



LAZAREX CANCER FOUNDATION

*Reviewed
Financial Statements*

Year Ended
December 31, 2013



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors Lazarex Cancer Foundation

We have reviewed the accompanying statements of financial position of Lazarex Cancer Foundation (a California nonprofit corporation) as of December 31, 2013 and 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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

**June 6, 2014
Danville, California**

LAZAREX CANCER FOUNDATION

**Statements of Financial Position
December 31, 2013 and 2012**

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	\$ 183,683	\$ 525,321
Grants receivable	90,627	-
Prepaid expenses and other assets	66,036	-
	<hr/>	<hr/>
Total current assets	340,346	525,321
Property and equipment, net	1,376	1,107
	<hr/>	<hr/>
	\$ 341,722	\$ 526,428

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 100,546	\$ 21,911
Deferred rent	11,000	-
Unearned revenue	69,996	11,629
	<hr/>	<hr/>
Total current liabilities	181,542	33,540
Net assets:		
Unrestricted	158,375	492,888
Temporarily restricted	1,805	-
	<hr/>	<hr/>
Total net assets	160,180	492,888
	<hr/>	<hr/>
	\$ 341,722	\$ 526,428

LAZAREX CANCER FOUNDATION

**Statements of Activities and Changes in Net Assets
Years Ended December 31, 2013 and 2012**

<i>Changes in unrestricted net assets:</i>	<u>2013</u>	<u>2012</u>
Revenue and support:		
Contributed income:		
Foundation grants	\$ 358,195	\$ 206,215
Corporation contributions	184,332	-
Individual donations	74,612	167,121
Fundraising activities	616,544	716,103
Less: direct costs related to fundraising activities	(262,094)	(337,830)
Net fundraising revenue	<u>354,450</u>	<u>378,273</u>
Rental income	-	3,500
Other income	10,562	-
Interest income	-	21
Total revenue and support	<u>982,151</u>	<u>755,130</u>
 Expenses:		
Program expenses	1,118,263	606,294
General and administrative	81,056	91,475
Fundraising	117,345	85,658
Total expenses	<u>1,316,664</u>	<u>783,427</u>
 Decrease in unrestricted net assets	<u>(334,513)</u>	<u>(28,297)</u>
 <i>Changes in temporarily restricted net assets:</i>		
Grants and contributions	1,805	-
Net assets released from restrictions	-	-
Increase in temporarily restricted net assets	<u>1,805</u>	<u>-</u>
 Decrease in net assets	<u>(332,708)</u>	<u>(28,297)</u>
Net assets at beginning of year	492,888	521,185
Net assets at end of year	<u>\$ 160,180</u>	<u>\$ 492,888</u>

LAZAREX CANCER FOUNDATION

**Statements of Cash Flows
Years Ended December 31, 2013 and 2012**

	2013	2012
<i>Operating activities:</i>		
Decrease in net assets	\$ (332,708)	\$ (28,297)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	522	2,213
Changes in:		
Grants receivable	(90,627)	-
Prepaid expenses and other assets	(66,036)	-
Accounts payable and accrued liabilities	78,635	11,310
Unearned revenue	58,367	11,629
Deferred rent	11,000	-
Cash used for by operating activities	(340,847)	(3,145)
 <i>Investing activities:</i>		
Acquisition of property and equipment	(791)	(953)
Cash used for investing activities	(791)	(953)
Net decrease in cash and cash equivalents	(341,638)	(4,098)
Cash and cash equivalents at beginning of year	525,321	529,419
Cash and cash equivalents at end of year	\$ 183,683	\$ 525,321
 <i>Additional cash flow information:</i>		
State registration taxes paid	\$ 75	\$ 75
Interest and finance charges paid	\$ -	\$ -

LAZAREX CANCER FOUNDATION

**Statement of Functional Expenses
Year Ended December 31, 2013**

(with comparative results for the year ended December 31, 2012)

