

**LUNGevity FOUNDATION**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

# **LUNGevity FOUNDATION**

**YEARS ENDED JUNE 30, 2019 AND 2018**

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## **Independent Auditors' Report**

Board of Directors  
LUNGevity Foundation

We have audited the accompanying financial statements of LUNGevity Foundation (the Foundation), which comprise the statements of financial position as of June 30, 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.

### **Auditors' 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 LUNGeVity Foundation as of June 30, 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.

*Ostrow Reisin Berk & Abrams, Ltd.*

October 10, 2019

# LUNGevity FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

June 30,	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 477,890	\$ 491,058
Accounts and grants receivable	848,388	1,292,053
Promises to give, Board Members	1,743,656	1,431,581
Prepaid expenses	172,651	169,753
Security deposits	17,383	16,131
Property and equipment, net	21,575	22,821
<b>Total assets</b>	<b>\$ 3,281,543</b>	<b>\$ 3,423,397</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 141,831	\$ 115,899
Accrued payroll and vacation liabilities	99,550	90,044
Deferred revenue	6,949	3,590
<b>Total liabilities</b>	<b>248,330</b>	<b>209,533</b>
Net assets:		
Without donor restrictions	536,245	693,749
With donor restrictions	2,496,968	2,520,115
<b>Total net assets</b>	<b>3,033,213</b>	<b>3,213,864</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,281,543</b>	<b>\$ 3,423,397</b>

*See notes to financial statements.*

## LUNgevity FOUNDATION

### STATEMENTS OF ACTIVITIES

Years ended June 30,	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Revenues:</b>						
Contributions and grants	\$ 5,004,005	\$ 937,825	\$ 5,941,830	\$ 4,158,187	\$ 1,001,443	\$ 5,159,630
Special events and other fundraisers:						
Gross revenue	2,763,321		2,763,321	3,092,809		3,092,809
Expenses	(632,774)		(632,774)	(737,596)		(737,596)
Net investment return	4,226		4,226	266		266
Donated goods and services	134,529		134,529	134,715		134,715
Net assets released from restrictions:						
Satisfaction of purpose or time restrictions	960,972	(960,972)		2,035,719	(2,035,719)	
<b>Total revenues</b>	<b>8,234,279</b>	<b>(23,147)</b>	<b>8,211,132</b>	<b>8,684,100</b>	<b>(1,034,276)</b>	<b>7,649,824</b>
<b>Expenses:</b>						
Program services	6,988,788		6,988,788	6,015,338		6,015,338
Management and general	568,359		568,359	750,009		750,009
Fundraising	834,636		834,636	878,120		878,120
<b>Total expenses</b>	<b>8,391,783</b>		<b>8,391,783</b>	<b>7,643,467</b>		<b>7,643,467</b>
<b>Change in net assets</b>	<b>(157,504)</b>	<b>(23,147)</b>	<b>(180,651)</b>	<b>1,040,633</b>	<b>(1,034,276)</b>	<b>6,357</b>
<b>Net assets (deficit):</b>						
Beginning of year	693,749	2,520,115	3,213,864	(346,884)	3,554,391	3,207,507
<b>End of year</b>	<b>\$ 536,245</b>	<b>\$ 2,496,968</b>	<b>\$ 3,033,213</b>	<b>\$ 693,749</b>	<b>\$ 2,520,115</b>	<b>\$ 3,213,864</b>

