

**LUNG CANCER INITIATIVE**  
**FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

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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, 2019 and 2018, 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.

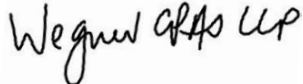
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2019 and 2018, 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.

**Adoption of New Accounting Guidance**

As discussed in Note 1 to the financial statements, Lung Cancer Initiative adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs and ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, flowing style.

Wegner CPAs, LLP  
Madison, Wisconsin  
June 26, 2020

**LUNG CANCER INITIATIVE**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Cash	\$ 524,594	\$ 550,236
Promises to give	42,791	110,795
Prepaid expenses	27,746	28,280
Equipment - net of accumulated depreciation of \$3,753 and \$2,774	1,142	2,121
Investments	450,522	100,000
Beneficial interest in assets held by Triangle Community Foundation	-	106,832
<b>Total assets</b>	<b>\$ 1,046,795</b>	<b>\$ 898,264</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 14,018	\$ 2,799
Accrued expenses	18,799	22,632
Grants payable	85,000	-
<b>Total liabilities</b>	<b>117,817</b>	<b>25,431</b>
<b>NET ASSETS</b>		
Without donor restrictions	798,496	757,644
With donor restrictions	130,482	115,189
<b>Total net assets</b>	<b>928,978</b>	<b>872,833</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,046,795</b>	<b>\$ 898,264</b>

See accompanying notes.

**LUNG CANCER INITIATIVE**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
REVENUES		
Contributions	\$ 858,368	\$ 843,851
Special events	67,348	183,794
Cost of direct benefits to donors	(63,773)	(51,232)
In-kind contributions	10,450	124,295
Change in value of beneficial interest in assets held by Triangle Community Foundation	11,656	(8,723)
Investment return, net	38,677	1,917
Total revenues without donor restrictions	922,726	1,093,902
EXPENSES		
Supporting lung cancer research and education	765,345	737,616
Management and general	110,641	88,001
Fundraising	121,077	174,997
Total expenses	997,063	1,000,614
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	115,189	103,672
Change in net assets without donor restrictions	40,852	196,960
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	130,482	115,189
Net assets released from restrictions	(115,189)	(103,672)
Change in net assets with donor restrictions	15,293	11,517
<b>Change in net assets</b>	56,145	208,477
Net assets at beginning of year	872,833	664,356
<b>Net assets at end of year</b>	<b>\$ 928,978</b>	<b>\$ 872,833</b>

See accompanying notes.

**LUNG CANCER INITIATIVE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2019

	Supporting Lung Cancer Research and Education	Management and General	Fundraising	Cost of Direct Benefits to Donors	2019 Total
Grants	\$ 388,584	\$ -	\$ -	\$ -	\$ 388,584
Personnel	224,939	41,655	58,299	-	324,893
Office	46,269	10,714	28,502	-	85,485
Conferences, conventions, and meetings	51,557	7,788	10,586	63,773	133,704
Professional fees	3,343	29,818	3,343	-	36,504
Information technology	19,900	4,264	7,754	-	31,918
Occupancy	18,006	3,859	3,859	-	25,724
Advertising	4,423	11,137	5,041	-	20,601
Travel	6,270	965	3,252	-	10,487
Insurance	1,369	294	294	-	1,957
Depreciation	685	147	147	-	979
<b>Total expenses</b>	<b>765,345</b>	<b>110,641</b>	<b>121,077</b>	<b>63,773</b>	<b>1,060,836</b>
Less cost of direct benefits to donors included with revenues on the statements of activities	-	-	-	(63,773)	(63,773)
<b>Total expenses included in the expenses section of the statements of activities</b>	<b>\$ 765,345</b>	<b>\$ 110,641</b>	<b>\$ 121,077</b>	<b>\$ -</b>	<b>\$ 997,063</b>

See accompanying notes.

