, 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.

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.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

LCA recognizes contributions and grants when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. LCA reports them as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds 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 restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

Registrations for meetings and events are recognized at the time the event takes place, which is when the sole performance obligation is satisfied. 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.

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 statement 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. There were no donated goods and services for the four-month period ended April 30, 2019.

Functional Allocation of Expenses

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

2. Summary of Significant Accounting Policies (continued)

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.

Change in Accounting Principles

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. LCA has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. LCA has implemented ASU 2018-08 applicable to both contributions received and to contributions made in these financial statements accordingly under a modified prospective basis. The implementation had no impact on the previously reported net assets.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued 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 statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2021.

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, LCA has evaluated events and transactions for potential recognition or disclosure through August 17, 2020, 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 in Note 3.

3. Merger

On March 20, 2019, LCA entered into a merger agreement with Bonnie J. Addario Cancer Foundation (ALCF). The merger was completed subsequent to the reporting period presented, on May 1, 2019, whereby the GO2 Foundation for Lung Cancer (GO2), a new 501(c)(3) not-for-profit organization, was established. This merger combined the strengths and financial health of these two national nonprofits 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.

4. Liquidity and Availability

LCA maintained liquid financial assets to be able to fulfill its general expenditures, liabilities, and other obligations as of April 30, 2019. As part of its liquidity management, LCA invests cash in excess of daily requirements in various short-term investments including certificates of deposit and short-term instruments.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following at April 30, 2019:

Cash	$ 1,461,366
Investments	5,405,571
Accounts and interest receivable	6,890
Contributions receivable due in less than one year	861,715
Total financial assets	7,735,542
Less: restricted by donors with purpose restrictions	(6,221,711)
Total available for general expenditures	$ 1,513,831

5. 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 four-month period ended April 30, 2019, approximately 83% of total revenue and support was provided by one contributor. Any significant reduction in revenue and support from this contributor may impact LCA's financial position and operations.

LCA was owed $1,054,464 by one contributor, which accounted for 74% of contributions receivable at April 30, 2019.

6. 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.

6. Investments and Fair Value Measurements (continued)

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 April 30, 2019:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 2,710,546	$ -	$ -	$ 2,710,546
Short-term investment funds:				
Government institutional	-	931,290	-	931,290
Treasury institutional	-	930,022	-	930,022
Total investments at fair value	$ 2,710,546	$ 1,861,312	$ -	4,571,858
Certificates of deposit				833,713
Total investments				$ 5,405,571

Money market accounts consist primarily of domestic commercial paper and other cash management accounts. Money market accounts seek to maintain stable net asset 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 2 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 four-month period ended April 30, 2019:

Interest and dividends	$ 30,979
Realized loss	(748)
Unrealized gain	3,936
Investment income, net	$ 34,167

7. Contributions Receivable

Contributions receivable are due as follows at April 30, 2019:

Due in less than one year	$	861,715
Due in one to five years		596,157
Total contributions receivable		1,457,872
Less: discount to net present value at 3.25%		(28,181)
Contributions receivable, net	$	1,429,691

Contributions receivable beyond the reporting period of April 30, 2019 will be transferred to the merged entity.

8. Intangible Asset

Intangible asset consists of the following at April 30, 2019:

Trademark	$	26,165
Less: accumulated amortization		(23,252)
Trademark, net	$	2,913

9. Property and Equipment

Property and equipment consists of the following at April 30, 2019:

Website	$	156,738
Software		37,482
Furniture and equipment		38,844
Leasehold improvements		9,308
Total property and equipment		242,372
Less: accumulated depreciation and amortization		(153,339)
Property and equipment, net	$	89,033

10. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at April 30, 2019:

Medical outreach	$ 2,387,815
Community and support services	2,365,120
Science and research	1,020,907
Public awareness	234,856
Advocacy	140,758
Special events	72,255
Total net assets with donor restrictions	$ 6,221,711

11. Commitments and Contingencies

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 statement of financial position. Rent expense for the four-month period ended April 30, 2019 totaled $151,610.

The remaining future minimum lease payments on this lease agreement total $746,367 at April 30, 2019.

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

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.

11. Commitments and Contingencies (continued)

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.

12. 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.

13. 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 four-month period ended April 30, 2019, LCA made contributions to the plan of 5% of each participant's compensation, which totaled $38,897.

14. Income Taxes

LCA is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). No tax expense is recorded in the accompanying financial statements as there was no unrelated business income.

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.