*See notes to financial statements.*

## LUNgevity FOUNDATION

### STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2019									2018
	Program services							Direct		
	Support	Improving	Patient and	Research	Total	Management	Fundraising	benefit	Total	Total
	services	access	Public			and general		to donors		
		to care	Education							
Advertising and marketing	\$ 25	\$ 1,961	\$ 177,742	\$ 12	\$ 179,740	\$ 25	\$ 22,515	\$ 4,674	\$ 206,954	\$ 319,362
Grants			1,000	2,379,637	2,380,637				2,380,637	2,189,538
Meetings and events	113,337	343,715	100,503	135,707	693,262	9,698	35,665	628,100	1,366,725	1,339,783
Occupancy	39,945	18,685	102,556	19,494	180,680	40,541	41,333		262,554	231,567
Office expenses	110,042	19,036	323,927	9,123	462,128	31,080	110,047		603,255	376,463
Professional fees	507,131	72,162	256,768	106,723	942,784	4,691	16,161		963,636	1,025,724
Salaries and personnel costs	231,923	222,298	475,224	1,220,112	2,149,557	482,324	491,738		3,123,619	2,796,964
Website content licensing and other software fees							117,177		117,177	101,662
<b>Total expenses</b>	<b>1,002,403</b>	<b>677,857</b>	<b>1,437,720</b>	<b>3,870,808</b>	<b>6,988,788</b>	<b>568,359</b>	<b>834,636</b>	<b>632,774</b>	<b>9,024,557</b>	<b>8,381,063</b>
Less expenses included with revenues on the statements of activities								(632,774)	(632,774)	(737,596)
<b>Total expenses included in the expense section of the statements of activities</b>	<b>\$ 1,002,403</b>	<b>\$ 677,857</b>	<b>\$ 1,437,720</b>	<b>\$ 3,870,808</b>	<b>\$ 6,988,788</b>	<b>\$ 568,359</b>	<b>\$ 834,636</b>	<b>\$ -</b>	<b>\$ 8,391,783</b>	<b>\$ 7,643,467</b>

*See notes to financial statements.*

# LUNGevity FOUNDATION

## STATEMENTS OF CASH FLOWS

Years ended June 30,	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (180,651)	\$ 6,357
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,403	9,591
(Increase) decrease in operating assets:		
Prepaid expenses	(2,898)	3,927
Accounts and grants receivable	443,665	41,596
Promises to give, Board Members	(312,075)	9,332
Security deposits	(1,252)	(629)
Increase (decrease) in operating liabilities:		
Accounts payable	25,932	58,011
Accrued payroll and vacation liabilities	9,506	(7,019)
Deferred revenue	3,359	(2,410)
Net cash provided by (used in) operating activities	(6,011)	118,756
Cash flows from investing activity:		
Purchase of property and equipment	(7,157)	(10,594)
Net cash used in investing activity	(7,157)	(10,594)
Net increase (decrease) in cash and cash equivalents	(13,168)	108,162
Cash and cash equivalents, beginning of year	491,058	382,896
Cash and cash equivalents, end of year	\$ 477,890	\$ 491,058

See notes to financial statements.



# **LUNGevity FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Organization and purpose**

LUNGevity Foundation (the Foundation) is an Illinois nonprofit entity incorporated on March 13, 2001, to provide funding for the most promising research into the early detection and successful treatment of lung cancer. The Foundation also supports one of the largest national grassroots lung cancer networks, as well as one of the largest online support communities for those affected by lung cancer. These activities are primarily funded by contributions and grants, special events and other fundraisers.

### **2. Summary of significant accounting policies**

The significant accounting policies of the Foundation are summarized below:

#### **Basis of accounting:**

The Foundation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Basis of presentation:**

The Foundation is required to report information regarding its financial position and activities in two classes of net assets: Without donor restrictions and with donor restrictions.

**Net assets without donor restrictions** - Net assets available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation and the environment in which it operates.

**Net assets with donor restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such that they 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. We report contributions restricted by donors 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, depending on the nature of the 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 restrictions.

# LUNgevity FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Contributions:

Contributions are recognized when cash or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

#### Cash and cash equivalents:

The Foundation considers cash, money market funds held in investment accounts and sweep funds in a repurchase agreement that matures overnight or the next business day to be cash and cash equivalents.

