

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020  
WITH  
INDEPENDENT AUDITOR'S REPORT**

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the International Association for the Study of Lung Cancer

### **Opinion**

We have audited the accompanying consolidated financial statements of the International Association for the Study of Lung Cancer, the Early Lung Imaging Confederation, LLC, the International Lung Cancer Foundation, and the IASLC Foundation (collectively the "Association"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021 and 2020, 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 of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management of the Association is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Denver, Colorado  
September 28, 2022

*Causey Demagn Moore P.C.*

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021 and 2020**

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 1,178,802	\$ 177,713
Restricted cash (Note 2)	5,159,013	7,279,979
Accounts receivable	1,852,657	1,107,255
Prepaid expenses and other	<u>1,741,956</u>	<u>1,339,583</u>
Total current assets	9,932,428	9,904,530
Property and equipment, at cost:		
Furniture, equipment and software	1,161,793	1,152,040
Leasehold improvements	<u>882,019</u>	<u>882,019</u>
	2,043,812	2,034,059
Less accumulated depreciation	<u>(677,609)</u>	<u>(347,682)</u>
Net property and equipment	1,366,203	1,686,377
Other assets:		
Investments in marketable securities (Notes 3 and 6)	<u>10,007,570</u>	<u>8,815,584</u>
Total other assets	<u>10,007,570</u>	<u>8,815,584</u>
Total assets	<u>\$ 21,306,201</u>	<u>\$ 20,406,491</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 1,690,302</u>	<u>\$ 1,819,918</u>
Total current liabilities	1,690,302	1,819,918
Commitments (Note 5)		
Net assets:		
Without donor restrictions	14,456,886	11,211,552
With donor restrictions (Note 2)	<u>5,159,013</u>	<u>7,375,021</u>
Total net assets	<u>19,615,899</u>	<u>18,586,573</u>
Total liabilities and net assets	<u>\$ 21,306,201</u>	<u>\$ 20,406,491</u>

See accompanying notes.

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions:		
Unrestricted support:		
Meeting income (Note 5)	\$ 9,171,174	\$ 2,590,687
Scientific programs and publications	3,200,070	3,187,434
Fellowships	336,714	152,400
Membership dues	633,507	632,870
Other (Note 5)	<u>1,589,919</u>	<u>1,218,141</u>
Total unrestricted support	14,931,384	7,781,532
Other unrestricted revenues (losses):		
Foreign currency (loss) gain	(75,726)	57,033
Net realized and unrealized gain on investments	1,094,750	689,364
Investment income	<u>152,454</u>	<u>187,339</u>
Total other unrestricted revenue, net	<u>1,171,478</u>	<u>933,736</u>
Total unrestricted support and other revenues	16,102,862	8,715,268
Expenses:		
Meetings (Note 5)	5,460,702	3,283,942
Scientific programs and publications	3,033,986	3,273,680
Fellowships	1,130,792	970,986
Membership	537,812	469,392
Other programs	225,777	344,479
Fundraising	468,987	577,187
General and administrative (Note 5)	<u>1,999,472</u>	<u>2,053,426</u>
Total expenses	<u>12,857,528</u>	<u>10,973,092</u>
Increase (decrease) in net assets without donor restrictions	3,245,334	(2,257,824)
Changes in net assets with donor restrictions:		
Corporate contributions	3,675,031	5,523,666
Reclassifications - net assets released from restrictions by satisfaction of program restrictions	<u>(5,891,039)</u>	<u>(1,964,862)</u>
(Decrease) increase in net assets with donor restrictions	<u>(2,216,008)</u>	<u>3,558,804</u>
Increase in total net assets	1,029,326	1,300,980
Net assets at beginning of year	<u>18,586,573</u>	<u>17,285,593</u>
Net assets at end of year	<u>\$ 19,615,899</u>	<u>\$ 18,586,573</u>

See accompanying notes.

