

LAZAREX CANCER FOUNDATION
(A California Nonprofit Corporation)

ANNUAL FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016 AND 2015

**LAZAREX CANCER FOUNDATION
(A California Nonprofit Corporation)**

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lazarex Cancer Foundation
Danville, California

We have audited the accompanying financial statements of Lazarex Cancer Foundation (a California nonprofit corporation) (the Organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016, 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.

Other Matters

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2017, on our consideration of Lazarex Cancer Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contract, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lazarex Cancer Foundation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Lazarex Cancer Foundation's December 31, 2015 financial statements, which were audited by other auditors, whose report dated April 18, 2016 expressed an unmodified opinion.

Vavinek, Trine, Day & Co LLP

Pleasanton, California

June 14, 2017

LAZAREX CANCER FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 402,264	\$ 594,810
Pledge and grants receivables	137,435	60,637
Other assets	38,261	24,350
Total Current Assets	<u>577,960</u>	<u>679,797</u>

NONCURRENT ASSETS

Property and equipment (net)	11,606	-
Total Noncurrent Assets	<u>11,606</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 589,566</u>	<u>\$ 679,797</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 186,958	\$ 156,493
Accrued salaries	15,830	-
Deferred rent	297	3,865
Unearned revenue	2,141	20,525
TOTAL LIABILITIES	<u>205,226</u>	<u>180,883</u>

NET ASSETS

Unrestricted	342,409	491,230
Temporarily restricted	41,931	7,684
Total Net Assets	<u>384,340</u>	<u>498,914</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 589,566</u>	<u>\$ 679,797</u>

See the accompanying notes to financial statements.

LAZAREX CANCER FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Support and Revenues				
Foundation grants	\$ 851,000	\$ 67,000	\$ 918,000	\$ 646,050
Corporation contributions	120,350	-	120,350	114,521
Individual donations	1,066,841	-	1,066,841	1,025,994
Fundraising activities, net of direct expenses	355,160	11,820	366,980	556,341
In-kind contributions	2,550	-	2,550	9,900
Other income	14,347	-	14,347	16,383
Net assets released from restrictions	44,573	(44,573)	-	-
Total Support and Revenues	2,454,821	34,247	2,489,068	2,369,189
Expenses				
Program services	2,360,059	-	2,360,059	1,952,825
Management and general	110,254	-	110,254	127,610
Fundraising	133,329	-	133,329	187,962
Total Expenses	2,603,642	-	2,603,642	2,268,397
CHANGE IN NET ASSETS	(148,821)	34,247	(114,574)	100,792
NET ASSETS, BEGINNING OF YEAR	491,230	7,684	498,914	398,122
NET ASSETS, END OF YEAR	\$ 342,409	\$ 41,931	\$ 384,340	\$ 498,914

See the accompanying notes to financial statements.

LAZAREX CANCER FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

	Program Services	Management and General	Fundraising	Total 2016 Expenses	Total 2015 Expenses
Advertising	\$ 16,171	\$ -	\$ 18,266	\$ 34,437	\$ 22,329
Bank charges	-	861	3,503	4,364	4,009
Depreciation	-	2,153	-	2,153	-
Diversity/communityLINK	100	-	-	100	8,847
Insurance	-	9,438	-	9,438	6,590
Legal and professional	65,449	7,307	3,608	76,364	172,560
lifeLINK Medical	11,366	-	-	11,366	15,443
lifeLINK Patient reimbursements	1,032,284	-	-	1,032,284	865,800
Miscellaneous	16	-	678	694	1,322
Occupancy	72,027	8,200	19,207	99,434	102,988
Postage	2,571	648	2,135	5,354	7,170
Printing	309	11	1,238	1,558	6,875
Program partnerships	767,694	-	-	767,694	576,651
Salaries, wages and payroll tax	352,046	73,333	63,553	488,932	418,501
Supplies and office	5,512	5,582	12,349	23,443	13,736
Tax and license	-	150	-	150	170
Telephone and internet	15,716	2,415	4,941	23,072	26,786
Travel, meals and entertainment	18,798	156	3,851	22,805	18,620
Total Expenses	\$ 2,360,059	\$ 110,254	\$ 133,329	\$ 2,603,642	\$ 2,268,397

See the accompanying notes to financial statements.

