

LUNgevity FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

LUNGevity FOUNDATION

YEAR ENDED JUNE 30, 2023

CONTENTS

	Page
Independent auditors' report	1-2
Financial statements:	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-19



Independent Auditors' Report

Board of Directors
LUNGeivity Foundation

Opinion

We have audited the accompanying financial statements of LUNGeivity Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LUNGeivity Foundation as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LUNGeivity Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, LUNGeivity Foundation adopted ASU 2016-02, *Leases (Topic 842)* effective July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LUNGevity Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LUNGevity Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LUNGevity Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ostrow Reisin Berk & Abrams, Ltd.

January 23, 2024

LUNGevity FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

Cash	\$ 5,248,048
Accounts and grants receivable	606,803
Pledges receivable	1,881,879
Prepaid expenses	453,402
Security deposits	16,133
Property and equipment, net	15,573
Operating lease right-of-use assets	538,185

Total assets	\$ 8,760,023
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LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 233,884
Accrued payroll and vacation	293,765
Operating lease liabilities	551,085

Total liabilities	1,078,734
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Net assets:

Without donor restrictions	3,537,778
With donor restrictions	4,143,511

Total net assets	7,681,289
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Total liabilities and net assets	\$ 8,760,023
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See notes to financial statements.

LUNGevity FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2023	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contributions and grants	\$ 8,739,396	\$ 3,825,303	\$ 12,564,699
Contributed goods and services	298,599		298,599
Special events and other fundraisers:			
Gross revenue	2,174,005		2,174,005
Costs of direct benefits to donors	(367,032)		(367,032)
Net investment income	2,116		2,116
Net assets released from restrictions	6,574,505	(6,574,505)	
Total revenues	17,421,589	(2,749,202)	14,672,387
Expenses:			
Program services	16,096,264		16,096,264
Management and general	930,649		930,649
Fundraising	1,657,395		1,657,395
Total expenses	18,684,308		18,684,308
Change in net assets	(1,262,719)	(2,749,202)	(4,011,921)
Net assets:			
Beginning of year	4,800,497	6,892,713	11,693,210
End of year	\$ 3,537,778	\$ 4,143,511	\$ 7,681,289

See notes to financial statements.

LUNgevity FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023	Program services					Management and general	Fundraising	Cost of direct benefits to donors	Total
	Support services	Improving access to care	Patient and public education	Research	Total				
Advertising and marketing	\$ 1,210	\$ 917	\$ 1,550,213	\$ 97,789	\$ 1,650,129		\$ 208,259	\$ 18,865	\$ 1,877,253
Depreciation and amortization	1,090	1,917	2,983	1,572	7,562	\$ 1,203	1,698		10,463
Grants		187,000		4,463,172	4,650,172				4,650,172
Meetings and events	449,633	312,589	195,943	166,558	1,124,723	6,948	57,392	303,920	1,492,983
Occupancy	26,950	47,403	73,789	56,378	204,520	29,763	41,994		276,277
Office expenses	47,322	82,063	225,917	52,715	408,017	34,162	61,767	36,627	540,573
Professional fees	83,280	792,066	1,392,741	424,378	2,692,465	13,338	26,163	7,620	2,739,586
Salaries and personnel costs	765,345	1,346,185	2,095,518	1,104,398	5,311,446	845,235	1,192,586		7,349,267
Website content licensing and other software fees			47,230		47,230		67,536		114,766
Total expenses	1,374,830	2,770,140	5,584,334	6,366,960	16,096,264	930,649	1,657,395	367,032	19,051,340
Less expenses included with revenues on the statement of activities								(367,032)	(367,032)
Total expenses included in the expenses section on the statement of activities	\$ 1,374,830	\$ 2,770,140	\$ 5,584,334	\$ 6,366,960	\$ 16,096,264	\$ 930,649	\$ 1,657,395	\$ -	\$ 18,684,308

See notes to financial statements.

