

CANCER LIFELINE

FINANCIAL REPORT

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cancer Lifeline
Seattle, Washington

We have audited the accompanying financial statements of Cancer Lifeline, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows 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; 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 audit in accordance with auditing standards generally accepted in 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 Cancer Lifeline as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Peterson Sullivan LLP

March 26, 2018

CANCER LIFELINE

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 475,123	\$ 592,380
Pledges receivable, net of allowance	7,783	909
Prepaid expenses	25,012	23,337
Property held for sale	788,238	
Total current assets	1,296,156	616,626
Investments	398,791	351,753
Property and Equipment, net	13,975	834,098
Total assets	<u>\$ 1,708,922</u>	<u>\$ 1,802,477</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 16,278	\$ 8,382
Accrued wages and benefits	23,781	18,575
Deferred program service revenue	52,955	
Total current liabilities	93,014	26,957
Net Assets		
Unrestricted	1,353,591	1,502,980
Temporarily restricted	262,317	272,540
Total net assets	1,615,908	1,775,520
Total liabilities and net assets	<u>\$ 1,708,922</u>	<u>\$ 1,802,477</u>

See Notes to Financial Statements

CANCER LIFELINE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Contributions	\$ 270,418	\$ 179,620	\$ 450,038	\$ 472,188	\$ 198,310	\$ 670,498
Bequests				20,066		20,066
Program services	276,023		276,023	260,947		260,947
Special events - revenue	221,363	181,746	403,109	196,493	134,037	330,530
Special events - direct benefit to donors	(46,966)		(46,966)	(33,281)		(33,281)
In-kind contributions - program services	30,175		30,175	38,150		38,150
Investment earnings	42,989		42,989	18,481		18,481
Net assets released from restrictions	371,589	(371,589)		266,909	(266,909)	
Total support and revenue	1,165,591	(10,223)	1,155,368	1,239,953	65,438	1,305,391
Expenses						
Program	936,020		936,020	809,443		809,443
General and administrative	64,140		64,140	102,062		102,062
Fundraising	314,820		314,820	344,217		344,217
Total expenses	1,314,980		1,314,980	1,255,722		1,255,722
Change in net assets	(149,389)	(10,223)	(159,612)	(15,769)	65,438	49,669
Net Assets, beginning of year	1,502,980	272,540	1,775,520	1,518,749	207,102	1,725,851
Net Assets, end of year	\$ 1,353,591	\$ 262,317	\$ 1,615,908	\$ 1,502,980	\$ 272,540	\$ 1,775,520

See Notes to Financial Statements

CANCER LIFELINE

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 378,286	\$ 53,150	\$ 198,285	\$ 629,721	\$ 376,691	\$ 70,256	\$ 207,810	\$ 654,757
Direct financial aid	306,300			306,300	201,400			201,400
Professional fees - other	42,611	3,194	40,433	86,238	38,860	10,377	64,843	114,080
Professional fees - class instructors	65,129			65,129	59,526			59,526
Equipment, repairs, and maintenance	30,318	2,471	18,378	51,167	16,964	5,059	15,234	37,257
Membership dues, meetings, and events			46,966	46,966	1,275	252	34,056	35,583
Occupancy	23,727	1,936	8,849	34,512	17,878	5,332	8,594	31,804
In-kind services	30,175			30,175	38,150		1,000	39,150
Printing and copying	4,883		14,942	19,825	9,132	909	14,777	24,818
Postage and mailing	3,591	28	6,177	9,796	5,174	75	4,326	9,575
Telephone and internet	6,217	503	2,325	9,045	5,273	1,567	2,525	9,365
Supplies	6,321	255	2,132	8,708	6,113	769	2,788	9,670
Bank and credit card fees	1,322		5,252	6,574	1,361		4,982	6,343
Insurance	4,078	333	1,521	5,932	3,284	980	1,579	5,843
Advertising			84	84	2,559		135	2,694
Depreciation	24,901	2,033	9,287	36,221	20,553	6,129	9,879	36,561
Other	8,161	237	7,155	15,553	5,250	357	4,970	10,577
	<u>936,020</u>	<u>64,140</u>	<u>361,786</u>	<u>1,361,946</u>	<u>809,443</u>	<u>102,062</u>	<u>377,498</u>	<u>1,289,003</u>
Less: direct benefit to donors			(46,966)	(46,966)			(33,281)	(33,281)
Total expenses included in the expense section on the statements of activities	<u>\$ 936,020</u>	<u>\$ 64,140</u>	<u>\$ 314,820</u>	<u>\$ 1,314,980</u>	<u>\$ 809,443</u>	<u>\$ 102,062</u>	<u>\$ 344,217</u>	<u>\$ 1,255,722</u>

