



LAZAREX CANCER FOUNDATION

*Reviewed
Financial Statements*

Year Ended
December 31, 2012



CERTIFIED PUBLIC ACCOUNTANTS
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526
DOUGLAS W. REGALIA, CPA, PRINCIPAL - TAX AND AUDIT
DANA CHAVARRIA, CPA, PRINCIPAL - TAX DEPARTMENT
MARIANNE RYAN, SENIOR AUDIT MANAGER
TRICIA WILSON, SENIOR AUDITOR
JANICE TAYLOR, CPA, SENIOR AUDITOR
WENDY THOMAS, CPA, SENIOR AUDITOR
JENNIFER JENSEN, ACCOUNTING
OFFICE: 925.314.0390 FAX: 925.314.0469

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors Lazarex Cancer Foundation

We have reviewed the accompanying statement of financial position of Lazarex Cancer Foundation (a California nonprofit corporation) as of December 31, 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Regalia & Associates

**April 15, 2013
Danville, California**

LAZAREX CANCER FOUNDATION

**Statement of Financial Position
December 31, 2012**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 525,321
Total current assets	525,321
Property and equipment, net	1,107
	<u>\$ 526,428</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued liabilities	\$ 21,911
Unearned revenue	11,629
Total current liabilities	33,540
Net assets:	
Unrestricted	492,888
Total net assets	492,888
	<u>\$ 526,428</u>

LAZAREX CANCER FOUNDATION

**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2012**

Changes in unrestricted net assets:

Revenue and support:	
Foundation grants	\$ 206,215
Individual donations	167,121
Fundraising activities	716,103
Less: direct costs related to fundraising activities	(337,830)
Net fundraising revenue	<u>378,273</u>
Rental income	3,500
Interest income	<u>21</u>
 Total revenue and support	 <u>755,130</u>
 Expenses:	
Program expenses	606,294
General and administrative	91,475
Fundraising	85,658
Total expenses	<u>783,427</u>
 Decrease in net assets	 (28,297)
Net assets at beginning of year	<u>521,185</u>
Net assets at end of year	<u>\$ 492,888</u>

LAZAREX CANCER FOUNDATION

**Statement of Cash Flows
Year Ended December 31, 2012**

Operating activities:

Decrease in net assets	\$ (28,297)
Adjustments to reconcile to cash provided by (used for) operating activities:	
Depreciation	2,213
Changes in:	
Accounts payable and accrued liabilities	11,310
Unearned revenue	11,629
Cash used for by operating activities	<u>(3,145)</u>

Investing activities:

Acquisition of property and equipment	<u>(953)</u>
Cash used for investing activities	<u>(953)</u>
Net decrease in cash and cash equivalents	(4,098)
Cash and cash equivalents at beginning of year	<u>529,419</u>
Cash and cash equivalents at end of year	<u>\$ 525,321</u>

Additional cash flow information:

State registration taxes paid	<u>\$ 75</u>
Interest and finance charges paid	<u>\$ -</u>

LAZAREX CANCER FOUNDATION

**Statement of Functional Expenses
Year Ended December 31, 2012**

	General and			
	Program	Admin-	Fund-	Total
	Services	istrative	raising	2012
Advertising and marketing	\$ 5,330	\$ -	\$ 4,545	\$ 9,875
Bank charges/processing fees	2,452	375	-	2,827
Clinical trial fees	26,746	-	-	26,746
Depreciation	-	2,213	-	2,213
Insurance	-	3,224	-	3,224
Legal and professional	59,027	19,380	26,453	104,860
Miscellaneous	306	4,935	-	5,241
Occupancy	45,907	3,419	11,174	60,500
Outreach	8,000	-	-	8,000
Postage	40	2,677	32	2,749
Printing	2,759	781	4,798	8,338
Salaries, wages and payroll taxes	124,678	31,618	33,489	189,785
Supplies and office	193	17,132	1,196	18,521
Telephone and internet	9,565	2,003	3,971	15,539
Travel, meals and entertainment	321,291	3,718	-	325,009
Totals	\$ 606,294	\$ 91,475	\$ 85,658	\$ 783,427

Notes to Financial Statements
December 31, 2012

1. Organization

Lazarex Cancer Foundation (Lazarex) is a non-profit organization incorporated in California in 2006. Lazarex operates from its headquarters in Danville, California. Lazarex builds a bridge to hope, dignity and life for cancer patients and their families. We provide financial assistance to defray the costs associated with patient participation in FDA clinical trials. Additionally, we help patients navigate their clinical trial options and provide community education and outreach services.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Lazarex have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, Lazarex is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets

Grants and Pledges Receivable

Grants and pledges receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received.