**LUNG CANCER INITIATIVE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2018

	Supporting Lung Cancer Research and Education	Management and General	Fundraising	Cost of Direct Benefits to Donors	2018 Total
Grants	\$ 353,595	\$ -	\$ -	\$ -	353,595
Personnel	207,999	43,560	58,356	-	309,915
Office	54,591	6,589	3,547	-	64,727
Conferences, conventions, and meetings	61,464	6,440	107,282	51,232	226,418
Professional fees	6,533	20,150	-	-	26,683
Information technology	20,707	4,952	1,390	-	27,049
Occupancy	17,203	3,686	3,686	-	24,575
Advertising	6,705	1,098	308	-	8,111
Travel	6,774	902	253	-	7,929
Insurance	1,341	409	115	-	1,865
Depreciation	704	215	60	-	979
<b>Total expenses</b>	<b>737,616</b>	<b>88,001</b>	<b>174,997</b>	<b>51,232</b>	<b>1,051,846</b>
Less cost of direct benefits to donors included with revenues on the statements of activities	-	-	-	(51,232)	(51,232)
<b>Total expenses included in the expenses section of the statements of activities</b>	<b>\$ 737,616</b>	<b>\$ 88,001</b>	<b>\$ 174,997</b>	<b>\$ -</b>	<b>\$ 1,000,614</b>

See accompanying notes.



**LUNG CANCER INITIATIVE**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 56,145	\$ 208,477
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	979	979
Change in value of beneficial interest in assets held by Triangle Community Foundation	(11,656)	8,723
Net realized and unrealized gain on investments	(34,842)	-
(Increase) decrease in assets		
Promises to give	68,004	(84,884)
Prepaid expenses	534	(19,852)
Increase (decrease) in liabilities		
Accounts payable	11,219	(2,928)
Accrued expenses	(3,833)	7,960
Grants payable	85,000	(5,000)
Net cash from operating activities	171,550	113,475
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(315,000)	(100,000)
Distributions from beneficial interest in assets held by Triangle Community Foundation	118,488	-
Dividends retained in investments	(680)	-
Net cash from investing activities	(197,192)	(100,000)
<b>Net change in cash</b>	(25,642)	13,475
Cash at beginning of year	550,236	536,761
<b>Cash at end of year</b>	<b>\$ 524,594</b>	<b>\$ 550,236</b>

See accompanying notes.

**LUNG CANCER INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

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.

**Promises to Give**

Unconditional promises to give are recognized as revenues 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, 2019 and 2018 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 over the estimated useful lives of the equipment.

**Investments**

The Initiative reports investments in equity securities with readily determinable fair values at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying statements of activities.

**Grants Payable**

Grants authorized but unpaid at year-end are reported as liabilities.

**Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, 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 donor restrictions.

**Special Events**

Revenues from events (for example, ticket sales and registration fees) are considered to be single performance obligations that are satisfied at a point in time and are recognized after the event.

**LUNG CANCER INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

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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 financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses, except grants, conferences, conventions, and meetings, and professional fees, are allocated on the basis of estimates of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

*Supporting Lung Cancer Research and Education* – 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.

*Management and General* – The expenses necessary to manage the financial reporting and budgetary responsibilities of the Initiative as well as manage employees.

*Fundraising* – Includes staff time, event expenses, and related expenses to communicate with prospective funding sources.

**Advertising**

Advertising costs are expensed as incurred.

**Reclassifications**

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

**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.

**LUNG CANCER INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Adoption of New Accounting Guidance**

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Initiative adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the Initiative elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The majority of the Initiative's revenue is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Initiative's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on the Initiative's financial statements. The majority of the Initiative's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Initiative's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Initiative adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

**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, 2019 and 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Date of Management’s Review**

Management has evaluated subsequent events through June 26, 2020, the date which the financial statements were available to be issued.

NOTE 2 – BENEFICIAL INTEREST IN ASSETS HELD BY TRIANGLE COMMUNITY FOUNDATION

In 2014, 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, 2018, the Initiative designated \$106,832 of net assets without donor restrictions for the agency fund. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

During the year ended December 31, 2019, the Initiative closed the account at TCF and established the Lung Cancer Initiative Legacy Fund in its own investment fund.