LAZAREX CANCER FOUNDATION
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (114,574)	\$ 100,792
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	2,153	184
Change in operating assets and liabilities		
(Increase) Decrease in pledges and grants receivable	(76,798)	(50,853)
(Increase) Decrease in other assets	(13,911)	14,859
Increase (Decrease) in accounts payable and accrued expenses	30,465	(29,609)
Increase (Decrease) unearned revenue	(18,384)	(29,794)
Increase (Decrease) deferred rent	(3,568)	(3,567)
Increase (Decrease) in accrued payroll expenses	15,830	-
Net Cash Flows From Operating Activities	<u>(178,787)</u>	<u>2,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(13,759)	(184)
Net Cash Flows From Investing Activities	<u>(13,759)</u>	<u>(184)</u>
NET CHANGE	(192,546)	1,828
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>594,810</u>	<u>592,982</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 402,264</u>	<u>\$ 594,810</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH AMOUNTS		
In-kind donations	<u>\$ 2,550</u>	<u>\$ -</u>

See the accompanying notes to financial statements.

LAZAREX CANCER FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The 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 Federal Food and Drug Administration 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.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows. The Organization does not use fund accounting. Revenues are recognized when earned, and expenses are recognized when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days and available for current operations. The Organization maintains cash balances in financial institutions which are insured up to \$250,000. At December 31, 2016, the amount in excess of Federal depository insurance coverage was approximately \$50,000.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are recorded in the appropriate classification of net assets. If the restrictions are met either by passage of time or by use in the reporting period in which the income and gains are recognized, the income is recorded as increases in the unrestricted net assets. Investments are classified as short or long term based upon the Organization's intent to use for current operations.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the appropriate classification of net assets as temporarily or permanently restricted. When a restriction expires through either the passage of time or use, the assets are reclassified as assets released from restrictions in the statement of activities. Approximately 33% of the contribution revenue for the year ended December 31, 2016 was from one source.

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Allowance for Bad Debts

The Organization computes and allowance for uncollectible contributions receivable is established based on estimated losses related to specific accounts and is recorded through a provision for bad debts charged to expenses. No significant amounts have been uncollectible; therefore the provision for such losses is zero.

Property and Equipment

The Organization capitalizes property and equipment purchased or donated which exceeds the capitalization threshold at cost. Lesser amounts are expensed when purchased. Donations of property and equipment are recorded as contributions at their estimated fair value, if known. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in services. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method based on the assets' estimated useful lives ranging from three to thirty years. Current year depreciation expense was \$2,153.

Donated Services, Goods, and Facilities

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.

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 disclosures. Actual results could differ from those estimates. Significant estimates include the value of the beneficial interest in a charitable remainder trust.

Income Taxes

The Organization is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified by the Internal Revenue Service (IRS) as other than a private organization. Contributions received qualify as tax deductible gifts as provided in Section 170(b)(1)(A)(vi). The Organization is also exempt from California State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Organization's Federal Form 990, *Return of Organization Exempt From Income Tax*, and State Form 109, *California Exempt Organization Business Income Tax Return*, are subject to examination by the IRS for three years, and by the State Franchise Tax Board for four years, after they were filed. The Organization is not aware of any such examinations at this time.

LAZAREX CANCER FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

The Organization has adopted FASB 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.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

Reclassifications

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

Comparative Totals

The financial statements include certain prior year summarized information in total but not by functional expense categories. Such information does not constitute sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

Accordingly such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

NOTE 2 – PLEDGE AND GRANTS RECEIVABLE

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Pledges and grants receivable of \$137,435 and \$60,637 at December 31, 2016 and 2015, respectively, represent amounts due from foundations and others and are due within the next fiscal year.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016, and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 13,759	\$ 11,657
Less: accumulated depreciation	<u>(2,153)</u>	<u>(11,657)</u>
Total Capital Assets	<u>\$ 11,606</u>	<u>\$ -</u>

LAZAREX CANCER FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 - NET ASSETS

At December 31, 2016, and 2015 unrestricted net assets had a balance of \$342,409 and \$491,230, respectively.

Temporarily restricted net assets at December 31, 2016 consisted of program funds held for the following various purposes:

Ovarian cancer	\$	33,931
Community outreach		8,000
Total	\$	<u>41,931</u>

Satisfaction of program restrictions at December 31, 2016 affected the following programs:

Ovarian cancer	\$	32,752
Breast cancer		11,821
Total	\$	<u>44,573</u>

NOTE 5 – OPERATING LEASES

The Organization rents its administrative offices under an operating lease that will expire in January 31, 2022. Rent expense is from \$8,505 per month to \$9,572 per month.

Future minimum payments under these leases are as follows:

2017	\$	93,555
2018		104,865
2019		108,002
2020		111,245
2021		114,585
Thereafter		9,572
	\$	<u>541,824</u>

NOTE 6 - 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 June 14, 2017, 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.