	General and				
	Program	Admin-	Fund-	Total	Total
	Services	istrative	raising	2013	2012
Advertising and marketing	\$ 3,973	\$ -	\$ 3,167	\$ 7,140	\$ 9,875
Bank charges/processing fees	120	610	1,534	2,264	2,827
Clinical trial fees	65,047	-	-	65,047	26,746
Depreciation	-	522	-	522	2,213
Insurance	-	2,642	-	2,642	3,224
Legal and professional	58,325	11,562	42,699	112,586	104,860
Medical	28,076	-	-	28,076	-
Miscellaneous	-	650	-	650	5,241
Occupancy	54,092	3,765	14,425	72,282	60,500
Outreach	151,157	-	-	151,157	8,000
Postage	-	4,480	1,533	6,013	2,749
Printing	1,039	602	7,537	9,178	8,338
Research	100,000	-	-	100,000	-
Salaries, wages and payroll taxes	164,392	35,969	26,369	226,730	189,785
Supplies and office	-	12,699	8,754	21,453	18,521
Telephone and internet	21,060	4,437	10,400	35,897	15,539
Travel, meals and entertainment	470,982	3,118	927	475,027	325,009
Totals	\$ 1,118,263	\$ 81,056	\$ 117,345	\$ 1,316,664	\$ 783,427

Notes to Financial Statements
December 31, 2013 and 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. Lazarex provides financial assistance to defray the costs associated with patient participation in FDA clinical trials. Additionally, Lazarex helps 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, 2013, 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, 2013. 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 \$183,683 and \$525,321 at December 31, 2013 and 2012 consist of funds on deposit in checking accounts. Funds on deposit do not bear interest. At certain times the amounts on deposit may exceed federally insured balances. Lazarex attempts to limit its credit risk associated with cash and cash equivalents by utilizing financial institutions that are well capitalized and highly rated.

Notes to Financial Statements

4. Property and Equipment

Property and equipment consist of the following at December 31, 2013:

	2013	2012
Furniture and equipment	\$ 11,657	\$ 10,866
Less: accumulated depreciation	(10,281)	(9,759)
	\$ 1,376	\$ 1,107

Depreciation expense amounted to \$522 and \$2,213 for the years ended December 31, 2013 and 2012, respectively.

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 \$6,010 as of December 31, 2013. The lease provides for a free rent period followed by contractual increases in rent during the term of the agreement. These stipulations require Lazarex to account for its rent expense on a straight-line basis in accordance with ASC 840.20 *Leases*. The difference between the actual rent payments and the straight-line calculations result in deferred rent of \$11,000 at December 31, 2013. 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: Years ending December 31: 2014 - \$83,349; 2015 - \$96,427; 2016 - \$99,603; and 2017 - \$8,316. Total rent expense amounted to \$72,123 and \$60,500 for the years ended December 31, 2013 and 2012, respectively.

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 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 financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit, adjustment, and final acceptance by the granting agencies.

In May 2013, Lazarex entered into an agreement with Massachusetts General Hospital to provide \$3 million in funding over a three year period in an effort to enhance equity in cancer care and research. During the year ended December 31, 2013, Lazarex remitted \$100,000 towards this effort and this amount has been reflected as research expense on the statement of functional expenses.

Notes to Financial Statements

7. Unearned Revenue

Unearned revenue of \$69,996 and \$11,629 at December 31, 2013 and 2012, respectively, 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 reported as fundraising activities on the statements 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 \$200,000 to Lazarex during the year ended December 31, 2013. Other individuals related to Dornsife contributed \$40,509 to Lazarex, bringing the total contributions of family members and related parties to \$240,509, which represents 24% of total revenue and support for the year ended December 31, 2013. Payments to related parties amounted to \$53,240, or 4% of total expenses, during the year ended December 31, 2013 for payroll, health insurance, and reimbursement of expenses.

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 for future employment obligations. Employees are permitted to accrue a specific number of hours of vacation during the year and are required to use it by the end of each fiscal period. There were no accrued payroll liabilities at December 31, 2013 and 2012.

10. Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing expenses amounted to \$7,140 and \$9,875 for the years ended December 31, 2013 and 2012, respectively, 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 June 6, 2014, 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.