



# LAZAREX CANCER FOUNDATION

## Financial Statements

For the years ended  
*December 31, 2015 and 2014*

With Independent Auditors' Report Thereon



C E R T I F I E D P U B L I C A C C O U N T A N T S  
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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 statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2015 and 2014, and the results of its operations and its cash flows for the years 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, 2014 financial statements. In our report dated April 20, 2015, we expressed an unqualified opinion on those financial statements.

April 18, 2016  
Danville, California

**LAZAREX CANCER FOUNDATION**

**Statements of Financial Position  
December 31, 2015 and 2014**

**ASSETS**

	<b>2015</b>	<b>2014</b>
Current assets:		
Cash and cash equivalents	\$ 594,810	\$ 592,982
Accounts and grants receivable	60,637	9,784
Prepaid expenses and other assets	24,350	39,209
	<hr/>	<hr/>
Total current assets	679,797	641,975
	<hr/>	<hr/>
Property and equipment, net	-	-
	<hr/>	<hr/>
	\$ 679,797	\$ 641,975
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**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable and accrued liabilities	\$ 156,493	\$ 186,102
Deferred rent	3,865	7,432
Unearned revenue	20,525	50,319
	<hr/>	<hr/>
Total current liabilities	180,883	243,853
	<hr/>	<hr/>
Net assets:		
Unrestricted	491,230	398,122
Temporarily restricted	7,684	-
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Total net assets	498,914	398,122
	<hr/>	<hr/>
	\$ 679,797	\$ 641,975
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**LAZAREX CANCER FOUNDATION**

**Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2015 and 2014**

<i>Changes in unrestricted net assets:</i>	<u>2015</u>	<u>2014</u>
Revenue and support:		
Contributed income:		
Foundation grants	\$ 613,975	\$ 683,949
Corporation contributions	114,521	172,950
Individual donations	1,025,994	781,747
Fundraising activities	691,275	730,153
Less: direct costs related to fundraising activities	(134,934)	(225,020)
Net fundraising revenue	<u>556,341</u>	<u>505,133</u>
In kind contribution	9,900	196,815
Other income	16,383	14,910
Net assets released from restrictions	24,391	26,356
Total revenue and support	<u>2,361,505</u>	<u>2,381,860</u>
Expenses:		
Program expenses	1,952,825	1,881,001
General and administrative	127,610	103,904
Fundraising	187,962	157,208
Total expenses	<u>2,268,397</u>	<u>2,142,113</u>
Increase in unrestricted net assets	<u>93,108</u>	<u>239,747</u>
<i>Changes in temporarily restricted net assets:</i>		
Grants and contributions	32,075	24,551
Net assets released from restrictions	(24,391)	(26,356)
Increase (decrease) in temporarily restricted net assets	<u>7,684</u>	<u>(1,805)</u>
Increase in net assets	<u>100,792</u>	<u>237,942</u>
Net assets at beginning of year	398,122	160,180
Net assets at end of year	<u>\$ 498,914</u>	<u>\$ 398,122</u>

**LAZAREX CANCER FOUNDATION**

**Statements of Cash Flows  
Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<i>Operating activities:</i>		
Increase in net assets	\$ 100,792	\$ 237,943
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	184	1,376
Changes in:		
Accounts and grants receivable	(50,853)	80,843
Prepaid expenses and other assets	14,859	26,827
Accounts payable and accrued liabilities	(29,609)	85,556
Unearned revenue	(29,794)	(19,677)
Deferred rent	(3,567)	(3,569)
Cash provided by operating activities	<u>2,012</u>	<u>409,299</u>
<i>Investing activities:</i>		
Acquisition of property and equipment	(184)	-
Cash used for investing activities	<u>(184)</u>	<u>-</u>
Net increase in cash and cash equivalents	1,828	409,299
Cash and cash equivalents at beginning of year	<u>592,982</u>	<u>183,683</u>
Cash and cash equivalents at end of year	<u>\$ 594,810</u>	<u>\$ 592,982</u>
<i>Additional cash flow information:</i>		
State registration taxes paid	\$ 75	\$ 75
Interest and finance charges paid	<u>\$ -</u>	<u>\$ -</u>

