

LUNG CANCER INITIATIVE
FINANCIAL STATEMENTS
December 31, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016

	2017	2016
ASSETS		
Cash	\$ 536,761	\$ 552,300
Promises to give	25,911	28,423
Prepaid expenses	8,428	10,027
Equipment - net of accumulated depreciation of \$1,795 and \$816	3,100	4,079
Beneficial interest in assets held by Triangle Community Foundation	115,555	101,965
Total assets	\$ 689,755	\$ 696,794
LIABILITIES		
Accounts payable	\$ 5,727	\$ 3,356
Accrued expenses	14,672	10,217
Grants payable	5,000	125,000
Total liabilities	25,399	138,573
NET ASSETS		
Undesignated	445,129	404,318
Board designated Legacy Fund	115,555	101,965
Total unrestricted	560,684	506,283
Temporarily restricted	103,672	51,938
Total net assets	664,356	558,221
Total liabilities and net assets	\$ 689,755	\$ 696,794

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF ACTIVITIES
Years ended December 31, 2017 and 2016

UNRESTRICTED NET ASSETS	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUE		
Contributions	\$ 659,028	\$ 604,669
Special events	134,277	161,609
Cost of direct benefits to donors	(34,877)	(42,190)
Investment return	14,889	7,677
	<u>773,317</u>	<u>731,765</u>
EXPENSES		
Program services	567,756	671,336
Supporting activities		
Management and general	74,147	69,807
Fundraising	128,951	127,204
	<u>770,854</u>	<u>868,347</u>
Net assets released from restrictions	<u>51,938</u>	<u>59,500</u>
Change in unrestricted net assets	54,401	(77,082)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	103,672	31,938
Net assets released from restrictions	<u>(51,938)</u>	<u>(59,500)</u>
Change in temporarily restricted net assets	<u>51,734</u>	<u>(27,562)</u>
Change in net assets	106,135	(104,644)
Net assets - beginning of year	<u>558,221</u>	<u>662,865</u>
Net assets - end of year	<u><u>\$ 664,356</u></u>	<u><u>\$ 558,221</u></u>

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2017 and 2016

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	2017 Total
Grants	\$ 225,000	\$ -	\$ -	\$ -	\$ 225,000
Events	59,859	-	69,383	34,877	164,119
Postage and printing	8,028	3,901	3,124	-	15,053
Professional fees	-	19,400	-	-	19,400
Personnel	189,968	30,250	50,046	-	270,264
Other	72,594	17,959	3,761	-	94,314
Occupancy	12,307	2,637	2,637	-	17,581
Total expenses	567,756	74,147	128,951	34,877	805,731
Less cost of direct benefits to donors included with support and revenue on the statements of activities	-	-	-	(34,877)	(34,877)
Total expenses included in the expenses section of the statements of activities	\$ 567,756	\$ 74,147	\$ 128,951	\$ -	\$ 770,854
	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

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF CASH FLOWS
Years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 106,135	\$ (104,644)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	979	816
Agency fund investment return	(13,590)	(6,425)
(Increase) decrease in assets		
Promises to give	2,512	30,211
Prepaid expenses	1,599	307
Increase (decrease) in liabilities		
Accounts payable	2,371	2,896
Accrued expenses	4,455	3,792
Grants payable	(120,000)	-
Net cash flows from operating activities	(15,539)	(73,047)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(4,895)
Net change in cash	(15,539)	(77,942)
Cash - beginning of year	552,300	630,242
Cash - end of year	<u>\$ 536,761</u>	<u>\$ 552,300</u>

See accompanying notes.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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. All promises to give at December 31, 2017 and 2016 are receivable in less than one year.

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 December 31, 2017 and 2016 was \$979 and \$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.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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.

Income Tax Status

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

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

Date of Management's Review

Management has evaluated subsequent events through May 23, 2018, the date which the financial statements were available to be issued.

NOTE 2 – GRANTS PAYABLE

Grants authorized but unpaid at year-end are reported as liabilities. Grants payable at December 31, 2017 and 2016 are to be paid in the following year.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

The Initiative maintains its cash balances in one financial institution in Raleigh, NC. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017 and 2016, the Initiative's uninsured cash balances totaled \$283,944 and \$300,262.

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, 2017 and 2016, the Initiative has designated \$115,555 and \$101,965 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:

	2017	2016
Board designated Legacy Fund - beginning of year	\$ 101,965	\$ 95,540
Net investment activity	13,590	6,425
Board designated Legacy Fund - end of year	\$ 115,555	\$ 101,965

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 consist of contributions that are available for subsequent years' activities.

NOTE 6 – OPERATING LEASE

The Initiative rents office space in Raleigh, North Carolina under an operating lease agreement. The lease requires monthly payments of \$2,050 and expires on January 31, 2020. Rent increases by 3% annually. The lease includes an option to renew for one additional year. Rent expense for 2017 and 2016 was \$16,184 and \$11,816. Future minimum lease payments for 2018, 2019, and 2020 are \$24,575, \$25,281, and \$2,112.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2017 and 2016 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 - 2017	\$ 115,555	\$ -	\$ -	\$ 115,555
Beneficial interest in net assets held by TCF - 2016	\$ 101,965	\$ -	\$ -	\$ 101,965

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	
	2017	2016
Beginning balance	\$ 101,965	\$ 95,540
Change in value of beneficial interest included in change in net assets	13,590	6,425
Ending balance	\$ 115,555	\$ 101,965

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 in the statements of activities.

NOTE 8 – JOINT COSTS

The costs of events held in 2017 and 2016 totaling \$123,977 and \$151,078 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, 2017 and 2016

NOTE 9 – INVESTMENT RETURN

Investment return for 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 1,299	\$ 1,252
Agency fund investment return	<u>13,590</u>	<u>6,425</u>
Investment return	<u>\$ 14,889</u>	<u>\$ 7,677</u>