LUNGevity FOUNDATION

STATEMENT OF CASH FLOWS

Year ended June 30, 2023

Cash flows from operating activities:

Change in net assets	\$ (4,011,921)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	10,463
Amortization of operating lease right-of-use assets	229,457
(Increase) decrease in operating assets:	
Accounts and grants receivable	889,791
Pledges receivable	(1,090,300)
Prepaid expenses	(43,918)
Increase (decrease) in operating liabilities:	
Accounts payable	56,299
Accrued payroll and vacation	99,555
Operating lease liabilities	(233,604)

Net cash used in operating activities	(4,094,178)
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Net decrease in cash	(4,094,178)
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Cash, beginning of year	9,342,226
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Cash, end of year	\$ 5,248,048
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Supplemental cash flows information related to leases
is as follows:

Cash paid for amounts included in the measurement
of lease liabilities:

Operating cash flows from operating leases	\$ 274,799
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See notes to financial statements.

LUNGevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

LUNGevity Foundation (the Foundation), a leading lung cancer organization, is focused on transforming what it means to be diagnosed and live with lung cancer. The Foundation seeks to make an immediate impact on quality of life and survivorship for everyone touched by the disease – while promoting health equity by addressing disparities throughout the care continuum.

- Through research, the Foundation used an innovative and holistic approach to finding lung cancer earlier when it is most treatable; advance research into new treatments so people may live longer and better; and ensure a diverse, vital pipeline of investigators for the future of the lung cancer field.
- Through advocacy, the Foundation fosters collaborations to ensure all people have access to screening, biomarker testing, and treatment breakthroughs.
- Through community, the Foundation educates, supports, and connects people affected by lung cancer so that they can get the best healthcare and live longer and better lives.

Comprehensive resources include a medically-vetted and patient-centric website, Patient Gateways for specific types of lung cancer, a toll-free HELPLine for personalized support, international survivor conferences, and tools to find a clinical trial. All these programs are designed to help the Foundation achieve its vision – a world where no one dies of lung cancer.

2. Summary of significant accounting policies

The significant accounting policies of the Foundation are summarized below:

Basis of accounting:

The Foundation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

LUNgevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Recent accounting pronouncement:

Effective July 1, 2022, the Foundation adopted ASU 2016-02, *Leases (Topic 842)* using the modified retrospective transition method. This guidance requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The Foundation elected the package of practical expedients to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any existing leases. In addition, the Foundation elected to use hindsight to determine the lease terms of existing leases and assess impairment of right-of-use assets at the adoption date. The adoption of this standard resulted in the recognition of operating lease right-of-use assets of \$767,642 and operating lease liabilities of \$784,689 at July 1, 2022.

Basis of presentation:

The Foundation is required to report information regarding its financial position and activities in two classes of net assets: Without donor restrictions and with donor restrictions.

Net assets without donor restrictions - Net assets available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation and the environment in which it operates.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such that they will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. The Foundation reports contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

LUNgevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Contributions and grants:

Contributions and grants are recognized when cash or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. See Note 9.

Accounts and grants receivable:

Accounts and grants receivable are stated at the amount management expects to collect from the outstanding balances. Accounts and grants receivable are due in less than one year. The Foundation estimates an allowance for doubtful accounts based on an analysis of specific account history and experience. It is the Foundation's policy to charge off uncollectible accounts and grants receivable when management determines that the receivable will not be collected. Management believes that all accounts and grants receivable as of June 30, 2023 are fully collectible; therefore, no allowance for doubtful accounts was recorded.

Pledges receivable:

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Pledges receivable consist of unconditional promises to give at June 30, 2023. Pledges receivable due in more than one year were discounted using a risk-adjusted rate of return (4.63% as of June 30, 2023) to reflect the present value of the receivables. Amortization of the discount is included in contributions and grants revenue. Management believes that all pledges receivable as of June 30, 2023 are fully collectible; therefore, no allowance for doubtful accounts was recorded.