**LAZAREX CANCER FOUNDATION**

**Statement of Functional Expenses  
Year Ended December 31, 2015**

*(With Comparative Results for the Year Ended December 31, 2014)*

	General and			Total 2015	Total 2014
	Program Services	Admin- istrative	Fund- raising		
Advertising and marketing	\$ 9,696	\$ -	\$ 12,633	<b>\$ 22,329</b>	\$ 3,410
Bank charges and processing fees	-	376	3,633	<b>4,009</b>	3,698
Depreciation	-	-	-	-	1,376
Diversity/communityLINK	8,847	-	-	<b>8,847</b>	11,561
Insurance	-	6,590	-	<b>6,590</b>	3,419
Legal and professional	72,138	33,017	67,405	<b>172,560</b>	122,497
lifeLINK medical	15,443	-	-	<b>15,443</b>	22,373
lifeLINK patient reimbursements	865,800	-	-	<b>865,800</b>	1,151,592
Miscellaneous	25	764	533	<b>1,322</b>	684
Occupancy	69,645	14,771	18,572	<b>102,988</b>	86,800
Postage	1,460	802	4,908	<b>7,170</b>	6,302
Printing	85	-	6,790	<b>6,875</b>	8,345
Program partnerships	576,651	-	-	<b>576,651</b>	384,435
Salaries, wages and payroll taxes	301,068	64,192	53,241	<b>418,501</b>	269,629
Supplies and office	3,742	3,991	6,003	<b>13,736</b>	29,564
Taxes and licenses	-	170	-	<b>170</b>	-
Telephone and internet	17,887	2,810	6,089	<b>26,786</b>	27,993
Travel, meals and entertainment	10,338	127	8,155	<b>18,620</b>	8,435
<b>Totals</b>	<b>\$ 1,952,825</b>	<b>\$ 127,610</b>	<b>\$ 187,962</b>	<b>\$ 2,268,397</b>	<b>\$ 2,142,113</b>

**Notes to Financial Statements  
December 31, 2015 and 2014**

**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 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, 2015, 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 8,632 volunteer hours with an estimated fair value of \$355,966 received during the year ended December 31, 2015. 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 \$594,810 and \$592,982 at December 31, 2015 and 2014 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. Accounts and Grants Receivable**

Grants receivable of \$60,637 and \$9,784 at December 31, 2015 and 2014, 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, 2015 and 2014, Lazarex recognized no bad debts. Management has evaluated the receivables as of December 31, 2015 and determined that such amounts are fully collectible based on the financial strength of the donors involved.

**5. Property and Equipment**

Property and equipment consist of the following at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Furniture and equipment	\$ 11,657	\$ 11,657
Less: accumulated depreciation	(11,657)	(11,657)
	\$ -	\$ -

Depreciation expense amounted to \$1,376 for the year ended December 31, 2014. There was no depreciation expense for the year ended December 31, 2015.

**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 \$8,127 as of December 31, 2015. 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 resulted in deferred rent of \$3,865 and \$7,432 at December 31, 2015 and 2014, 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 obligations are as follows: **Year ending December 31, 2016 - \$99,603; Year ending December 31, 2017 - \$8,316**. Total rent expense amounted to \$92,860 and \$79,781 for the years ended December 31, 2015 and 2014, 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, 2017. During the years ended December 31, 2015 and 2014, Lazarex remitted \$576,651 and \$384,435, respectively. Future payments under the agreement are scheduled as follows: **Year ending December 31, 2016 - \$1,000,000**; and **Year ending December 31, 2017 - \$937,574**.

**8. Unearned Revenue**

Unearned revenue of \$20,525 and \$50,319 at December 31, 2015 and 2014, 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 approximately \$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 \$576,651 and \$384,435 during the years ended December 31, 2015 and 2014, 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 \$888,062 and \$632,217 to Lazarex during the years ended December 31, 2015 and 2014 respectively. Other individuals related to Dornsife contributed \$60,942 and \$15,567 to Lazarex for the years ended December 31, 2015 and 2014, respectively, bringing the total contributions of family members and related parties to \$949,004 and \$647,784 which represents 38% and 27.2% of total revenue and support, respectively. Payments to related parties amounted to \$67,984 and \$49,639, or 3.0% and 2.3% of total expenses, during the year ended December 31, 2015 and 2014, 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, 2015 and 2014.

**12. Advertising and Marketing**

Advertising and marketing costs are expensed as incurred. Advertising and marketing expenses amounted to \$22,329 and \$3,410 for the years ended December 31, 2015 and 2014, 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 18, 2016, 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.