Composition of and changes in beneficial interest in assets held by TCF were as follows:

	2019	2018
Beginning balance	\$ 106,832	\$ 115,555
Withdrawals	(118,488)	-
Change in value of beneficial interest	11,656	(8,723)
Ending balance	\$ -	\$ 106,832

NOTE 3 – INVESTMENTS

Investments consisted of the following:

	2019	2018
Cash	\$ 13,854	\$ -
Equities	228,800	-
Mutual funds	207,868	100,000
	\$ 450,522	\$ 100,000

**LUNG CANCER INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

NOTE 3 – INVESTMENTS (continued)

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such a change could materially affect the amounts reported in the statement of financial position.

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

Assets at Fair Value as of December 31, 2019				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 228,800	\$ 228,800	\$ -	\$ -
Mutual funds	207,869	207,869	-	-
	\$ 436,669	\$ 436,669	\$ -	\$ -
Assets at Fair Value as of December 31, 2018				
	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	\$ 106,832	\$ -	\$ -	\$ 106,832
Mutual funds	100,000	100,000	-	-
	\$ 206,832	\$ 100,000	\$ -	\$ 106,832

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.

**LUNG CANCER INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

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**NOTE 5 – NET ASSETS**

Net assets with donor restrictions are restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Education	\$ 83,261	\$ 46,185
Events	30,400	30,000
Gas card program	10,000	10,000
5K runs	6,821	29,004
	<u>\$ 130,482</u>	<u>\$ 115,189</u>

The Initiative's board of directors has designated net assets without donor restrictions for the following purposes:

	<u>2019</u>	<u>2018</u>
Liquidity reserve	\$ 101,879	\$ 100,000
Legacy Fund	348,643	106,832
	<u>\$ 450,522</u>	<u>\$ 206,832</u>

**NOTE 6 – 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, 2019 and 2018, the Initiative's uninsured cash balances totaled \$304,559 and \$326,060.

**NOTE 7 – OPERATING LEASE**

The Initiative rented office space in Raleigh, North Carolina under an operating lease agreement that required monthly payments of \$2,050 and expired on January 31, 2020. The Initiative entered into an operating lease agreement for new office space in January 2020 that requires monthly payments of \$3,950 and expires on May 31, 2027. Rent expense for the years ended December 31, 2019 and 2018 was \$25,724 and \$24,575.

Future minimum lease payments for the years ending December 31 are:

2020	\$ 37,657
2021	40,482
2022	49,793
2023	51,038
2024	52,314
Thereafter	<u>132,058</u>
	<u>\$ 363,342</u>

**LUNG CANCER INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

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**NOTE 8 – JOINT COSTS**

The costs of events held during the years ended December 31, 2019 and 2018, including related postage and printing, total \$71,576 and \$193,114. These costs incurred to publicize the Initiative's mission and programs have been allocated equally between program services and fundraising expenses.

**NOTE 9 – LIQUIDITY AND AVAILABILITY**

The following reflects the Initiative's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year of the date of the statement of financial position because of donor-imposed restrictions and board designations. General expenditures are defined as all budgeted programmatic and operational expenses for 2020.

	2019	2018
Financial assets at end of year	\$ 1,017,907	\$ 867,863
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	(130,482)	(115,189)
Board designations:		
Amounts set aside for Legacy Fund	(348,643)	(106,832)
Amounts set aside for liquidity reserve	(101,879)	(100,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 436,903	\$ 545,842

The Initiative's cash flow fluctuations during the year are attributable to timing of contributions. As part of the Initiative's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To manage liquidity, the Initiative set aside \$100,000 in an investment account to draw upon as needed during the year to manage cash flow and is then repaid as cash becomes available.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 26, 2020, the date which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that could impact operating results. The related financial impact and duration cannot be reasonably estimated at this time.