#### Accounts and grants receivable:

Accounts receivable are stated at the amount management expects to collect from the outstanding balances. Accounts and grants receivable include amounts due in less than one year. Management believes that all accounts receivable as of June 30, 2019 and 2018 are fully collectible; therefore, no allowance for doubtful accounts was recorded. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to a valuation allowance.

#### Promises to give, Board Members:

Promises to give are stated at the amount management expects to collect from the outstanding balances. Promises to give included unconditional promises to give at June 30, 2019 and 2018. The entire balance of promises to give are due from Board Members. Promises to give due in more than one year were discounted using a risk-adjusted rate of return to reflect the present value of the receivables.

June 30,	2019	2018
Promises to give due in less than one year	\$ 638,480	\$ 371,125
Promises to give due in one to five years	1,250,000	1,200,000
Total promises to give, gross	1,888,480	1,571,125
Less discount to net present value	(144,824)	(139,544)
Total promises to give	\$ 1,743,656	\$ 1,431,581

# **LUNgevity FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Promises to give, Board Members: (continued)**

Promises to give due in more than one year were discounted at a 2.85% rate for those originating in 2019 and 2018. Amortization of the discount is included in contributions and grants revenue. Management believes that all promises to give as of June 30, 2019 and 2018 are fully collectible; therefore, no allowance for doubtful accounts was recorded.

#### **Property and equipment and related depreciation and amortization:**

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Depreciation and amortization of property and equipment is provided over the estimated life of the assets using the straight-line method. Additions over \$500 are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed.

#### **Deferred revenue:**

Proceeds related to special events and other fundraisers received by June 30 that will not be earned until after June 30 were recognized as deferred revenue.

#### **Advertising:**

Advertising costs were expensed when incurred. Total advertising costs were \$89,956 and \$89,609 for the years ended June 30, 2019 and 2018, respectively.

#### **Expense allocation:**

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Operating expenses identified with a functional area are charged directly to that area and where expenses affect more than one area, they are allocated on a reasonable basis of ratios that is consistently applied. These expenses, allocated on the basis of estimates of time and effort, include salaries and personnel costs, meetings and events, professional fees and office expenses. Occupancy is allocated based on estimates of square footage.

# **LUNgevity FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Contributed services:**

The Foundation receives donated services from unpaid volunteers who assist in its fundraising events and programs in the furtherance of its purposes. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation. With the exception of the services noted in the following paragraph, none of these amounts have been recognized in the statements of activities because the criteria for recognition have not been met.

For the fiscal years ended June 30, 2019 and 2018, \$22,500 and \$38,100, respectively, of professional research services were provided by the Science Advisory Board (SAB) and are included in donated goods and services and program services expense on the statements of activities and grants on the statements of functional expenses.

#### **Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

#### **Reclassifications:**

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

#### **Subsequent events:**

Management of the Foundation has reviewed and evaluated subsequent events from June 30, 2019, the financial statement date, through October 10, 2019, the date the financial statements were available to be issued.

### **3. Liquidity and availability**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents.

# LUNgevity FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Liquidity and availability (continued)

The following represents the Foundation's financial assets as of June 30, 2019:

June 30, 2019	
Financial assets at year-end:	
Cash and cash equivalents	\$ 477,890
Accounts and grants receivable	848,388
Promises to give, Board Members	1,743,656
<b>Total financial assets</b>	<b>3,069,934</b>
Less amounts not available to be used within one year:	
Promises to give due in one to five years, net	1,105,176
Purpose restricted net assets	102,278
<b>Total financial assets not available to be used within one year</b>	<b>1,207,454</b>
Financial assets available to meet general expenditures within one year	\$ 1,862,480

### 4. Property and equipment

The components of property and equipment were as follows:

June 30,	2019	2018
Office equipment	\$ 20,380	\$ 20,380
Computer software and website	33,811	28,504
Event equipment	2,400	2,400
Leasehold improvements	43,163	41,313
	<b>99,754</b>	92,597
Less accumulated depreciation and amortization	<b>78,179</b>	69,776
<b>Property and equipment, net</b>	<b>\$ 21,575</b>	\$ 22,821

# LUNgevity FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Contributed goods and services

Donated goods and services consisted of the following:

Years ended June 30,	2019	2018
Board and staff travel	\$ 4,650	\$ 2,300
Event expenses	105,229	93,759
Other	2,150	556
Research services	22,500	38,100
Total	\$ 134,529	\$ 134,715

Donated goods and services included in event expenses consist of food, beverage, equipment usage, promotional and other expenses.

