

**CANCER LIFELINE**

FINANCIAL REPORT

DECEMBER 31, 2018

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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, 2018 and 2017, 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 audits 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, 2018 and 2017, 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 27, 2019

## CANCER LIFELINE

### STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 474,294	\$ 475,123
Pledges receivable	160,625	7,783
Prepaid expenses	23,033	25,012
Property held for sale		788,238
Total current assets	657,952	1,296,156
Investments	695,189	398,791
Property and Equipment, net	767,373	13,975
Total assets	<u>\$ 2,120,514</u>	<u>\$ 1,708,922</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 13,939	\$ 16,278
Accrued wages and benefits	22,106	23,781
Deferred program service revenue	10,493	52,955
Total current liabilities	46,538	93,014
Net Assets		
Without donor restrictions	1,758,514	1,353,591
With donor restrictions	315,462	262,317
Total net assets	2,073,976	1,615,908
Total liabilities and net assets	<u>\$ 2,120,514</u>	<u>\$ 1,708,922</u>

See Notes to Financial Statements

**CANCER LIFELINE**

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 336,289	\$ 189,500	\$ 525,789	\$ 270,418	\$ 179,620	\$ 450,038
Bequests	466,967		466,967			
Program services	307,370		307,370	276,023		276,023
Special events - revenue	241,980	232,175	474,155	221,363	181,746	403,109
Special events - direct benefit to donors	(58,227)		(58,227)	(46,966)		(46,966)
In-kind contributions - program services	29,986		29,986	30,175		30,175
Investment earnings (losses)	(13,095)		(13,095)	42,989		42,989
Other income	2,400		2,400			
Net assets released from restrictions	368,530	(368,530)		371,589	(371,589)	
<b>Total support and revenue</b>	<b>1,682,200</b>	<b>53,145</b>	<b>1,735,345</b>	<b>1,165,591</b>	<b>(10,223)</b>	<b>1,155,368</b>
Expenses						
Program	882,864		882,864	936,020		936,020
General and administrative	93,688		93,688	64,140		64,140
Fundraising	300,725		300,725	314,820		314,820
<b>Total expenses</b>	<b>1,277,277</b>		<b>1,277,277</b>	<b>1,314,980</b>		<b>1,314,980</b>
<b>Change in net assets</b>	<b>404,923</b>	<b>53,145</b>	<b>458,068</b>	<b>(149,389)</b>	<b>(10,223)</b>	<b>(159,612)</b>
Net Assets, beginning of year	1,353,591	262,317	1,615,908	1,502,980	272,540	1,775,520
Net Assets, end of year	\$ 1,758,514	\$ 315,462	\$ 2,073,976	\$ 1,353,591	\$ 262,317	\$ 1,615,908

See Notes to Financial Statements

**CANCER LIFELINE**

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2018 and 2017

	2018				2017			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 322,173	\$ 79,504	\$ 163,282	\$ 564,959	\$ 378,286	\$ 53,150	\$ 198,285	\$ 629,721
Direct financial aid	299,000			299,000	306,300			306,300
Professional fees - other	34,693	3,635	66,847	105,175	42,611	3,194	40,433	86,238
Professional fees - class instructors	72,293			72,293	65,129			65,129
Membership dues, meetings, and events			59,257	59,257			46,966	46,966
Equipment, repairs, and maintenance	28,473	2,983	16,950	48,406	30,318	2,471	18,378	51,167
Depreciation	25,562	2,678	8,396	36,636	24,901	2,033	9,287	36,221
Occupancy	24,601	2,574	8,070	35,245	23,727	1,936	8,849	34,512
In-kind services	29,356	152	478	29,986	30,175			30,175
Printing and copying	9,982	530	12,652	23,164	4,883		14,942	19,825
Postage and mailing	6,034	25	5,132	11,191	3,591	28	6,177	9,796
Bank and credit card fees	1,618		7,820	9,438	1,322		5,252	6,574
Telephone and internet	6,495	672	2,106	9,273	6,217	503	2,325	9,045
Supplies	5,809	276	2,208	8,293	6,321	255	2,132	8,708
Insurance	4,328	453	1,422	6,203	4,078	333	1,521	5,932
Advertising	212	13	1,648	1,873			84	84
Other	12,235	193	2,684	15,112	8,161	237	7,155	15,553
	<u>882,864</u>	<u>93,688</u>	<u>358,952</u>	<u>1,335,504</u>	<u>936,020</u>	<u>64,140</u>	<u>361,786</u>	<u>1,361,946</u>
Less: direct benefit to donors			(58,227)	(58,227)			(46,966)	(46,966)
Total expenses included in the expense section on the statements of activities	<u>\$ 882,864</u>	<u>\$ 93,688</u>	<u>\$ 300,725</u>	<u>\$ 1,277,277</u>	<u>\$ 936,020</u>	<u>\$ 64,140</u>	<u>\$ 314,820</u>	<u>\$ 1,314,980</u>