See Notes to Financial Statements

CANCER LIFELINE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ (159,612)	\$ 49,669
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	36,221	36,561
Change in discount on pledges receivable		(3,425)
Realized and unrealized gains on investments	(35,113)	(14,890)
Changes in operating assets and liabilities		
Pledges receivable	(6,874)	53,285
Prepaid expenses	(1,675)	(5,534)
Accounts payable	7,896	(13,145)
Accrued wages and benefits	5,206	(2,310)
Deferred program service revenue	52,955	(16,433)
Net cash flows from operating activities	(100,996)	83,778
Cash Flows from Investing Activities		
Purchases of property and equipment	(4,336)	
Purchases of investments	(19,174)	(3,548)
Sales of investments	7,249	279,871
Net cash flows from investing activities	(16,261)	276,323
Net change in cash and cash equivalents	(117,257)	360,101
Cash and Cash Equivalents, beginning of year	592,380	232,279
Cash and Cash Equivalents, end of year	\$ 475,123	\$ 592,380

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. The Organization and Summary of Significant Accounting Policies

Description of the Organization

Cancer Lifeline is a Washington nonprofit corporation whose mission is to optimize the quality of life for all people living with cancer, including patients, survivors, family, friends, and co-workers. Cancer Lifeline has a nation-wide, toll-free lifeline ("the Lifeline") that provides emotional support and resource referrals. While the Lifeline remains central to the mission today, Cancer Lifeline has responded to the needs of the community by expanding services to include a wide range of programs, classes, and events provided at locations throughout Western Washington. All services are free of charge to participants. Cancer Lifeline's program services include:

- **Individual and Family Support:** This program activity includes the Lifeline, family meetings, Share-the-Care meetings, and parents' groups.
- **Group Support:** Cancer Lifeline offers more than 13 support groups for cancer patients, caregivers, and survivors. Groups meet on a regular basis and create a community where similar experiences allow participants to share thoughts, feelings, information, and support. All groups are led by trained professionals.
- **Classes and Events:** Classes and workshops are adapted to meet the needs of cancer patients and survivors in all stages of treatment and recovery. Offerings include health promotion classes, such as nutrition, gentle exercise, and meditation; as well as creative expression programming including writing groups, visual arts classes, music and sound, and horticulture workshops.
- **Direct Financial Aid:** Through funding from the Cancer Lifeline Patient Assistance Fund and the Susan G. Komen Foundation for breast cancer, Cancer Lifeline provides financial aid to low-income cancer patients throughout Western Washington. Payments are made to support patients with expenses such as rent, utilities, prescriptions, insurance premiums, food, and child care. Cancer Lifeline also locates other resources within the community to leverage the financial assistance it provides to cancer patients.

Financial Statement Presentation

Cancer Lifeline reports 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. Cancer Lifeline has no permanently restricted net assets as of December 31, 2017 or 2016. At December 31, 2017 and 2016, the Board of Directors has designated \$300,000 of unrestricted net assets as reserve funds for future operations.

Temporarily Restricted Net Assets

Temporarily restricted amounts are those that are stipulated by donors for specific operating purposes or time periods. Temporarily restricted net assets, listed by purpose, consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Direct financial aid	\$ 218,367	\$ 212,540
Direct financial aid (Komen Foundation)	43,950	60,000
	<u>\$ 262,317</u>	<u>\$ 272,540</u>

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cancer Lifeline considers highly liquid investments purchased with an original maturity of three months or less, other than those assets held in Cancer Lifeline's long-term investment portfolio, to be cash equivalents. At times, Cancer Lifeline may hold deposits in excess of federally insured limits.

Pledges Receivable

Unconditional promises to give (pledges) are recognized as revenues in the period the pledge is received. Pledges receivable are recorded at net realizable value.

Management reviews the collectibility of pledges receivable on a periodic basis and determines the amount estimated to be uncollectible. A reserve for doubtful accounts is then established. Cancer Lifeline charges off receivables against the allowance when management determines that a receivable is not collectible. Management determined an allowance for doubtful accounts was not necessary at December 31, 2017 or 2016.