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2021**

	<u>Meetings</u>	<u>Scientific Programs and Publications</u>	<u>Fellowships</u>	<u>Membership</u>	<u>Other Programs</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Expenses:								
Direct program expenses	\$ 3,570,019	\$ 1,946,008	\$ 886,972	\$ -	\$ 140,103	\$ -	\$ -	\$ 6,543,102
Payroll and benefits	904,997	750,801	144,658	336,177	56,826	350,454	1,476,458	4,020,371
Consulting and temporary help	57,494	49,942	-	29,866	4,162	17,557	68,639	227,660
Occupancy	91,373	79,373	13,008	47,465	6,615	27,903	96,078	361,815
Office expense	145,125	126,064	32,433	75,388	10,506	44,317	173,259	607,092
Education	91,250	-	-	-	-	-	-	91,250
Travel	5,819	5,054	-	3,023	1,169	1,777	6,198	23,040
Communications	5,027	4,367	1,179	2,611	364	1,535	4,824	19,907
Board meetings	-	-	-	-	-	-	25,847	25,847
Depreciation	83,320	72,377	19,544	43,282	6,032	25,444	79,928	329,927
Professional fees and other	-	-	32,998	-	-	-	68,241	101,239
Meeting cancellation fees	506,278	-	-	-	-	-	-	506,278
Total expenses	<u>\$ 5,460,702</u>	<u>\$ 3,033,986</u>	<u>\$ 1,130,792</u>	<u>\$ 537,812</u>	<u>\$ 225,777</u>	<u>\$ 468,987</u>	<u>\$ 1,999,472</u>	<u>\$ 12,857,528</u>

See accompanying notes.

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2020**

	Scientific		Fellowships	Membership	Other Programs	Fundraising	General and Administrative	Total
	Meetings	Publications Programs and						
Expenses:								
Direct program expenses	\$ 1,808,043	\$ 1,803,179	\$ 737,500	\$ -	\$ 226,321	\$ 9,077	\$ -	\$ 4,584,120
Payroll and benefits	655,890	1,098,203	178,245	285,580	60,005	302,134	1,236,112	3,816,169
Consulting and temporary help	37,211	37,211	-	37,210	37,210	-	-	148,842
Occupancy	29,544	47,270	9,749	20,681	2,954	37,520	41,361	189,079
Office expense	113,159	181,054	13,744	79,211	11,316	143,712	195,765	737,961
Education	145,719	-	-	-	-	-	24,720	170,439
Travel	14,721	23,554	748	10,305	1,472	18,696	11,862	81,358
Communications	10,425	16,680	2,293	7,298	1,043	13,240	-	50,979
Board meetings	-	-	-	-	-	-	17,131	17,131
Depreciation	41,581	66,529	13,722	29,107	4,158	52,808	58,213	266,118
Professional fees and other	-	-	14,985	-	-	-	27,471	42,456
Meeting cancellation fees	427,649	-	-	-	-	-	-	427,649
Office move and related asset disposals	-	-	-	-	-	-	440,791	440,791
Total expenses	<u>\$ 3,283,942</u>	<u>\$ 3,273,680</u>	<u>\$ 970,986</u>	<u>\$ 469,392</u>	<u>\$ 344,479</u>	<u>\$ 577,187</u>	<u>\$ 2,053,426</u>	<u>\$ 10,973,092</u>

See accompanying notes.

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets from operating activities	\$ 1,029,326	\$ 1,300,980
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	329,927	266,118
Loss on disposal of assets	-	527,591
Net realized and unrealized gain on investments	(1,094,750)	(689,364)
Changes in assets and liabilities:		
Accounts receivable	(745,402)	604,377
Prepaid expenses and other	(402,373)	(1,029,237)
Accounts payable and accrued expenses	<u>(129,616)</u>	<u>(875,586)</u>
Net cash (used in) provided by operating activities	(1,012,888)	104,879
Cash flows from investing activities:		
Acquisition of equipment	(9,753)	(1,589,056)
Net purchases of investments	<u>(97,236)</u>	<u>(157,987)</u>
Net cash used in investing activities	<u>(106,989)</u>	<u>(1,747,043)</u>
Net decrease in cash, cash equivalents and restricted cash	(1,119,877)	(1,642,164)
Cash, cash equivalents and restricted cash - beginning of year	<u>7,457,692</u>	<u>9,099,856</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 6,337,815</u>	<u>\$ 7,457,692</u>
Cash	\$ 1,178,802	\$ 177,713
Restricted cash	<u>5,159,013</u>	<u>7,279,979</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 6,337,815</u>	<u>\$ 7,457,692</u>
Supplemental disclosure of cash flows:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.