See Notes to Financial Statements

## CANCER LIFELINE

### STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 458,068	\$ (159,612)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	36,636	36,221
Realized and unrealized gains (losses) on investments	20,342	(35,113)
Changes in operating assets and liabilities		
Pledges receivable	(152,842)	(6,874)
Prepaid expenses	1,979	(1,675)
Accounts payable	(2,339)	7,896
Accrued wages and benefits	(1,675)	5,206
Deferred program service revenue	(42,462)	52,955
Net cash flows from operating activities	317,707	(100,996)
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,796)	(4,336)
Purchases of investments	(448,571)	(19,174)
Sales of investments	131,831	7,249
Net cash flows from investing activities	(318,536)	(16,261)
<b>Net change in cash and cash equivalents</b>	<b>(829)</b>	<b>(117,257)</b>
Cash and Cash Equivalents, beginning of year	475,123	592,380
Cash and Cash Equivalents, end of year	\$ 474,294	\$ 475,123

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 nationwide, 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 18 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 two classes of net assets: without donor restrictions and with donor restrictions. At December 31, 2018 and 2017, the Board of Directors has designated \$300,000 of net assets without donor restrictions as reserve funds for future operations.



### **Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of unexpended contributions restricted for particular programs. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs. Net assets with donor restrictions, listed by purpose, consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Direct financial aid	\$ 250,430	\$ 218,367
Direct financial aid (Komen Foundation)	35,931	43,950
Building maintenance	29,101	
	<u>\$ 315,462</u>	<u>\$ 262,317</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. Two pledges made up 82% of total pledges receivable in 2018. There were no significant concentrations of pledges receivable in 2017.

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, 2018 or 2017.

### **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 the change in value occurs. Investments include cash or money market accounts that are associated with the investment account, as well as certificates of deposits, which are valued at cost plus accrued interest.

Investment income/loss is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized gains and losses, less investment expenses.

## **Property and Equipment**

Property and equipment are stated at cost, if purchased, and at estimated fair value, if donated. Individual items with a cost of over \$2,500 and an estimated useful life of longer than one year 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 contributions with or without donor restrictions when a gift is received or pledged. There were no significant concentrations of contributions in 2018. One donor provided 15% of total support and revenue in 2017.

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. One bequest represented 27% of total support and revenue in 2018. There were no bequests in 2017.

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. There were no significant concentrations of program services revenue in 2018. One program service contract provided 11% of total support and revenue in 2017.

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 the Lifeline and totaled \$29,986 and \$30,175 for the years ended December 31, 2018 and 2017, respectively.

## **Allocation of Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated include occupancy and depreciation, which are allocated based on estimated use of space, and salaries and wages, benefits, payroll taxes, professional services, office related expenses, and insurance, which are allocated on the basis of estimates of time and effort.

## **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.

## **Recent Accounting Pronouncement Adopted**

During the year ended December 31, 2018, Cancer Lifeline adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Cancer Lifeline has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

## **Subsequent Events**

Cancer Lifeline has evaluated subsequent events through the date these financial statements were available to be issued, which was March 27, 2019.

## **Note 2. Liquidity and Availability**

Cancer Lifeline strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

The following table reflects Cancer Lifeline's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include a board-designated general reserve fund that is intended to fund any cash needs or board initiatives and is not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts available to meet general expenditures within one year also include net assets with donor restrictions, as the donor-restricted purposes are consistent with our general expenditures.

	2018	2017
Cash and cash equivalents	\$ 474,294	\$ 475,123
Pledges receivable	160,625	7,783
Investments	695,189	398,791
	<u>1,330,108</u>	<u>881,697</u>
Board-designated general reserves	<u>(300,000)</u>	<u>(300,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,030,108</u>	<u>\$ 581,697</u>

### Note 3. 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:

	2018	2017
Cash and money market funds	\$ 332,147	\$ 23,603
Certificates of deposits	9,942	
Government agency bonds	143,040	130,550
Mortgage pools	2,482	3,028
Mutual funds		
Foreign large blend	31,775	35,554
Small growth	32,390	34,142
Real estate	11,533	11,034
Domestic equities	93,962	115,851
Exchange-traded funds	37,918	45,029
	<u>\$ 695,189</u>	<u>\$ 398,791</u>

### Note 4. Property and Equipment/Property Held for Sale

Cancer Lifeline was actively marketing its primary facility for sale at December 31, 2017; therefore, all related assets were classified as property held for sale at December 31, 2017. Cancer Lifeline stopped marketing its property for sale in 2018 and, therefore, classified its primary facility as buildings and building improvements at December 31, 2018.

Property and equipment (including what was held for sale at December 31, 2017), consist of the following at December 31:

	2018	2017
Buildings	\$ 957,276	\$ 957,276
Building improvements	224,407	224,407
Furniture and equipment	23,463	21,667
	<u>1,205,146</u>	<u>1,203,350</u>
Less: accumulated depreciation	<u>(549,373)</u>	<u>(512,737)</u>
	655,773	690,613
Land	111,600	111,600
	<u>\$ 767,373</u>	<u>\$ 802,213</u>

The expected fair value less costs to sell exceeded the carrying value at December 31, 2017; therefore, an impairment was not recognized.

Property and equipment and property held for sale were classified on the statements of financial position as follows at December 31:

	2018	2017
Property and equipment, net	\$ 767,373	\$ 13,975
Property held for sale		788,238
	<u>\$ 767,373</u>	<u>\$ 802,213</u>