

CANCER PATHWAYS

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to the Financial Statements.....	8-13



LUBY & THOMSON, PLLC
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

1109 First Avenue, Suite 210 • Seattle, WA 98101
(206) 628-4991 Fax (206) 682-3977

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cancer Pathways
Seattle, Washington

We have audited the accompanying financial statements of Cancer Pathways (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities and changes in net assets, 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Pathways as of December 31, 2017 and 2016, and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Luby & Thomson". The signature is written in a cursive, flowing style.

Luby & Thomson, PLLC
Certified Public Accountants
Seattle, WA
November 9, 2018

CANCER PATHWAYS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 559,489	\$ 455,137
Investments	209,424	171,284
Grants and contacts receivable	38,040	23,498
Other current assets	2,398	233
Total current assets	<u>809,351</u>	<u>650,152</u>
 PROPERTY AND EQUIPMENT		
Land	564,700	564,700
Building and improvements	2,210,734	1,791,371
Equipment	297,388	40,686
Construction in progress	-	23,498
Total property and equipment	<u>3,072,822</u>	<u>2,420,255</u>
Less accumulated depreciation	<u>(934,816)</u>	<u>(853,786)</u>
Net property and equipment	2,138,006	1,566,469
 TOTAL ASSETS	 <u><u>\$ 2,947,357</u></u>	 <u><u>\$ 2,216,621</u></u>
	 <u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 4,302	\$ 28,437
Accrued vacation	6,985	9,316
Deferred revenue	-	5,000
Mortgage payable, current portion	31,956	40,909
Total current liabilities	<u>43,243</u>	<u>83,662</u>
 Mortgage payable, net of current portion	 <u>1,409,331</u>	 <u>1,441,322</u>
	<u>1,452,574</u>	<u>1,524,984</u>
 NET ASSETS		
Unrestricted	<u>1,494,783</u>	<u>691,637</u>
Total net assets	<u>1,494,783</u>	<u>691,637</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,947,357</u></u>	 <u><u>\$ 2,216,621</u></u>

The accompanying notes are an integral part of these financial statements.

CANCER PATHWAYS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Revenues, gains and other support:		
Contributions	\$ 304,429	\$ 307,126
Grants	196,300	154,052
Washington state grant	752,691	23,498
Fundraising events, net	450,941	366,141
Contract revenue	75,000	93,750
Donated services	-	18,900
Program revenue	2,490	8,033
Other revenue	-	750
Total revenues and support	1,781,851	972,250
Expenses:		
Program	723,383	688,762
Management and general	84,303	102,241
Fundraising	119,545	96,681
Total expenses	927,231	887,684
Change in net assets from operations	854,620	84,566
Depreciation expense	(83,031)	(60,429)
Interest and dividends	6,329	6,057
Net realized and unrealized gains on investments	25,228	12,162
Increase (decrease) in net assets	803,146	42,356
Net assets, beginning of year	691,637	649,281
Net assets, end of year	\$ 1,494,783	\$ 691,637

The accompanying notes are an integral part of these financial statements.

CANCER PATHWAYS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program	Management & General	Fund Raising	Total
Salaries and wages	\$ 364,816	\$ 62,171	\$ 19,537	\$ 446,524
Payroll taxes	33,056	5,633	1,770	40,459
Total personnel expense	397,872	67,804	21,307	486,983
Professional fees	53,788	2,972	87,880	144,640
Occupancy	108,487	2,284	3,426	114,197
Mortgage interest	62,567	1,317	1,976	65,860
Supplies	36,364	3,117	2,078	41,559
Bank & credit card fees	18,534	390	585	19,509
Equipment maintenance	9,780	206	309	10,295
Outreach & advertising	7,221	-	-	7,221
Insurance	5,747	653	131	6,531
Staff travel	6,248	-	-	6,248
Printing & publications	4,258	412	824	5,494
Communications	4,401	245	245	4,891
Accounting	-	4,662	-	4,662
Conferences & meetings	3,904	-	-	3,904
Postage	2,094	203	405	2,702
Dues & fees	1,777	-	-	1,777
Taxes	341	38	379	758
TOTAL EXPENSES	\$ 723,383	\$ 84,303	\$ 119,545	\$ 927,231

The accompanying notes are an integral part of these financial statements.