Revenue Recognition

Lazarex records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in unrestricted or temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities and changes in net assets as net assets released from restrictions.

Property and Equipment

Property and equipment purchased by Lazarex are stated at cost. Property and equipment donated to Lazarex are recorded at estimated fair value as of the date of the gift. The costs of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated over the estimated useful lives of the assets (between three and five years) utilizing the straight-line method.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)**Income Taxes*

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, Lazarex is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that Lazarex has adequately evaluated its current tax positions and has concluded that as of December 31, 2012, Lazarex does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

Lazarex has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Lazarex may periodically receive unrelated business income such as sublease rent requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, Lazarex calculates and accrues the applicable taxes payable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing Lazarex's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributed Services

Volunteers donate a substantial amount of time to Lazarex. According to management, there were 9,003 volunteer hours with an estimated fair value of \$415,000 received during the year ended December 31, 2012. While significant, the value of this contributed time is not reflected in the financial statements because it is not susceptible to objective measurement or valuation and therefore did not meet the criteria for recognition under ASC 958.605.30-11 "*Revenue Recognition of Not-For-Profit Entities*."

3. Cash and Cash Equivalents

Cash and cash equivalents of \$525,321 at December 31, 2012 consists of funds on deposit in a checking account. Funds on deposit do not bear interest. Although amounts on deposit exceed federally insured balances, Lazarex attempts to limit its credit risk associated with cash and cash equivalents by utilizing a financial institution that is well capitalized and highly rated.

Notes to Financial Statements

4. Property and Equipment

Property and equipment consist of the following at December 31, 2012:

Furniture and equipment	\$ 10,866
Less: accumulated depreciation	(9,759)
	\$ 1,107

Depreciation expense amounted to \$2,213 for the year ended December 31, 2012.

5. Leases

Lazarex leases its corporate office facilities under a long-term operating lease expiring January 31, 2017. The lease requires a monthly payment of \$4,990 as of December 31, 2012. The lease provides for contractual increases in rent during the term of the agreement. Lazarex rents certain facilities under specific usage agreements for special events and fundraising activities. Future minimum payments under the organization's long-term lease obligations are as follows:

<u>Year Ending December 31,</u>	
2013	\$ 66,112
2014	83,348
2015	96,428
2016	99,603
2017	8,316

Total rent expense amounted to \$60,500 for the year ended December 31, 2012. Lazarex subleases a portion of its office space under a month-to-month rental agreement at the rate of \$500 per month. Rental income amounted to \$3,500 for the year ended December 31, 2012.

6. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future performances, which are not reflected in the combined financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate Lazarex to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond the Lazarex's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management and operating personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the combined financial statements. Certain of the grants and contracts are subject to audit and final acceptance by the granting agency. Current and prior costs of such grants are subject to adjustment upon review by the granting organization.

Notes to Financial Statements

7. Unearned Revenue

Unearned revenue of \$11,629 at December 31, 2012 represents funds received in advance of special events scheduled for the following fiscal year. Such amounts have been reflected as a short-term liability and will be reflected as fundraising activities on the statement of activities and changes in net assets in the subsequent fiscal period.

8. Concentrations and Related Party Transactions

Dana Dornsife is founder and President of Lazarex. Her husband David is trustee of the Dornsife Family Foundation where Dana and David are both Directors.

The Dornsife Family Foundation contributed \$175,000 to Lazarex during the year ended December 31, 2012. Other individuals related to Dornsife contributed \$12,400 to Lazarex, bringing the total contributions of family members and related parties to \$187,400, which represents 17% of total revenue and support for the year ended December 31, 2012.

9. Accrued Payroll and Related Benefits

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, Lazarex is required to record a liability for the estimated amount of for future employment obligations. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position. Accrued payroll liabilities amounted to \$2,318 at December 31, 2012 and is included with accounts payable and accrued liabilities on the statement of financial position.

10. Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing expenses amounted to \$9,875 for the year ended December 31, 2012 and are reflected on the statement of functional expenses.

11. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Lazarex has evaluated subsequent events through April 15, 2013, the date the financial statements were available to be issued, and, in the opinion of management, there are no subsequent events which need to be disclosed.