

Financial Statements
December 31, 2019 and 2018
Lazarex Cancer Foundation

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Lazarex Cancer Foundation
Danville, California

Report on the Financial Statements

We have audited the accompanying financial statement of Lazarex Cancer Foundation, which comprises the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 statement referred to above presents fairly, in all material respects, the financial position of Lazarex Cancer Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Lazarex Cancer Foundation as of and for the year ended December 31, 2018, were audited by Vavrinek, Trine, Day, & Co., LLP, who joined Eide Bailly LLP on July 22, 2019, and whose report dated July 16, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

San Ramon, California

August 7, 2020

Lazarex Cancer Foundation

Statement of Financial Position

December 31, 2019

(with summarized financial information for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash	\$ 2,717,235	\$ 971,275
Investments	2,450,980	941,832
Grants and contributions receivable	2,975,624	1,371,411
Interest receivable	13,213	7,346
Prepaid expenses	29,468	28,245
Other assets	-	950
Total current assets	<u>8,186,520</u>	<u>3,321,059</u>
Noncurrent Assets		
Furniture and equipment (net)	<u>4,402</u>	<u>7,145</u>
Total noncurrent assets	<u>4,402</u>	<u>7,145</u>
	<u>\$ 8,190,922</u>	<u>\$ 3,328,204</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 225,084	\$ 124,370
Accrued payroll	31,559	-
Accrued vacation	8,945	996
Deferred events income	<u>16,340</u>	<u>-</u>
Total current liabilities	<u>281,928</u>	<u>125,366</u>
Total liabilities	<u>281,928</u>	<u>125,366</u>
Net Assets		
Without donor restrictions		
Undesignated	126,082	353,082
With donor restrictions		
Purpose and time restrictions	<u>7,782,912</u>	<u>2,849,756</u>
Total net assets	<u>7,908,994</u>	<u>3,202,838</u>
	<u>\$ 8,190,922</u>	<u>\$ 3,328,204</u>

Lazarex Cancer Foundation

Statement of Activities

Year Ended December 31, 2019

(with summarized financial information for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and Revenues				
Corporate and foundation grants	\$ 49,665	\$ 5,986,249	\$ 6,035,914	\$ 1,685,570
Corporate contributions	107,038	-	107,038	92,341
Individual contributions	811,517	-	811,517	865,860
In-kind contributions	5,819	-	5,819	3,931
Fundraising activities, net of direct donor benefit costs	433,949	-	433,949	334,306
Investment income, net of fees	33,782	-	33,782	20,335
Other income	-	-	-	4,516
Net assets released from restrictions	1,053,093	(1,053,093)	-	-
Total support and revenues	2,494,863	4,933,156	7,428,019	3,006,859
Expenses				
Program services	2,419,147	-	2,419,147	1,937,745
General and administrative	98,362	-	98,362	126,234
Fundraising	204,354	-	204,354	159,834
Total expenses	2,721,863	-	2,721,863	2,223,813
Change in Net Assets	(227,000)	4,933,156	4,706,156	783,046
Net Assets, Beginning of Year	353,082	2,849,756	3,202,838	2,419,792
Net Assets, End of Year	\$ 126,082	\$ 7,782,912	\$ 7,908,994	\$ 3,202,838

Lazarex Cancer Foundation

Statement of Functional Expenses

Year Ended December 31, 2019

(with summarized financial information for the year ended December 31, 2018)

	Program Services	General and Administrative	Fundraising	Total 2019 Expenses	Total 2018 Expenses
Advertising	\$ 9,301	\$ 1,346	\$ 10,433	\$ 21,080	\$ 28,502
Bank charges	430	1,121	7,504	9,055	3,604
Depreciation	1,920	274	549	2,743	2,743
Dues, registration, gov't fees	1,452	226	2,049	3,727	4,228
Insurance	3,943	563	1,127	5,633	3,951
Legal and professional	5,238	22,780	24,685	52,703	31,427
Patient reimbursements	1,236,124	-	-	1,236,124	980,595
Miscellaneous	-	-	-	-	4
Occupancy	75,601	10,800	21,600	108,001	104,865
Outreach	-	-	-	-	21,808
Postage	3,313	466	2,764	6,543	6,940
Printing	30,304	1,329	268	31,901	14,368
Professional development	1,867	263	4,497	6,627	3,431
Program partnerships	613,354	5	86	613,445	430,268
Salaries, wages and payroll tax	380,631	55,600	108,827	545,058	528,519
Software	22,968	42	12,182	35,192	17,589
Supplies and office	6,215	879	1,763	8,857	8,808
Telephone and internet	17,135	2,383	5,429	24,947	25,670
Travel, meals and entertainment	9,351	285	591	10,227	6,493
Total expenses	<u>\$ 2,419,147</u>	<u>\$ 98,362</u>	<u>\$ 204,354</u>	<u>\$ 2,721,863</u>	<u>\$ 2,223,813</u>