<u>June 30, 2023</u>	
Pledges receivable due in less than one year	\$ 842,792
Pledges receivable due in one to five years	1,225,000
Total pledges receivable, gross	2,067,792
Discount to net present value	(185,913)
Total pledges receivable	<u>\$ 1,881,879</u>

LUNgevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Property and equipment and related depreciation and amortization:

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Depreciation and amortization of property and equipment is provided over the estimated life of the assets using the straight-line method. Amortization of leasehold improvements is provided ratably over the lesser of the term of the lease or the estimated life of the improvements. Additions over \$1,000 are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

Leases:

The Foundation determines whether a contract is a lease at the contract's inception. Identified leases are subsequently measured, classified, and recognized at lease commencement as either a finance lease or an operating lease. Right-of-use assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments to be made over the lease term. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise the option. The lease payments are discounted to present value using a discount rate based on a term commensurate with the lease terms at the lease commencement date. The Foundation used an incremental borrowing rate for the office leases. The portion of payments on operating lease liabilities related to interest, along with the amortization of the related right-of-use assets, is recognized as operating lease cost. Operating lease cost is recognized on a straight-line basis over the lease term.

Advertising:

Advertising costs are expensed when incurred. Total advertising costs were \$235,435 for the year ended June 30, 2023.

LUNGevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Operating expenses identified with a functional area are charged directly to that area and where those expenses affect more than one area, they are allocated on a reasonable basis that is consistently applied. These expenses, allocated on the basis of estimates of time and effort, were salaries and personnel costs, meetings and events, and office expenses. Occupancy is allocated based on estimates of square footage.

Use of estimates:

The preparation of financial statements in accordance accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of the Foundation has reviewed and evaluated subsequent events through January 23, 2024, the date the financial statements were available to be issued.

3. Liquidity and availability

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments by reviewing projections of anticipated annual revenue and expenses as well as by reviewing monthly budget-to-actual reports. As of June 30, 2023, the Foundation's sources of liquidity at its disposal included cash and receivables.

LUNgevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Liquidity and availability (continued)

The following represents the Foundation's financial assets available to meet general expenditures within one year as of June 30, 2023:

<u>June 30, 2023</u>	
Financial assets at year-end:	
Cash	\$ 5,248,048
Accounts and grants receivable	606,803
Pledges receivable	1,881,879
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Total financial assets	7,736,730
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Less amounts not available to be used within one year:	
Pledges receivable due in one to five years, net	1,039,087
Purpose restricted net assets	1,654,829
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Total amounts not available to be used within one year	2,693,916
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Financial assets available to meet general expenditures within one year	\$ 5,042,814
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LUNgevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Property and equipment

The components of property and equipment were as follows:

<u>June 30, 2023</u>	
Equipment	\$ 22,780
Computer software and website	55,704
Leasehold improvements	35,026
	<u>113,510</u>
Accumulated depreciation and amortization	<u>(97,937)</u>
Property and equipment, net	<u>\$ 15,573</u>

5. Revenue from contracts with customers

The Foundation held one fundraising event during the year ended June 30, 2023. In exchange for the registration fee, participants receive various direct benefits, including food and beverages. The estimated value of direct benefits provided is recognized as revenue from contracts with customers at a point in time when the event took place. The Foundation recognized \$62,250 of special events and other fundraisers revenue from contracts with customers during the year ended June 30, 2023 which is included in special events and other fundraisers revenue on the statement of activities. Significant judgments are made by management to determine the fair value of benefits provided to participants. There were no receivables related to contracts with customers as of June 30, 2023 and 2022. There were also no contract assets or contract liabilities at June 30, 2023 and 2022.

6. Contributed goods and services

Contributed goods and services are reported at fair value in the financial statements when the services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

The Foundation receives donated services from unpaid volunteers who assist in its fundraising events and programs in the furtherance of its purposes. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation. With the exception of the services noted in the following paragraph, none of these amounts have been recognized in the statement of activities because the criteria for recognition have not been met.

LUNgevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Contributed goods and services (continued)

The Foundation receives various forms of contributed goods and services. Contributed goods and services are reported at their estimated fair value and reported as revenue without donor restrictions when received and reported as expenses when utilized. Contributed goods are not sold and goods and services are only used by the Foundation for program use. There were no donor restrictions for contributed goods and services received during the year ended June 30, 2023.