**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2021 and 2020**

1. Basis of presentation and summary of significant accounting policies

The International Association for the Study of Lung Cancer (“IASLC”) was organized under the laws of Colorado as a nonprofit corporation in December 2003. IASLC was founded in 1972, for the purpose of promoting the study of etiology, the epidemiology, the prevention, the diagnosis, the treatment and all other aspects of lung cancer and to disseminate information about lung cancer to the members of the IASLC, to the medical community at large, and to the public.

On August 14, 2013, the Association formed the IASLC Foundation (the “Foundation”) and is the sole voting member. On December 13, 2018, the Association formed the Early Lung Imaging Confederation, LLC (“ELIC”) and is the sole voting member. On October 14, 2019 the Association formed the International Lung Cancer Foundation (“ILCF”). The Executive Committee of IASLC is the initial board of the IASLC Foundation, ELIC and ILCF. On August 29, 2014 the IRS approved the Foundation’s tax-exempt status under the provision of Internal Revenue Code Section 501(c)(3). Through December 31, 2019, ELIC and ILCF were inactive. During 2020, ELIC and ILCF commenced operations and have been consolidated in the accompanying financial statements. IASLC, ELIC, ILCF and the Foundation are herein collectively referred to as the “Association”. All intercompany balances and activity have been eliminated in the accompanying financial statements.

Support and expenses:

Unrestricted support contributions received are measured at their fair values and are reported as an increase in net assets. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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 in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. The Board of Directors’ policy for fellowship grants received is to apply the grants received in one year to fellowships awarded in the next calendar year, unless otherwise indicated by the grantor.

Functional expenses:

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various programs benefitted. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense:</u>	<u>Method of allocation:</u>
Payroll and benefits	Time and effort
Consulting and temporary help	Time and effort
Occupancy	Square footage
Travel	Time and effort
Education	Time and effort
Communications	Time and effort
Board meetings	Time and effort
Depreciation	Square footage
Other	Time and effort

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2021 and 2020**

1. Basis of presentation and summary of significant accounting policies (continued)

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

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. These estimates affect the reported amounts of assets 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 reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of credit risk:

Financial instruments which potentially subject the Association to credit risk consist principally of cash and accounts receivable. The Association places its cash with a high quality financial institution. At December 31, 2021 and 2020 and at various times during the years then ended, the balance exceeded the FDIC insurance limit. At December 31, 2021 and 2020, the majority of cash and cash equivalents were invested in numerous certificates of deposit within the FDIC limits.

Risks and uncertainties

The Association holds various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the account balances and the amounts reported in the Consolidated Statements of Financial Position and the Consolidated Statements of Activities.

Accounts receivable:

The Association considers accounts receivable to be fully collectible, accordingly, no allowance for doubtful accounts is required. At December 31, 2021 and 2020, \$440,125 and \$648,129, respectively, of accounts receivable is more than 90 days past due.

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2021 and 2020**

1. Basis of presentation and summary of significant accounting policies (continued)

Pledges receivable:

There were no unconditional promises to give (pledges receivable) as of December 31, 2021 and 2020, respectively, related to fellowships.

Investments in marketable securities:

At the end of the year, investments are recorded at fair value in the consolidated statements of financial position and realized and unrealized gains and losses are recorded in the consolidated statements of activities. Investments in common stocks, bonds and mutual funds are based on quoted market prices. The investment in the alternative investment is based on the net asset value per share of the fund, which is stated at fair value of the underlying assets.

Foreign currency translation:

The consolidated financial statements are presented in US dollars. Liquid funds denominated in foreign currencies are translated to US dollars at the closing rate. Gains and losses on currency fluctuations are reflected in the statements of activities.

