

CANCER PATHWAYS

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019

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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

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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 statement of financial position as of December 31, 2019 and the related statements of activities and changes in net assets, and cash flows for the year 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, 2019, and the changes in its net assets for the year 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 script is cursive and fluid, with the ampersand being particularly stylized.

Luby & Thomson, PLLC
Certified Public Accountants
Seattle, WA
March 25, 2020

CANCER PATHWAYS

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 553,173
Investments	365,963
Prepaid expenses	3,075
Total current assets	<u>922,211</u>

PROPERTY AND EQUIPMENT

Land	564,700
Building and improvements	2,305,349
Equipment	313,426
Total property and equipment	<u>3,183,475</u>
Less accumulated depreciation	<u>(1,158,197)</u>
Net property and equipment	<u>2,025,278</u>

TOTAL ASSETS	<u>\$ 2,947,489</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 8,228
Accrued vacation	11,288
Mortgage payable, current portion	34,960
Total current liabilities	<u>54,476</u>

Mortgage payable, net of current portion	<u>1,341,129</u>
	<u>1,395,605</u>

NET ASSETS

Without donor restrictions	1,516,884
With donor restrictions	35,000
Total net assets	<u>1,551,884</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,947,489</u>
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The accompanying notes are an integral part of these financial statements.

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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 221,588	\$ 20,000	\$ 241,588
Grants	234,850	-	234,850
Fundraising event revenue	587,526		
Fundraising event expenses	<u>(186,768)</u>		
Fundraising events, net	385,758	15,000	400,758
Donated services	108,115	-	108,115
Net assets released from donor restrictions	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
Total revenues and support	955,311	30,000	985,311
Expenses:			
Program	702,455	-	702,455
Management and general	100,675	-	100,675
Fundraising	<u>81,257</u>	<u>-</u>	<u>81,257</u>
Total expenses	<u>884,387</u>	<u>-</u>	<u>884,387</u>
Change in net assets from operations	70,924	30,000	100,924
Non-operating activities:			
Depreciation expense	(115,090)	-	(115,090)
Interest and dividends	10,213	-	10,213
Net realized and unrealized gains on investments	<u>52,863</u>	<u>-</u>	<u>52,863</u>
Change in net assets	18,910	30,000	48,910
Net assets, beginning of year	<u>1,497,974</u>	<u>5,000</u>	<u>1,502,974</u>
Net assets, end of year	<u><u>\$ 1,516,884</u></u>	<u><u>\$ 35,000</u></u>	<u><u>\$ 1,551,884</u></u>

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

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STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program	Management & General	Fund Raising	Total
Salaries and wages	\$ 451,828	\$ 62,754	\$ 50,113	\$ 564,695
Payroll taxes	42,131	5,855	4,674	52,660
Total personnel expense	493,959	68,609	54,787	617,355
Fundraising event expenses	-	-	186,768	186,768
Depreciation	109,335	2,302	3,453	115,090
Mortgage interest	59,605	1,255	1,882	62,742
Professional fees	36,615	5,577	17,780	59,972
Occupancy	39,031	734	1,101	40,866
Office supplies	19,274	12,473	4,919	36,666
Travel and transportation	15,660	987	788	17,435
Program supplies	16,341	-	-	16,341
Writing contest prizes	15,000	-	-	15,000
Insurance	-	8,950	-	8,950
Outreach & advertising	4,880	-	-	4,880
Conferences & meetings	2,090	2,090	-	4,180
Total expenses	<u>\$ 811,790</u>	<u>\$ 102,977</u>	<u>\$ 271,478</u>	<u>\$ 1,186,245</u>

Reconciliation to the Statement of Activities:

Less: expenses netted against revenues

Fundraising event expenses	-	-	186,768	186,768
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Less: nonoperating activities

Depreciation	109,335	2,302	3,453	115,090
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	<u>\$ 702,455</u>	<u>\$ 100,675</u>	<u>\$ 81,257</u>	<u>\$ 884,387</u>
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The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMEBER 31, 2019