Contributed goods and services consisted of the following:

Non-financial contributions category	Type of contributions	Valuation	Year ended June 30, 2023
Food and non-food items	Food and beverage and other costs related to meetings and events	Third-party estimates using costs of similar goods in like circumstances	\$ 17,249
In-kind services	Professional services including advertising and marketing and research provided by the Foundation's Scientific Advisory Board	Standard industry pricing for similar services	281,350
Total contributed goods and services			\$ 298,599

LUNGevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023:

<u>June 30, 2023</u>	
Purpose restrictions:	
Improving access to care	\$ 721,873
Patient and advocate support	36,625
Public policy initiatives	75,000
Research:	
Clinical research	445,931
Patient FoRCe	375,400
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Total net assets with purpose restrictions	1,654,829
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Time restrictions:	
Accounts and grants receivable	606,803
Pledges receivable	1,881,879
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Total net assets with time restrictions	2,488,682
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Total net assets with donor restrictions	\$ 4,143,511

LUNgevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Net assets with donor restrictions (continued)

During the year ended June 30, 2023, net assets were released from donor restrictions by incurring expenses satisfying the following purpose restrictions specified by donors and satisfying time restrictions:

Year ended June 30, 2023	
Purpose restrictions:	
Improving access to care	\$ 1,120,429
Patient and advocate support	1,826,754
Research:	
ALK Project Fund	561,428
Clinical research	1,000,000
Patient FoRCe	259,600
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Total net assets released from purpose restrictions	4,768,211
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Time restrictions:	
Accounts and grants receivable	1,496,594
Pledges receivable	309,700
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Total net assets released from time restrictions	1,806,294
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Total net assets released from donor restrictions	\$ 6,574,505

8. Tax status

The Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service (IRS) has determined that the Foundation is not a private foundation within the meaning of Section 509(a) of the Code. Management has determined that the Foundation was not required to record a liability related to uncertain tax positions as of June 30, 2023.

LUNgevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Conditional promises to receive

The Foundation records revenue associated with conditional promises to receive when the conditions have been substantially met.

Conditional promises to receive consist of the following:

<u>June 30, 2023</u>	
ALK Research Award	\$ 1,312,500
Career Development Award	200,000
Early Detection Research Award	150,000
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Total	\$ 1,662,500

10. Conditional grant commitments

The Foundation funds requests for research award applications and issues research awards to medical investigators for pre-approved studies. The Foundation's Scientific Advisory Board reviews multi-year research awards annually through progress reports. The Foundation reserves the right to terminate future funding for a multi-year award if a progress report reflects unsatisfactory progress. As such, the Foundation is only committed to funding awards for the following year. As of June 30, 2023, future conditional research award commitments total \$3,426,000 for the year ending June 30, 2024 and \$300,000 for the year ending June 30, 2025.

11. Leases

The Foundation leases office space in Chicago, Illinois through March 2025. The Foundation also leases office space in Bethesda, Maryland through November 2025. The leases include annual escalating payments and there are no renewal options.

Operating lease cost was \$270,653 for the year ended June 30, 2023. The weighted-average discount rate for the operating leases during the year ended June 30, 2023 was 5.25% and the weighted-average remaining lease term as of June 30, 2023 was 2.2 years.

LUNgevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Leases (continued)

Future minimum payments on the operating leases are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2024	\$ 270,775
2025	254,756
2026	74,435
Total lease payments	599,966
<u>Imputed interest</u>	<u>(48,881)</u>
<u>Present value of operating leases liabilities</u>	<u>\$ 551,085</u>

12. Retirement plan

The Foundation sponsors a 401(k) plan (the Plan) covering all employees who meet the eligibility requirements. The Foundation makes matching contributions to the Plan equal to 100% of the first 3% of employee deferrals and 50% of the next 2% of employee deferrals, up to a maximum of 4% of employee compensation for a calendar year. Contributions to the Plan were \$221,474 for the year ended June 30, 2023.

13. Concentration of credit risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The uninsured balance was approximately \$4,895,000 as of June 30, 2023. Management believes that the Foundation is not exposed to any significant credit risk on cash.

Credit risk for accounts and grants receivable was concentrated with three donors accounting for approximately 58% of accounts and grants receivable as of June 30, 2023. Pledges receivable as of June 30, 2023 was concentrated with three donors, all of whom are Board members, accounting for 100% of pledges receivable.

Two donors accounted for approximately 23% of total revenues for the year ended June 30, 2023.

LUNGevity FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Related parties

The Foundation received contributions from board members during the year ended June 30, 2023 of approximately \$1,680,000.