Membership dues:

Membership dues are stated on the basis of the actual payments, an accrual for membership fees receivable is made only when prior year dues have been received in the following year.

Advertising costs:

All costs relating to marketing and advertising are expensed in the period incurred. Advertising expense for the years ended December 31, 2021 and 2020 amounted to \$69,214 and \$66,720, respectively.

Income taxes:

The Association has received a determination from the Internal Revenue Service (IRS) to be exempt from federal income taxes under the provision of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made.

The Association has adopted guidance on accounting for uncertainty in income taxes. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2021 and 2020.

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2021 and 2020**

1. Basis of presentation and summary of significant accounting policies (continued)

Property and equipment:

Property and equipment are recorded and are depreciated using the straight-line method over the following estimated useful lives of the related assets:

Furniture, equipment and software	3-5 years
Leasehold improvements	Lease term

2. Net assets with donor restrictions

Amounts included in restricted cash represent those funds set aside by agreement with the donor and corresponds with the amount of net assets with donor restrictions. Net assets with donor restrictions are available for the following specific program services as of December 31:

	<u>2021</u>	<u>2020</u>
Meetings	\$ 1,539,607	\$ 122,915
World conference	278,950	3,795,445
Science Programs and Publications	1,343,317	860,000
Journal of Thoracic Oncology	250,000	500,000
Fellowships	946,529	1,209,966
Membership	668,415	569,199
Other	132,195	222,454
	<u>\$ 5,159,013</u>	<u>\$ 7,279,979</u>

3. Investments in marketable securities

Investments in marketable securities consisted of the following at December 31, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Common stocks	\$ 6,607,242	\$ 5,532,642
Mutual funds and exchange traded fund's	2,384,860	2,578,196
Cash deposits	35,215	7,455
Alternative investments	980,253	697,291
	<u>\$ 10,007,570</u>	<u>\$ 8,815,584</u>

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2021 and 2020**

4. Availability and liquidity

The following represents the Association's financial assets at December 31, 2021 and 2020:

Financial assets at year end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,178,802	\$ 177,713
Restricted cash	5,159,013	7,279,979
Accounts receivable	1,852,657	1,107,255
Investments in marketable securities	<u>10,007,570</u>	<u>8,815,584</u>
Total financial assets	18,198,042	17,380,531
Less amounts not available to be used within one year:		
Net assets with donor restrictions	5,159,013	7,279,979
Less net assets with purpose restrictions to be met in less than a year	<u>-</u>	<u>-</u>
	<u>5,159,013</u>	<u>7,279,979</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 13,039,029</u>	<u>\$ 10,100,552</u>

The Association is somewhat supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association invests cash in excess of daily requirements in short-term investments.

5. Commitments and contingencies

The Association has entered into a cancelable Conference Management Agreement for services related to the preparation and coordination of the 2013 through 2022 annual conferences (see Note 8). Minimum management fees due under the agreement for the 2013 conference was \$370,000 with an inflation increase, not to exceed 3% per year, for 2015 through 2019 and \$220,000 with an inflation increase, not to exceed 3% per year, commencing 2020 plus an additional fee for attendees in excess of an agreed upon number each year. During 2021 and 2020, the Association paid management fees of \$570,000 and \$0, respectively.

In connection with the annual world conference, the Association at one time paid local organizations a portion of the revenue. Payment of these amounts were found to be inappropriate to be able to award continuing medical education for the attendees. Therefore, during 2019 the Association recorded revenue of \$256,980 representing amounts previously accrued but not expected to be paid. An accrual of \$100,000 remains outstanding as the estimate of the actual expenses to be reimbursed, if it is determined that this can be reimbursed.

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2021 and 2020**

5. Commitments and contingencies (continued)

Effective January 1, 2013, the Association entered into a cancelable Editor-in-Chief agreement with an individual (the "Editor"). Under the agreement, the Editor will provide his services as Editor-in-Chief of the "Journal of Thoracic Oncology" (the "Journal") published by the Association. The Editor is primarily responsible for control of the editorial policy and scientific content of the Journal. For the years ended December 31, 2021 and 2020, in accordance with the agreement, the Association paid the Editor \$100,000 each year which amount will be adjusted as the parties mutually agree through the term of the agreement, which expires December 31, 2023.

