

LUNG CANCER INITIATIVE

FINANCIAL STATEMENTS

December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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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LUNG CANCER INITIATIVE
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash	\$ 630,242	\$ 457,109
Promises to give	58,634	8,650
Prepaid expenses	10,334	10,518
Beneficial interest in assets held by Triangle Community Foundation	<u>95,540</u>	<u>98,833</u>
Total assets	<u>\$ 794,750</u>	<u>\$ 575,110</u>
LIABILITIES		
Accounts payable	\$ 460	\$ 4,246
Accrued expenses	6,425	6,129
Grants payable	<u>125,000</u>	<u>100,000</u>
Total liabilities	131,885	110,375
NET ASSETS		
Undesignated	487,825	357,252
Board designated Legacy Fund	<u>95,540</u>	<u>98,833</u>
Total unrestricted	583,365	456,085
Temporarily restricted	<u>79,500</u>	<u>8,650</u>
Total net assets	<u>662,865</u>	<u>464,735</u>
Total liabilities and net assets	<u>\$ 794,750</u>	<u>\$ 575,110</u>

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF ACTIVITIES
Years ended December 31, 2015 and 2014

UNRESTRICTED NET ASSETS	2015	2014
SUPPORT AND REVENUE		
Contributions	\$ 656,019	\$ 472,927
Special events	137,816	134,333
Cost of direct benefits to donors	(30,829)	(31,526)
Other income	9,918	401
Investment return	(1,839)	(309)
Total support and revenue	771,085	575,826
EXPENSES		
Program services	426,812	334,373
Supporting activities		
Management and general	110,232	72,142
Fundraising	115,411	111,395
Total expenses	652,455	517,910
Net assets released from restrictions	8,650	30,926
Change in unrestricted net assets	127,280	88,842
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	79,500	8,650
Net assets released from restrictions	(8,650)	(30,926)
Change in temporarily restricted net assets	70,850	(22,276)
Change in net assets	198,130	66,566
Net assets - beginning of year	464,735	398,169
Net assets - end of year	\$ 662,865	\$ 464,735

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2015 and 2014

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	2015 Total
Grants	\$ 175,000	\$ -	\$ -	\$ -	\$ 175,000
Events	74,313	-	86,699	30,829	191,841
Postage and printing	2,028	8,980	3,060	-	14,068
Professional fees	-	18,700	-	-	18,700
Personnel	134,403	22,578	19,628	-	176,609
Other	33,611	57,680	4,303	-	95,594
Occupancy	7,457	2,294	1,721	-	11,472
Total expenses	426,812	110,232	115,411	30,829	683,284
Less cost of direct benefits to donors included with support and revenue on the statement of activities	-	-	-	(30,829)	(30,829)
Total expenses included in the expenses section of the statement of activities	\$ 426,812	\$ 110,232	\$ 115,411	\$ -	\$ 652,455
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	2014 Total
Grants	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Events	79,880	-	87,371	31,526	198,777
Postage and printing	1,333	8,833	2,491	-	12,657
Professional fees	-	18,300	-	-	18,300
Personnel	117,928	20,419	16,429	-	154,776
Other	28,313	22,461	3,507	-	54,281
Occupancy	6,919	2,129	1,597	-	10,645
Total expenses	334,373	72,142	111,395	31,526	549,436
Less cost of direct benefits to donors included with support and revenue on the statement of activities	-	-	-	(31,526)	(31,526)
Total expenses included in the expenses section of the statement of activities	\$ 334,373	\$ 72,142	\$ 111,395	\$ -	\$ 517,910

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 198,130	\$ 66,566
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Agency fund investment return retained	3,293	1,167
(Increase) decrease in assets		
Promises to give	(49,984)	64,539
Accounts receivable	-	7,955
Prepaid expenses	184	635
Increase (decrease) in liabilities		
Accounts payable	(3,786)	3,147
Refundable advance	-	(362)
Accrued expenses	296	2,618
Grants payable	25,000	-
Net cash flows from operating activities	173,133	146,265
CASH FLOW FROM INVESTING ACTIVITIES		
Transfers to agency fund	-	(100,000)
Net change in cash	173,133	46,265
Cash - beginning of year	457,109	410,844
Cash - end of year	<u>\$ 630,242</u>	<u>\$ 457,109</u>

See accompanying notes.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

Basis of Presentation

The Initiative is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Initiative in perpetuity.

Promises to Give

Unconditional promises to give are recognized as revenue 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.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from 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.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited, as follows:

Program Services – 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.

Supporting Activities – Supporting activities consist of management and general functions, such as strategic planning and financial management of the Initiative, and fundraising.

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 revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

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

Reclassifications

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

Date of Management’s Review

Management has evaluated subsequent events through April 19, 2016, the date which the financial statements were available to be issued.

NOTE 2 – PROMISES TO GIVE

Promises to give at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 38,634	\$ 8,650
Receivable in one to five years	<u>20,000</u>	<u>-</u>
Promises to give	<u>\$ 58,634</u>	<u>\$ 8,650</u>

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

The Initiative maintains its cash balances in one financial institution located in Nashville, Tennessee. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015 and 2014, the Initiative's uninsured cash balances totaled \$379,788 and \$205,570.

NOTE 4 – AGENCY FUND

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, 2015 and 2014, the Initiative has designated \$95,540 and \$98,833 of unrestricted net assets for the agency fund. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. Composition of and changes in board designated net assets were as follows:

	2015	2014
Board designated Legacy Fund - beginning of year	\$ 98,833	\$ -
Transfers to agency fund	-	100,000
Net investment activity	(3,293)	(1,167)
Board designated Legacy Fund - end of year	\$ 95,540	\$ 98,833

NOTE 5 – GRANTS PAYABLE

Grants authorized but unpaid at year end are reported as liabilities. Grants payable at December 31, 2015 and 2014 are to be paid in the following year.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 consist of contributions that are restricted for subsequent years' activities.

NOTE 7 – JOINT COSTS

The costs of events held, totaling \$152,565 and \$152,675 for 2015 and 2014, to publicize the Initiative's mission and programs have been allocated equally between program services and fundraising expenses.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 8 – INVESTMENT RETURN

Investment return for 2015 and 2014 consisted of the following:

	2015	2014
Interest and dividend income	\$ 1,454	\$ 858
Agency fund investment return	(3,293)	(1,167)
Investment return	\$ (1,839)	\$ (309)

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2015 and 2014 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 - 2015	\$ 95,540	\$ -	\$ -	\$ 95,540
Beneficial interest in net assets held by TCF - 2014	\$ 98,833	\$ -	\$ -	\$ 98,833

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	
	2015	2014
Beginning balance	\$ 98,833	\$ -
Purchases	-	100,000
Change in value of beneficial interest included in change in net assets	(3,293)	(1,167)
Ending balance	\$ 95,540	\$ 98,833

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 on the statements of activities.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 10 – OPERATING LEASE

The Initiative rents office space in Raleigh, North Carolina under an operating lease agreement. The lease was amended in February 2014 for a three year term that requires monthly payments of \$930 with annual increases of 3% and expires on January 31, 2017. Rent expense was \$11,472 and \$10,645 for 2015 and 2014. Future minimum lease payments are \$11,816 and \$987 for 2016 and 2017.