Lazarex Cancer Foundation

Statement of Cash Flows

Year Ended December 31, 2019

(with summarized financial information for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 4,706,156	\$ 783,046
Adjustments to reconcile change in net assets to net cash from (used for) operations		
Depreciation	2,743	2,743
Change in operating assets and liabilities		
(Increase) Decrease in grants and contributions receivable	(1,604,213)	(1,296,992)
(Increase) Decrease in interest receivable	(5,867)	(7,346)
(Increase) Decrease in prepaid expenses	(1,223)	(11,287)
(Increase) Decrease in other assets	950	5,450
Increase (Decrease) in accounts payable	100,714	(39,563)
Increase (Decrease) in accrued payroll	31,559	(26,213)
Increase (Decrease) in accrued vacation	7,949	2,172
Increase (Decrease) unearned event income	16,340	(10,166)
Net Cash Flows From Operating Activities	<u>3,255,108</u>	<u>(598,156)</u>
Investing Activities		
Maturities of investments	941,832	-
Purchases of investments	(2,450,980)	(941,832)
Purchases of capital assets	-	(1,001)
Net Cash Flows Used For Investing Activities	<u>(1,509,148)</u>	<u>(942,833)</u>
Change in Cash	1,745,960	(1,540,989)
Cash, Beginning of Year	<u>971,275</u>	<u>2,512,264</u>
Cash, End of Year	<u>\$ 2,717,235</u>	<u>\$ 971,275</u>
Supplemental Disclosure of Noncash Amounts		
In-kind donations	<u>\$ 5,819</u>	<u>\$ 3,931</u>

Note 1 - Organization and Significant Accounting Policies

Organization and Nature of Activities

Lazarex Cancer Foundation (the “Organization”) was incorporated in the State of California in 2006 as a nonprofit public benefit corporation. The Organization provides programs and services related to building a bridge to hope, dignity and life for cancer patients and their families. The Organization provides financial assistance to defray the costs associated with patient participation in approved Federal Food and Drug Administration (FDA) clinical trials. The Organization helps patients navigate their clinical trial options and provides community education and outreach services. The Organization is supported primarily through public contributions, grants, and fundraising events.

The Organization’s programs and services include the following:

- Lazarex CARE – this program focuses on improving the outcome of cancer care for advanced stage cancer patients and the medically underserved, by identifying approved FDA clinical trial options, providing assistance with out of pocket costs for clinical trial participation for the patient and a travel companion, and facilitating community outreach and engagement.
- IMPACT – this program focuses on improving patient access to cancer clinical trials by providing a sustainable action plan to transform the status quo of clinical trial recruitment, enrollment, retention, minority participation, completion, and translational science – providing equitable and timely access to cancer discovery to all patients.
- Community IMPACT – this program is a (pilot) community outreach and engagement public health initiative in the poorest neighborhoods of Philadelphia. The aim is to build a replicable program to improve cancer and overall health outcomes, transforming the way we think about cancer prevention and the actions implemented to reduce cancer burden.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of Presentation

The accompanying financial statement presentation follows the recommendations prescribed by accounting principles generally accepted in the United States of America. (U.S. GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”).

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Grants and Contributions

Unconditional grants and contributions are recognized when promised and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Cash

Cash consists of cash held in checking and money market accounts which are neither held for nor restricted by donors for long-term purposes.

Grants and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the assets. In subsequent years, amortization of the discounts is included in grant and contribution revenue in the statements of activities. The allowance for uncollectible promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2019 and 2018, all amounts are considered fully collectible by the Organization therefore, no allowance for uncollectible promises to give is necessary at year-end.

Donated Materials and Services

The Organization records contributions of donated professional services, materials, and equipment at their estimated value upon receipt. At December 31, 2019 and 2018, the Organization recorded donated materials totaling \$5,819 and \$3,931, respectively.