On November 21, 2014, the Association entered into a publishing agreement with a Publisher to publish the Journal. The Association received an up-front payment of \$1,750,000 in 2015 and will receive royalties of 45% of the Publisher's revenues from the Journal. Certain financial guarantees are included in the agreement, which the Association expects will generate approximately \$500,000 in net revenue per year through its expiration of December 31, 2022.

In February 2019, AstraZeneca approved a grant of \$5,563,936 to support the IASLC Lung Cancer Staging Project. This grant will be paid over the six-year life of the project. The Project is a global effort to investigate and improve the tumor, node, metastasis ("TNM") staging system for lung cancer, mesothelioma, esophageal, and thymic cancers for accurate diagnosis and enhancement of treatment plans, evaluation of new drugs as they come to market, and improvement of patient prognosis and longevity. During 2021 and 2020, the Association recognized \$1,057,960 and \$1,120,677 of revenue related to this project, respectively.

From time-to-time the Association is involved in litigation, which is not expected to have a material negative effect on the financial statements.

In August 2011, the Association entered into an office space lease for a ten-year period, which commenced on December 1, 2011 and terminates November 30, 2025. Monthly rental payments escalate periodically over the term of the lease and range from approximately \$12,292 to \$15,274 from lease inception to termination, respectively. The Association paid a security deposit of \$12,818 related to this lease. The Association is responsible for 3.37% of excess operating expenses, as defined in the lease agreement. In March 2020, the association paid the landlord \$120,000 to cancel the lease effective March 31, 2020.

In October 2019, the Association entered into an office space lease for a seven and one-half-year period, which commenced on April 1, 2020 and terminates September 30, 2027. Monthly rental payments escalate periodically over the term of the lease and range from \$20,248 to \$23,487 from lease inception to termination, respectively. Rent amounted to \$306,814 and \$185,151 for the years ended December 31, 2021 and 2020, respectively. Future minimum cash payments are as follows:

**INTERNATIONAL ASSOCIATION FOR THE STUDY OF LUNG CANCER**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2021 and 2020**

5. Commitments and contingencies (continued)

For the year ending December 31,	
2022	\$ 250,641
2023	256,923
2024	263,345
2025	269,922
2026	276,691
Thereafter	<u>211,384</u>
	<u>\$ 1,528,906</u>

Due to the COVID-19 outbreak in 2020, several material risks to the Association have developed. First, the value of the Association’s investments had decreased significantly, but then have completely recovered. However, there is significant risk that the market could drop dramatically again. To offset this risk, the Association set up a line of credit on June 17, 2020 for \$1.8 million with the custodian of the Association’s investments to avoid losses from prematurely liquidating these investments. Also, the Association made significant deposits toward its 2020 World Conference. The Association decided to delay the 2020 World Conference to January 2021 and hold it virtually. In addition, the Association has negotiated with the major vendors associated with the 2020 World Conference to hold it in 2024 and thereby avoid some cancellation fees. During 2021 and 2020, the Association incurred \$506,278 and \$427,649, respectively of cancellation fees related to various conferences. The impact of the coronavirus (“COVID-19”) outbreak on the financial performance of the Association, will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain. If the financial market and/or the overall economy are impacted for an extended period, the Association’s future results may be materially adversely affected.

During 2021 and 2020, the Association entered into unsecured promissory notes under the Paycheck Protection Program (“PPP”) for principal amounts of \$581,245 and \$551,202, respectively. During 2021 and 2020, the Association applied for and was granted forgiveness of these loans. The gain is reported as other unrestricted support in the consolidated statement of activities.

The CARES Act provides for an employee retention credit which is a refundable tax credit against certain employment taxes for eligible employers. During 2021, the Association recorded a credit of \$609,027. The gain is reported as other unrestricted support in the consolidated statement of activities.