CANCER PATHWAYS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program	Management & General	Fund Raising	Total
Salaries and wages	\$ 331,255	\$ 62,938	\$ 25,249	\$ 419,442
Payroll taxes	26,037	4,947	1,985	32,969
Total personnel expense	357,292	67,885	27,234	452,411
Professional fees	141,672	2,833	58,403	202,908
Mortgage interest	62,250	1,311	1,966	65,527
Supplies	34,710	2,975	1,983	39,668
Printing & publications	19,589	1,896	3,791	25,276
Donated services	-	18,900	-	18,900
Occupancy	17,333	365	547	18,245
Bank & credit card fees	12,726	268	402	13,396
Outreach & advertising	9,468	-	-	9,468
Insurance	8,087	919	184	9,190
Communications	6,249	347	347	6,943
Staff travel	5,912	-	-	5,912
Equipment maintenance	3,952	83	125	4,160
Accounting	-	4,080	-	4,080
Dues & fees	3,982	-	-	3,982
Postage	2,702	261	523	3,486
Taxes	1,058	118	1,176	2,352
Conferences & meetings	1,780	-	-	1,780
TOTAL EXPENSES	<u>\$ 688,762</u>	<u>\$ 102,241</u>	<u>\$ 96,681</u>	<u>\$ 887,684</u>

The accompanying notes are an integral part of these financial statements.

CANCER PATHWAYS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMEBER 31, 2017 AND 2016

	2017	2016
Changes in net assets	\$ 803,146	\$ 42,356
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Depreciation	83,031	60,429
Net realized and unrealized gains on investments	(25,228)	(12,162)
(Increase) decrease in assets:		
Grants and contacts receivable	(14,542)	(23,498)
Other current assets	(2,165)	845
Increase (decrease) in liabilities:		
Accounts payable	(24,135)	17,492
Accrued vacation	(2,331)	1,644
Deferred revenue	(5,000)	5,000
Net cash from operating activities	812,776	92,106
 Cash Flows from Investing Activities:		
Net (purchases) and sales of investments	(12,912)	(36,565)
Acquisition of property and equipment	(654,568)	(23,498)
Net cash from investing activities	(667,480)	(60,063)
 Cash Flows from Financing Activities:		
Payments on mortgage payable	(40,944)	(35,875)
Payments on line of credit	-	(15,000)
Net cash from financing activities	(40,944)	(50,875)
 Net Increase (Decrease) in Cash	104,352	(18,832)
 Cash, beginning of year	\$ 455,137	\$ 473,969
 Cash, end of year	\$ 559,489	\$ 455,137
 Supplemental Disclosure of Cash Flow Information		
Federal income tax paid	\$ -	\$ -
Interest paid	\$ 65,860	\$ 65,527

The accompanying notes are an integral part of these financial statements.

CANCER PATHWAYS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Cancer Pathways, formerly Gilda's Club Seattle, (the Organization), is a Washington private not-for-profit corporation formed in 1996. Cancer Pathways offers programs of education, support, and community options for men, women, teens, and children living with cancer along with their families and friends. Programs are offered in Seattle and throughout the State of Washington with collaborating partners in varied locations such as hospitals, community centers, and schools.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America (GAAP) and are presented on the basis of the following classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or passage of time. When donor time restrictions expire or when donor program restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. There were no temporarily restricted net assets at December 31, 2017 or 2016.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Organization. The Organization is permitted to use the income earned on the related investments for general or specified operating purposes. There were no permanently restricted net assets at December 31, 2017 or 2016.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from the estimated amounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization may have amounts deposited with financial institutions in excess of federally insured limits during the year. At December 31, 2017 and 2016, this limit was exceeded. The Organization has not experienced losses in these accounts.

CANCER PATHWAYS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization carries investments with readily determinable fair values at their fair value in the statements of financial position. Investments consist of common stock and mutual funds. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (“SFAS 157”) defines fair value, establishes a framework for measuring fair value, and expands disclosures about financial instruments. This pronouncement does not require any new fair value measurements, SFAS 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value that classifies the inputs used to calculate fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2

Observable inputs other than Level 1 prices for quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated with observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liability include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

CANCER PATHWAYS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial assets, including estimates of timing, amount or expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparisons to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial assets. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding or a particular financial asset.

