



LAZAREX CANCER FOUNDATION

Financial Statements

Year Ended

December 31, 2014

With Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

The Board of Directors Lazarex Cancer Foundation

We have audited the accompanying financial statements of Lazarex Cancer Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2014 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 statements referred to above present fairly, in all material respects, the financial position of Lazarex Cancer Foundation as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative information has been derived from Lazarex Cancer Foundation's December 31, 2013 financial statements. The December 31, 2013 financial statements were reviewed by us, and our report thereon (dated April 1, 2014) stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

April 20, 2015
Danville, California

Regalia & Associates

LAZAREX CANCER FOUNDATION

**Statements of Financial Position
December 31, 2014 and 2013**

ASSETS

	Audited 2014	Reviewed 2013
Current assets:		
Cash and cash equivalents	592,982	183,683
Grants receivable	9,784	90,627
Prepaid expenses and other assets	39,209	66,036
Total current assets	641,975	340,346
Property and equipment, net	-	1,376
	641,975	341,722

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	186,102	100,546
Deferred rent	7,432	11,000
Unearned revenue	50,319	69,996
Total current liabilities	243,853	181,542
Net assets:		
Unrestricted	398,122	158,375
Temporarily restricted	-	1,805
Total net assets	398,122	160,180
	641,975	341,722

LAZAREX CANCER FOUNDATION

**Statements of Activities and Changes in Net Assets
Years Ended December 31, 2014 and 2013**

	Audited	Reviewed
	2014	2013
<i>Changes in unrestricted net assets:</i>		
Revenue and support:		
Contributed income:		
Foundation grants	\$ 683,949	\$ 358,195
Corporation contributions	172,950	184,332
Individual donations	826,288	74,612
Fundraising activities	685,612	616,544
Less: direct costs related to fundraising activities	(225,020)	(262,094)
Net fundraising revenue	<u>460,592</u>	354,450
In kind contribution	196,815	-
Other income	14,910	10,562
Net assets released from restrictions	26,356	-
Total revenue and support	<u>2,381,860</u>	<u>982,151</u>
 Expenses:		
Program expenses	1,881,001	1,118,263
General and administrative	103,904	81,056
Fundraising	157,208	117,345
Total expenses	<u>2,142,113</u>	<u>1,316,664</u>
 Increase (decrease) in unrestricted net assets	<u>239,747</u>	<u>(334,513)</u>
<i>Changes in temporarily restricted net assets:</i>		
Grants and contributions	24,551	1,805
Net assets released from restrictions	(26,356)	-
(Decrease) increase in temporarily restricted net assets	<u>(1,805)</u>	<u>1,805</u>
 Increase (decrease) in net assets	<u>237,942</u>	<u>(332,708)</u>
Net assets at beginning of year	160,180	492,888
Net assets at end of year	<u>\$ 398,122</u>	<u>\$ 160,180</u>

LAZAREX CANCER FOUNDATION

Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	Audited	Reviewed
	2014	2013
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 237,942	\$ (332,708)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	1,376	522
Changes in:		
Grants receivable	80,843	(90,627)
Prepaid expenses and other assets	26,827	(66,036)
Accounts payable and accrued liabilities	85,556	78,635
Unearned revenue	(19,677)	58,367
Deferred rent	(3,568)	11,000
Cash provided by (used for) operating activities	409,299	(340,847)
<i>Investing activities:</i>		
Acquisition of property and equipment	-	(791)
Cash used for investing activities	-	(791)
Net increase (decrease) in cash and cash equivalents	409,299	(341,638)
Cash and cash equivalents at beginning of year	183,683	525,321
Cash and cash equivalents at end of year	\$ 592,982	\$ 183,683
<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, 2014**

(with comparative results for the year ended December 31, 2013)

	Program Services	General and Admin- istrative	Fund- raising	Audited Total 2014	Reviewed Total 2013
Advertising and marketing	\$ 1,659	\$ -	\$ 1,751	\$ 3,410	\$ 7,140
Bank charges/processing fees	-	273	3,425	3,698	2,264
Clinical trial fees	-	-	-	-	65,047
Depreciation	-	1,376	-	1,376	522
Insurance	-	3,419	-	3,419	2,642
Legal and professional	26,526	25,138	70,833	122,497	112,586
Medical	22,373	-	-	22,373	28,076
Miscellaneous	-	309	375	684	650
Occupancy	59,836	11,008	15,956	86,800	72,282
Outreach	11,561	-	-	11,561	151,157
Postage	1,440	897	3,965	6,302	6,013
Printing	1,438	84	6,823	8,345	9,178
Research	384,435	-	-	384,435	100,000
Salaries, wages and payroll taxes	193,970	41,357	34,302	269,629	226,730
Supplies and office	5,144	14,950	9,470	29,564	21,453
Telephone and internet	18,460	3,551	5,982	27,993	35,897
Travel, meals and entertainment	1,154,159	1,542	4,326	1,160,027	475,027
Totals	\$ 1,881,001	\$ 103,904	\$ 157,208	\$ 2,142,113	\$ 1,316,664

Notes to Financial Statements
December 31, 2014 (Audited) and 2013 (Reviewed)

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 provides community education and outreach services.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Lazarex and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, accrued assets, accrued liabilities, and net asset accounts.