6. Fair value measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques

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6. Fair value measurements (continued)

used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Investments in common stocks, bonds and mutual funds are based on quoted market prices.

Investments in alternative investments are based on the net asset value per share of the funds which are stated at the fair value of the underlying assets, some of which the Association does not have the ability to fully redeem its investment at net asset value as of the measurement date or within the near term.



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6. Fair value measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and mutual funds:				
Consumer discretionary	\$ 792,869	\$ -	\$ -	\$ 792,869
Consumer staples	436,078	-	-	436,078
Energy	224,646	-	-	224,646
Financials	911,799	-	-	911,799
Health care	792,869	-	-	792,869
Industrials	634,295	-	-	634,295
Information technology	1,585,738	-	-	1,585,738
Materials	303,933	-	-	303,933
Telecommunication services	568,223	-	-	568,223
Utilities	165,181	-	-	165,181
Other	191,611	-	-	191,611
Total common stocks	6,607,242	-	-	6,607,242
Cash	35,215	-	-	35,215
Mutual funds, fixed income	2,384,860	-	-	2,384,860
Total investments in the fair value hierarchy	9,027,317	-	-	9,027,317
Investments measured at net asset value (1)	-	-	-	980,253
Investments at fair value	<u>\$ 9,027,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,007,570</u>

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6. Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and mutual funds:				
Consumer discretionary	\$ 575,395	\$ -	\$ -	\$ 575,395
Consumer staples	459,209	-	-	459,209
Energy	326,426	-	-	326,426
Financials	868,625	-	-	868,625
Health care	697,113	-	-	697,113
Industrials	619,656	-	-	619,656
Information technology	874,157	-	-	874,157
Materials	265,567	-	-	265,567
Telecommunication services	448,144	-	-	448,144
Utilities	171,512	-	-	171,512
Other	226,838	-	-	226,838
Total common stocks	5,532,642	-	-	5,532,642
Cash	7,455	-	-	7,455
Mutual funds, fixed income	2,578,196	-	-	2,578,196
Total investments in the fair value hierarchy	8,118,293	-	-	8,118,293
Investments measured at net asset value (1)	-	-	-	697,291
Investments at fair value	<u>\$ 8,118,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,815,584</u>

The following tables summarize investments for which fair value is measured using the net asset value per share expedient as of December 31, 2021 and 2020:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
December 31, 2021				
Alternative investments	<u>\$ 980,253</u>	n/a	Quarterly	21-42 days
Investments measured at net asset value (1)	<u>\$ 980,253</u>			
December 31, 2020				
Alternative investments	<u>\$ 697,291</u>	n/a	Daily	n/a
Investments measured at net asset value (1)	<u>\$ 697,291</u>			

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6. Fair value measurements (continued)

(1) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

7. Employee benefit plan

The Association has a 401(k) retirement savings plan (“the Plan”) pursuant to which eligible employees may defer compensation for income tax purposes. Participation in the Plan is available to full-time employees who meet eligibility requirements. Eligible employees may contribute up to 60% of their base salary, subject to certain limitations. Association discretionary matching contributions to the Plan may be made as described in the Plan documents and for December 31, 2021 and 2020 the Association elected to match 200% of the employee deferrals up to 5% of compensation. For the years ended December 31, 2021 and 2020, respectively, the Association contributed \$272,620 and \$247,881 to the Plan.

8. Subsequent events

In June 2022, the Association entered into a Conference Management Agreement for services related to the preparation and coordination of the 2023 through 2025 annual conferences. Minimum annual management fees due under the agreement for the 2023 world conference is \$275,000 for up to 4,000 registrants plus fees for additional registrants and other services. The agreement also calls for a minimum fee of \$66,500 for other conferences with up to 500 registrants plus fees for additional registrants.

The Association has evaluated all subsequent events from December 31, 2021 through September 28, 2022, which is the date the financial statements were available for issuance. There has been no additional material events noted in this period which would impact the results reflected in this report, the Association’s results going forward or require additional disclosure.