A substantial number of volunteers have donated their time and experience to the Organization's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Investments

Investments are purchased at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Furniture and Equipment

Furniture and equipment are recorded at cost or, if donated, at their fair value at the date of donation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets which range from three to thirty years. Cost of additions, renewals, or betterments are capitalized; maintenance and repair are charged to expense when incurred. The Organization's policy is to capitalize assets that cost \$500 or greater.

Deferred Events Income

Deferred events income includes funds received in advance of fundraising events. The deferred event revenue is recognized in the period the fundraising event occurs.

Income Taxes

The Organization is exempt from Federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively. The Internal Revenue Service has classified the Organization as other than a private foundation. As such, there is no provision for income taxes. Income tax returns for 2015 and forward may be audited by regulatory agencies, however, the Organization is not aware of any such actions at this time.

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements. Interest and penalties related to uncertain tax positions are recorded as part of the income tax expense, if applicable.

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. Accordingly, actual results could differ from those estimates.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis using a time and effort methodology.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed the \$250,000 Federal Deposit Insurance Corporation (FDIC) insured limit. At December 31, 2019 and 2018, approximately \$2,390,000 and \$125,000, respectively, was uninsured. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with grants receivable is considered to be limited due to high historical collection rates and because all of the outstanding amounts are due from foundations, corporations and individual donors supportive of the Organization's mission. The fair values of investments are subject to fluctuation on a year-to-year basis. Management believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 2,717,235
Grants and contributions receivable	2,975,624
Interest receivable	<u>13,213</u>
	<u><u>\$ 5,706,072</u></u>

As part of the Organization’s liquidity management, it has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Organization could liquidate certificate of deposit investments totaling \$2,450,980 at December 31, 2019. Although the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available if necessary.

Note 3 - Fair Value Measurements and Disclosures

The Organization reports certain financial instruments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on

market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly structured or long-term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

The Organization invests in certificates of deposit (CD's) traded in the financial markets. Those CD's are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

Note 4 - Grants and Contributions Receivable

Grants and contributions receivable consist of the following unconditional promises to give:

Receivable in less than one year	\$ 1,562,830
Receivable in one to five years	<u>1,412,794</u>
Grants and contributions receivable	<u><u>\$ 2,975,624</u></u>

Note 5 - Furniture and Equipment

Furniture and equipment consist of the following:

	2019	2018
Furniture and equipment	\$ 18,095	\$ 18,095
Less accumulated depreciation	<u>(13,693)</u>	<u>(10,950)</u>
Total capital assets	<u><u>\$ 4,402</u></u>	<u><u>\$ 7,145</u></u>

Note 6 - Net Assets with Donor Restrictions

At December 31, 2019, net assets with donor restrictions are restricted for the following purposes:

IMPACT program - USC/UCSF (Amgen)	\$ 941,265
IMPACT program - Abramson Cancer Center (Amgen)	500,000
IMPACT program - Abramson Cancer Center (Merck & Co.)	2,000,000
IMPACT program - MD Anderson Medical Center (Genentech)	3,496,594
Community IMPACT program, Philadelphia	314,500
NeighborhoodGood program, all IMPACT sites (Gilead Sciences)	440,898
Patients in Stand Up to Cancer trials	25,000
CARE program - ovarian cancer patients (Be the Difference Foundation)	14,655
CARE program - breast cancer patients (Daiichi-Sankyo)	<u>50,000</u>
Total	<u><u>\$ 7,782,912</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time as follows:

IMPACT program - USC/UCSF (Amgen)	\$	525,026
Community IMPACT program, Philadelphia		250,000
NeighborhoodGood program, all IMPACT sites (Gilead Sciences)		208,672
Patients in Stand Up to Cancer trials		35,395
CARE program - ovarian cancer patients (Be the Difference Foundation)		34,000
Total	\$	1,053,093

Note 7 - Lease Commitment

The Organization rents its administrative office under an operating lease that will expire on January 31, 2022. Rent expense for the years ended December 31, 2019 and 2018 totaled \$108,001 and \$104,865, respectively.

Future minimum lease payments under this lease are as follows:

2020	\$	114,585
2021		9,572
	\$	124,157

Note 8 - Donor Concentration

The Organization has certain donors whose revenue individually represented 10% or more of the Organization's total revenue. For the twelve months ended June 30, 2019 and 2018, four donors accounted for 92% and two donors accounted for 50% of grants and contributions revenue, respectively. The Organization expects to maintain relationships with these donors. Loss of significant donors or the failure to attract new donors could have a material adverse effect on the Organization.

Note 9 - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through August 7, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.