Property Held for Sale

Cancer Lifeline is actively marketing its primary facility for sale at December 31, 2017, and, therefore, all related assets as follows are classified as property held for sale at December 31, 2017:

Buildings	\$ 957,276
Building improvements	224,407
	<u>1,181,683</u>
Less: accumulated depreciation	<u>(505,045)</u>
	676,638
Land	111,600
Property held for sale	<u>\$ 788,238</u>

The expected fair value less costs to sell exceeds the carrying value at December 31, 2017, and, therefore, an impairment has not been recognized.

Investments

Cancer Lifeline carries its investments at fair value (using Level 1 inputs – quoted prices in an active market) and recognizes the realized and unrealized gain/loss in the change in net assets in the year that it occurs. Investments include cash or money market accounts that are associated with the investment account.

Property and Equipment

Property and equipment is stated at cost if purchased and estimated fair value if donated. Individual items with a cost of over \$2,500 and an estimated useful life of longer than three years are capitalized. Depreciation of buildings and equipment is computed using straight-line methods over the following estimated useful lives:

Buildings	40 years
Building improvements	5 - 30 years
Furniture and equipment	3 - 5 years

Revenue Recognition

Contributions – Cancer Lifeline recognizes unrestricted, temporarily restricted, and permanently restricted contributions when a gift is received or pledged. One donor provided 15% of total support and revenue in 2017, and two donors provided 25% of total support and revenue in 2016.

Bequests – Cancer Lifeline recognizes revenue from bequests when (1) the bequest becomes an unconditional promise to give and (2) when the amount to be received can be estimated. This is usually when the last will and testament associated with the bequest has gone through probate.

Program Services Revenue – Revenue from program services is primarily composed of fees associated with services provided to hospitals including counseling, classes, conferences, and support groups. These revenues are recorded when earned, which is typically when the activity occurs. Program service revenues paid in advance of the service period are recognized as deferred program service revenue. One program service contract provided 11% of total support and revenue in 2017. There were no significant concentrations of program services revenue in 2016.

Special Events – Revenue from special events is recognized in the period the event takes place. Funds collected in advance of the event are deferred until the event occurs. Likewise, expenses paid prior to the date of the event are recognized as prepaid expenses and are charged to expense on the date of the event. Special events primarily include a breakfast, a luncheon, and an evening gala.

Contributed Services

Contributed services are recorded at their estimated fair value at the date of donation and have been included in revenues and expenses. Donated services are recognized if the services create or enhance a nonfinancial asset or the services require specialized skills that are provided by individuals possessing those skills. In-kind contributed program services consist of volunteer hours for Cancer Lifeline, and totaled \$30,175 and \$39,150 for the years ended December 31, 2017 and 2016, respectively.

Allocation of Functional Expenses

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

Federal Income Tax

The IRS has determined that Cancer Lifeline is exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

Subsequent Events

Cancer Lifeline has evaluated subsequent events through the date these financial statements were available to be issued, which was March 26, 2018.

Note 2. Investments

Management has elected to classify investments as non-current assets on the statements of financial position. Realized and unrealized gains and losses are reflected in the statements of activities. Investments consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Cash and money market funds	\$ 23,603	\$ 23,022
Government agency bonds	130,550	125,915
Mortgage pools	3,028	3,817
Mutual funds		
Foreign large blend	35,554	28,930
Small growth	34,142	25,891
Real estate	11,034	9,597
Domestic equities	115,851	95,684
Exchange-traded funds	45,029	38,897
	<u>\$ 398,791</u>	<u>\$ 351,753</u>

Investment returns (including interest earned on cash and cash equivalents) consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 10,666	\$ 7,182
Realized and unrealized gains	35,113	14,890
Investment management fees	(2,790)	(3,591)
	<u>\$ 42,989</u>	<u>\$ 18,481</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Buildings	\$ -	\$ 957,276
Building improvements		224,407
Furniture and equipment	<u>21,667</u>	<u>17,331</u>
	21,667	1,199,014
Less: accumulated depreciation	<u>(7,692)</u>	<u>(476,516)</u>
	13,975	722,498
Land		<u>111,600</u>
Property and equipment, net	<u>\$ 13,975</u>	<u>\$ 834,098</u>