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 which exceed the capitalization threshold 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, 2014, 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 7,279 volunteer hours with an estimated fair value of \$382,802 received during the year ended December 31, 2014. 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.*"

Cash and Cash Equivalents

Lazarex considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Lazarex maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. Lazarex has not experienced any losses in such accounts.

Notes to Financial Statements

3. Cash and Cash Equivalents

Cash and cash equivalents of \$592,982 and \$183,683 at December 31, 2014 and 2013 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.

4. Grants Receivable

Grants receivable of \$9,784 and \$90,627 at December 31, 2014 and 2013, respectively, represent amounts due principally from foundations and are generally due within the next fiscal year. Lazarex uses the direct write-off method with regards to receivables deemed uncollectible. During the years ended December 31, 2014 and 2013, Lazarex recognized no bad debts. Management has evaluated the receivables as of December 31, 2014 and determined that such amounts are fully collectible based on the financial health of the donors involved.

5. Property and Equipment

Property and equipment consist of the following at December 31, 2014 and 2013:

	2014	2013
Furniture and equipment	\$ 11,657	\$ 11,657
Less: accumulated depreciation	(11,657)	(10,281)
	\$ -	\$ 1,376

Depreciation expense amounted to \$1,376 and \$522 for the years ended December 31, 2014 and 2013, respectively.

6. Leases

Lazarex leases its corporate office facilities under a long-term operating lease expiring January 31, 2017. The lease requires a monthly payment of \$7,031 as of December 31, 2014. 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 \$7,432 and \$11,000 at December 31, 2014 and 2013, respectively. Lazarex rents certain facilities under specific usage agreements for special events and fundraising activities. Future minimum payments under the organization's long-term lease obligation are as follows: Years ending December 31: 2015 - \$96,427; 2016 - \$99,603; and 2017 - \$8,316. Total rent expense amounted to \$79,781 and \$72,123 for the years ended December 31, 2014 and 2013, respectively.

Notes to Financial Statements

7. Contractual Obligation

Effective August 14, 2013, Lazarex entered into an agreement with Massachusetts General Hospital Cancer Center to provide long-term funding for the purposes of increasing clinical trial enrollment and enhancing the delivery of care to medically disadvantaged communities. Under the terms of the agreement, Lazarex has agreed to remit a total of \$2,998,660 to Massachusetts General Hospital beginning October 1, 2013 and continuing through December 31, 2016. During the years ended December 31, 2014 and 2013, Lazarex remitted \$384,435 and \$100,000, respectively. Future payments under the agreement are scheduled as follows: Year ended December 31, 2015: \$1,257,113 and Year ended December 31, 2015: \$1,257,112.

8. Unearned Revenue

Unearned revenue of \$50,319 and \$69,996 at December 31, 2014 and 2013, 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.

9. 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 obligations, 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. As disclosed above in Note 7, Lazarex remitted \$384,435 and \$100,000 during the years ended December 31, 2014 and 2013, respectively towards this effort and these amounts have been reflected as research expense on the statement of functional expenses.

Notes to Financial Statements

10. 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 is a Director.

The president contributed \$632,217 and \$200,000 to Lazarex during the years ended December 31, 2014 and 2013, respectively. Other individuals related to Dornsife contributed \$15,567 and \$40,509 to Lazarex for the years ended December 31, 2014 and 2013, respectively, bringing the total contributions of family members and related parties to \$647,784 and \$240,509, which represents 28% and 24% of total revenue and support, respectively. Payments to related parties amounted to \$49,639 and \$53,240, or 3% and 4% of total expenses, during the year ended December 31, 2014 and 2013, respectively, for payroll, health insurance, and reimbursement of expenses.

11. 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, 2014 and 2013.

12. Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing expenses amounted to \$3,410 and \$7,140 for the years ended December 31, 2014 and 2013, respectively, and are reflected on the statement of functional expenses.

13. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Lazarex has evaluated subsequent events through April 20, 2015, 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.