Property and Equipment

Property and equipment are capitalized at cost or value as of the date of donation if donated. The assets are depreciated over their estimated useful lives on the straight-line basis. The Organization's policy is to capitalize long-lived assets with a cost of \$5,000 or more. Estimated useful lives are as follows:

Equipment:	3 to 15 years
Building and improvements:	15 to 30 years

Deferred Revenue

Income from classes and events is deferred and recognized in the period in which the class or event occurs.

Restricted and Unrestricted Support and Revenue Recognition

Grant and contribution revenue that is restricted by the donor is reported as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of grantor or donor restrictions. When a restriction expires, that is, when a purpose or time restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

Donated Assets and Property and Equipment

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as support at their estimated fair value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

CANCER PATHWAYS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Donated services are recognized as revenue and corresponding expense when (a) the services received create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers provide valuable services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Management allocates expenses based upon the direct method when feasible and uses other allocation methods as appropriate to allocate common expense. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Expense

Advertising costs are expensed as incurred and are presented as outreach & advertising in the statements of functional expenses.

Federal Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not related to the Organization's tax-exempt purpose, if any, is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization does not conduct any activities that are subject to the Unrelated Business Income Tax.

The Organization has determined there are no uncertain tax positions for the years ended December 31, 2017 and 2016 and the accompanying financial statements contain no interest or penalties with respect to federal income taxes. The Organization's federal income tax returns remain open for examination to the extent prescribed by the Internal Revenue Code.

Reclassifications

Certain balances from the December 31, 2016 financial statements have been reclassified to conform to the current year presentation. These reclassifications have no impact on net income as previously stated.

CANCER PATHWAYS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2. GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable at December 31, 2017 and 2016 are expected to be collected within one year. No allowance was considered necessary at December 31, 2017 or 2016.

NOTE 3. DONATED SERVICES

The Organization did not receive any donated services during the year ended December 31, 2017. The Organization recorded \$18,900 of donated services during the year ended December 31, 2016. Services provided consisted of pro-bono legal services.

NOTE 4. INVESTMENTS

The following schedule summarizes the Organization's investments at fair value as of December 31. All investments are classified under level 1 measurements within the fair value hierarchy.

	<u>2017</u>	<u>2016</u>
Stocks	\$ 110,879	\$ 93,771
Mutual funds	98,545	77,513
Total	<u>\$ 209,424</u>	<u>\$ 171,284</u>

Investment income consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 6,329	\$ 6,057
Net realized and unrealized gains on investments	25,228	12,162
Total	<u>\$ 31,557</u>	<u>\$ 18,219</u>

NOTE 5. WASHINGTON STATE GRANT AND COMMITMENTS

During 2015, the state of Washington awarded a grant to the Organization. The grant was to be used for renovation of the Organization's building. The Grantor reimbursed all eligible project expenditures, up to a maximum of \$776,000. The renovated property must be held and used by the Organization for its charitable purpose for at least ten years from the date of the final grant payment. In the event that the Organization does not meet this commitment, the Washington State Department of Commerce reserves the right to recapture the funds disbursed under the grant.

The full grant amount was expended and received prior to December 31, 2017. 42% of total revenues and support related to this grant during the year ended December 31, 2017. There were no such concentrations during the year ended December 31, 2016.

CANCER PATHWAYS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 6. MORTGAGE PAYABLE

The Organization obtained a mortgage loan to purchase land and building in Seattle, Washington. The Organization refinanced the mortgage loan by entering into a new ten year loan with an original principal balance of \$1,600,000 with Sound Community Bank on September 26, 2013. This loan was modified in December 2017. Prior to the modification, the interest rate was a fixed 4.5%, monthly principal and interest payments were \$8,900, and a final balloon payment was due at maturity on October 1, 2023. The modification changed the interest rate to 4.5% through December 2022, at that time, the interest rate changes to a variable rate. Monthly principal and interest payments decreased to \$8,013, and maturity was extended to December 1, 2027. The loan is secured by the Organization's land and building. Future minimum principal payments are as follows for the years ending December 31:

2018	\$ 31,956
2019	33,425
2020	34,960
2021	36,566
2022	38,246
Thereafter	<u>1,266,134</u>
	<u>\$ 1,441,287</u>

NOTE 7. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions occurring through the date these financial statements were available to be issued on November 9, 2018.