Cash Flows from Operating Activities:	
Cash received from contributions, grants, and fundraising events	\$ 1,063,964
Cash paid to employees and vendors	(1,048,796)
Interest and investment income	63,076
Net cash provided by (used in) operating activities	<u>78,244</u>
Cash Flows from Investing Activities:	
Net (purchases) and sales of investments	(157,796)
Acquisition of property and equipment	(16,038)
Net cash provided by (used in) investing activities	<u>(173,834)</u>
Cash Flows from Financing Activities:	
Payments on mortgage payable	(33,419)
Net cash provided by (used in) financing activities	<u>(33,419)</u>
Net Increase (Decrease) in Cash	(129,009)
Cash, beginning of year	<u>\$ 682,182</u>
Cash, end of year	<u><u>\$ 553,173</u></u>
Supplemental Schedule of Cash Flow Information	
Non-cash investing and financing activities:	
Donated services capitalized as property and equipment	\$ 94,615

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

CANCER PATHWAYS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 Accounting and Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report on the accrual basis of accounting and report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. All of the Organization's net assets with donor restrictions are temporary in nature.

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.

Measure of Operations

The statement of activities reports all changes in net assets, included in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing programs and supporting services. Non-operating activities are limited to depreciation expense and investment income.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019, this limit was exceeded. The Organization has not experienced losses in these accounts.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are included in net realized and unrealized gains on investments in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The Organization reports its investments at fair value using Level 1 inputs.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1. **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

Restricted and Unrestricted Support and Contribution Revenue Recognition

Grant and contribution revenue is recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Revenues that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction is met in the reporting period in which the revenue is recognized. All other donor restricted revenues are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Revenue Recognition

The Organization has analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, and have concluded that no changes are necessary to conform with the new standard.

Ticket sales for fundraising events are recognized when the event occurs. Ticket sales for events occurring in a future period are recorded as a contract liability. There were no contract liabilities as of December 31, 2019.

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.

During the year ended December 31, 2019, the Organization received donated architect and construction services to renovate the art room. These donated services totaled \$94,615 and were capitalized and included in building and improvements in the statement of financial position. The Organization also received donated services totaling \$13,500 for building repairs. The corresponding expense is included in occupancy on the statement of functional expenses.

CANCER PATHWAYS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1. **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Individual expenses that solely relate to one program or supporting service are allocated in full to that category. Expenses that relate to multiple programs or supporting services are allocated as follows:

- Salaries and wages and payroll taxes are allocated based on employee time and effort.
- Occupancy, mortgage interest, and depreciation are allocated based on square footage.
- Office supplies and conferences & meetings are allocated based on percentages determined by management based on knowledge of underlying purpose.

Advertising Expense

Advertising costs are expensed as incurred and are presented as outreach & advertising in the statement 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 year ended December 31, 2019 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's liquidity and availability at December 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 553,173
Investments	365,963
Total financial assets	<u>919,136</u>
Less amounts not available to be used for general purposes within one year:	
Mortgage payable, current portion	34,960
Net assets with donor restrictions	35,000
	<u>69,960</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 849,176</u></u>

The Organization's goal is generally to maintain financial assets to meet at least three months of operating expenses (approximately \$290,000). The Organization prepares budgets annually to avoid liquidity issues. The Organization has the ability to sell investments in the event of liquidity issues.

NOTE 3. INVESTMENTS

The following schedule summarizes the Organization's investments at fair value as of December 31, 2019. All investments are classified under level 1 measurements within the fair value hierarchy.

Stocks	\$ 179,811
Mutual funds	186,152
Total	<u><u>\$ 365,963</u></u>

Investment income consisted of the following for the year ended December 31, 2019:

Interest and dividends	\$ 10,213
Net realized and unrealized gains on investments	52,863
Total	<u><u>\$ 63,076</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for use during the year ended December 31, 2020.

Net assets released from net assets with donor restrictions were released due to the satisfaction of time restrictions.

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. The ten-year period will be completed during the year ended December 31, 2027.

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. The interest rate is 4.5% through December 2022, at that time, the interest rate changes to a variable rate. Monthly principal and interest payments are \$8,013, and maturity date is 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:

2020	\$ 34,960
2021	36,566
2022	38,246
2023	40,003
2024	41,841
Thereafter	1,184,473
	<u>\$ 1,376,089</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 March 25, 2020.