### 6. Net assets with donor restrictions

Net assets with donor restrictions of \$2,496,968 and \$2,520,115 at June 30, 2019 and 2018, respectively, represent time restrictions on grants, sponsorships and pledges receivable collectible within five years. Net assets of \$960,972 and \$2,035,719 were released from donor restrictions by satisfying time restrictions during the years ended June 30, 2019 and 2018, respectively.

### 7. Related party transactions and concentration

During the years ended June 30, 2019 and 2018, the Foundation received unconditional promises to give totaling \$660,000 and \$360,400, respectively, from Board members, which were included in contributions and grants revenue on the statements of activities. See Note 2 for amounts receivable from these Board Members.

### 8. Tax status

The Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service (IRS) has determined that the Foundation is not a private foundation within the meaning of Section 509(a) of the Code.

# LUNgevity FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Conditional promises to give

Conditional promises to give to the Foundation consisted of the following:

Years ended June 30,	2019	2018
Stand Up 2 Cancer Dream Team progress milestone	\$ 1,000,000	\$ 1,500,000
Matching contributions	200,000	400,000
Total	\$ 1,200,000	\$ 1,900,000

### 10. Conditional grant commitments

The Foundation funds requests for research award applications and issues research awards to medical investigators for pre-approved studies. The Foundation's scientific advisory board reviews multi-year research awards annually through progress reports. The Foundation reserves the right to terminate future funding for a multi-year award if a progress report reflects unsatisfactory progress. As such, the Foundation is only committed to funding awards for the following year. Future conditional research award commitments total \$2,215,000 for the year ending June 30, 2020, \$600,000 for the year ending June 30, 2021 and \$300,000 for the year ending June 30, 2022.

In addition to grant commitments approved by the scientific advisory board, the Foundation also has a commitment to fund the Stand Up 2 Cancer Dream Team \$500,000 during the year ending June 30, 2020. Conditions of this commitment will be met when the Stand Up 2 Cancer Dream Team achieves its next progress milestone.

# LUNgevity FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Leases and other agreements

The Foundation leases office space in Chicago, Illinois through May 2025. The Foundation also leases office space in Bethesda, Maryland through November 2022. Rent expense was \$247,194 and \$204,652 for the years ended June 30, 2019 and 2018, respectively.

Future minimum rental payments under these leases are as follows:

Year ending June 30:	Amount
2020	\$ 258,852
2021	266,753
2022	285,642
2023	177,482
2024	98,312
Thereafter	75,381
Total	\$ 1,162,422

### 12. Retirement plan

The Foundation sponsors a 401(k) plan (the Plan) covering all employees who meet the eligibility requirements. The Foundation makes matching contributions to the Plan equal to 100% of the first 3% of employee deferrals and 50% of the next 2% of employee deferrals, up to a maximum of 4% of employee compensation for a calendar year. Contributions to the Plan were \$61,028 and \$60,719 for the years ended June 30, 2019 and 2018, respectively.

### 13. Concentration of credit risk

The Foundation maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally-insured limits. The uninsured balance was approximately \$453,000 and \$314,000 as of June 30, 2019 and 2018, respectively. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

Credit risk for accounts and grants receivable is concentrated as well with one corporation accounting for 11% of accounts and grants receivable as of June 30, 2019 and 2018. Management believes that all receivables are collectible within one year and the Foundation is not exposed to any significant credit risk on accounts and grants receivable.