

LUNG CANCER INITIATIVE

FINANCIAL STATEMENTS

December 31, 2016 and 2015

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6



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, 2016 and 2015, 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, 2016 and 2015, 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.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
May 5, 2017

New York Office:

230 Park Avenue, 10th Floor
New York, NY 10146
P: (212) 551-1724
F: (262) 522-7550

Washington DC Office:

400 North Washington Street
Second Floor
Alexandria, VA 22314
P: (703) 519-0990

Wisconsin Office:

2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

LUNG CANCER INITIATIVE
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	\$ 552,300	\$ 630,242
Promises to give	28,423	58,634
Prepaid expenses	10,027	10,334
Equipment - net of accumulated depreciation of \$816	4,079	-
Beneficial interest in assets held by Triangle Community Foundation	101,965	95,540
Total assets	\$ 696,794	\$ 794,750
LIABILITIES		
Accounts payable	\$ 3,356	\$ 460
Accrued expenses	10,217	6,425
Grants payable	125,000	125,000
Total liabilities	138,573	131,885
NET ASSETS		
Undesignated	404,318	487,825
Board designated Legacy Fund	101,965	95,540
Total unrestricted	506,283	583,365
Temporarily restricted	51,938	79,500
Total net assets	558,221	662,865
Total liabilities and net assets	\$ 696,794	\$ 794,750

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF ACTIVITIES
Years ended December 31, 2016 and 2015

UNRESTRICTED NET ASSETS	2016	2015
SUPPORT AND REVENUE		
Contributions	\$ 604,669	\$ 656,019
Special events	161,609	137,816
Cost of direct benefits to donors	(42,190)	(30,829)
Other income	-	9,918
Investment return	7,677	(1,839)
Total support and revenue	731,765	771,085
EXPENSES		
Program services	671,336	426,812
Supporting activities		
Management and general	69,807	110,232
Fundraising	127,204	115,411
Total expenses	868,347	652,455
Net assets released from restrictions	59,500	8,650
Change in unrestricted net assets	(77,082)	127,280
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	31,938	79,500
Net assets released from restrictions	(59,500)	(8,650)
Change in temporarily restricted net assets	(27,562)	70,850
Change in net assets	(104,644)	198,130
Net assets - beginning of year	662,865	464,735
Net assets - end of year	\$ 558,221	\$ 662,865

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2016 and 2015

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	2016 Total
Grants	\$ 345,000	\$ -	\$ -	\$ -	\$ 345,000
Events	60,052	-	71,547	42,190	173,789
Postage and printing	14,784	2,700	2,710	-	20,194
Professional fees	-	23,950	-	-	23,950
Personnel	167,633	23,223	45,769	-	236,625
Other	73,182	17,644	4,888	-	95,714
Occupancy	10,685	2,290	2,290	-	15,265
Total expenses	671,336	69,807	127,204	42,190	910,537
Less cost of direct benefits to donors included with support and revenue on the statements of activities	-	-	-	(42,190)	(42,190)
Total expenses included in the expenses section of the statements of activities	\$ 671,336	\$ 69,807	\$ 127,204	\$ -	\$ 868,347
	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 statements of activities	-	-	-	(30,829)	(30,829)
Total expenses included in the expenses section of the statements of activities	\$ 426,812	\$ 110,232	\$ 115,411	\$ -	\$ 652,455

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF CASH FLOWS
Years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (104,644)	\$ 198,130
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	816	-
Agency fund investment return	(6,425)	3,293
(Increase) decrease in assets		
Promises to give	30,211	(49,984)
Prepaid expenses	307	184
Increase (decrease) in liabilities		
Accounts payable	2,896	(3,786)
Accrued expenses	3,792	296
Grants payable	-	25,000
Net cash flows from operating activities	(73,047)	173,133
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of equipment	(4,895)	-
Net change in cash	(77,942)	173,133
Cash - beginning of year	630,242	457,109
Cash - end of year	\$ 552,300	\$ 630,242

See accompanying notes.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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.

Equipment

The Initiative capitalizes equipment in excess of \$1,000 at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method. Depreciation expense for 2016 was \$816.

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.

Income Tax Status

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

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Date of Management’s Review

Management has evaluated subsequent events through May 5, 2017, the date which the financial statements were available to be issued.

NOTE 2 – PROMISES TO GIVE

Promises to give at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Receivable in less than one year	\$ 28,423	\$ 38,634
Receivable in one to five years	-	20,000
	\$ 28,423	\$ 58,634

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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, 2016 and 2015, the Initiative's uninsured cash balances totaled \$300,262 and \$379,788.

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, 2016 and 2015, the Initiative has designated \$101,965 and \$95,540 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:

	2016	2015
Board designated Legacy Fund - beginning of year	\$ 95,540	\$ 98,833
Net investment activity	6,425	(3,293)
Board designated Legacy Fund - end of year	\$ 101,965	\$ 95,540

NOTE 5 – GRANTS PAYABLE

Grants authorized but unpaid at year end are reported as liabilities. Grants payable at December 31, 2016 and 2015 are to be paid in the following year.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 consist of contributions that are available for subsequent years' activities.

NOTE 7 – JOINT COSTS

The costs of events held in 2016 and 2015 totaling \$151,078 and \$152,565 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, 2016 and 2015

NOTE 8 – INVESTMENT RETURN

Investment return for 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividend income	\$ 1,252	\$ 1,454
Agency fund investment return	6,425	(3,293)
Investment return	\$ 7,677	\$ (1,839)

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2016 and 2015 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 - 2016	\$ 101,965	\$ -	\$ -	\$ 101,965
Beneficial interest in net assets held by TCF - 2015	\$ 95,540	\$ -	\$ -	\$ 95,540

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	
	2016	2015
Beginning balance	\$ 95,540	\$ 98,833
Change in value of beneficial interest included in change in net assets	6,425	(3,293)
Ending balance	\$ 101,965	\$ 95,540

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, 2016 and 2015

NOTE 10 – OPERATING LEASE

The Initiative rents office space in Raleigh, North Carolina under an operating lease agreement. The lease required monthly payments of \$987 and expires on January 31, 2018. Rent increases by 3% annually. The lease includes an option to renew for one additional year. Rent expense for 2016 and 2015 was \$11,816 and \$11,472. Future minimum lease payments for 2017 and 2018 are \$12,171 and \$1,017.