

FINANCIAL STATEMENTS

The V Foundation

*Nine months ended September 30, 2003 and the year ended December 31, 2002
with Report of Independent Auditors*

The V Foundation

Audited Financial Statements

Nine months ended September 30, 2003 and the year ended December 31, 2002

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Report of Independent Auditors

Board of Directors
The V Foundation

We have audited the accompanying statement of financial position of The V Foundation as of September 30, 2003, and the related statements of activities and changes in net assets and cash flows for the nine months then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The V Foundation as of December 31, 2002, were audited by other auditors whose report dated January 31, 2003, expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the financial position of The V Foundation at September 30, 2003, and the results of its activities and changes in net assets and its cash flows for the nine months then ended, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

April 13, 2004

The V Foundation

Statements of Financial Position

Nine months ended September 30, 2003 and year ended December 31, 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 1,232,906	\$ 1,848,197
Investments designated for long-term use	5,824,878	5,175,130
Contributions receivable, net	1,909,420	1,165,277
Accounts receivable – events	1,851,011	21,692
Other assets	81,944	98,804
Copyrights and trademarks	1,454	1,628
Furniture and equipment, net	44,659	53,909
Total assets	<u>\$ 10,946,272</u>	<u>\$ 8,364,637</u>
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 55,867	\$ 19,998
Capital lease obligations	20,604	26,599
Grants payable	5,325,000	2,450,000
Total liabilities	<u>5,401,471</u>	<u>2,496,597</u>
Net assets:		
Unrestricted net (deficiency) assets	(911,064)	342,485
Temporarily restricted net assets	72,045	70,595
Permanently restricted net assets	6,383,820	5,454,960
Total net assets	<u>5,544,801</u>	<u>5,868,040</u>
Total liabilities and net assets	<u>\$ 10,946,272</u>	<u>\$ 8,364,637</u>

See accompanying notes.

The V Foundation

Statements of Activities and Changes in Net Assets

Nine months ended September 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Change in net assets:				
Revenues, other support, and gains:				
Contributions	\$ 729,514	\$ 1,450	\$ 928,860	\$ 1,659,824
Special events, net of expenses	2,106,471	-	-	2,106,471
Investment income	119,887	-	-	119,887
Net realized and unrealized gains on investments designated for long-term use	671,714	-	-	671,714
Total revenues and other support	3,627,586	1,450	928,860	4,557,896
Expenses:				
Program grants	3,990,567	-	-	3,990,567
Management and general	238,102	-	-	238,102
Fundraising	652,466	-	-	652,466
Total expenses	4,881,135	-	-	4,881,135
Change in net assets	(1,253,549)	1,450	928,860	(323,239)
Net assets at beginning of period	342,485	70,595	5,454,960	5,868,040
Net (deficiency) assets at end of period	\$ (911,064)	\$ 72,045	\$ 6,383,820	\$ 5,544,801

See accompanying notes.

The V Foundation

Statements of Activities and Changes in Net Assets

Year ended December 31, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Change in net assets:				
Revenues, other support, and gains:				
Contributions	\$ 1,172,094	\$ 1,099	\$ 1,525,516	\$ 2,698,709
Special events, net of expenses	1,603,101	–	–	1,603,101
Investment income	154,187	–	–	154,187
Net realized and unrealized losses on investments designated for long-term use	(539,994)	–	–	(539,994)
Total revenues and other support	2,389,388	1,099	1,525,516	3,916,003
Expenses:				
Program grants	3,496,468	–	–	3,496,468
Management and general	230,952	–	–	230,952
Fundraising	600,854	–	–	600,854
Total expenses	4,328,274	–	–	4,328,274
Change in net assets	(1,938,886)	1,099	1,525,516	(412,271)
Net assets at beginning of year	2,281,371	69,496	3,929,444	6,280,311
Net assets at end of year	\$ 342,485	\$ 70,595	\$ 5,454,960	\$ 5,868,040

See accompanying notes.

The V Foundation
Statements of Cash Flows

	Nine months ended September 30, 2003	Year ended December 31, 2002
Cash flows from operating activities:		
Change in net assets	\$ (323,239)	\$ (412,271)
Adjustments to reconcile net assets to net cash used in operating activities:		
Depreciation	11,750	20,680
Donated furniture and equipment	(2,500)	(1,499)
Loss on disposal of furniture and equipment	-	4,900
Net unrealized and realized (gains) losses on investments designated for long-term use	(671,714)	539,994
Contributions restricted for long-term investments	(928,860)	(1,525,516)
Amortization of intangibles	174	173
(Decrease) increase in cash due to changes in:		
Contributions receivable	(744,143)	(1,095,781)
Accounts receivable – events	(1,829,319)	(21,692)
Other assets	16,860	285
Accounts payable and accrued expenses	35,869	(13,628)
Grants payable	2,875,000	1,300,000
Net cash used in operating activities	(1,560,122)	(1,204,355)
Cash flows from investing activities:		
Purchase of furniture and equipment	-	(3,811)
Purchase of investments designated for long-term use	(3,261,111)	(3,639,945)
Proceeds from sale of investments designated for long-term use	3,283,077	2,801,430
Net cash provided by (used in) investing activities	21,966	(842,326)
Cash flows from financing activities:		
Payments under capital lease obligations	(5,995)	(14,566)
Proceeds from contributions restricted for long-term investments	928,860	1,525,516
Net cash provided by financing activities	922,865	1,510,950
Net decrease in cash and cash equivalents	(615,291)	(535,731)
Cash and cash equivalents at beginning of year	1,848,197	2,383,928
Cash and cash equivalents at end of year	\$ 1,232,906	\$ 1,848,197
Noncash investing and financing transactions:		
Gifts of furniture and equipment	\$ 2,500	\$ 1,499
Capital leases	\$ -	\$ 25,452

See accompanying notes.

The V Foundation

Notes to Financial Statements

September 30, 2003

1. Description of the Foundation and Significant Accounting Policies

Organization and Purpose

The V Foundation (the “Foundation”) was incorporated on February 12, 1993 as a nonprofit, charitable organization dedicated to saving lives by helping to find a cure for cancer. The Foundation’s mission is to generate broad based support for cancer research and to create an urgent awareness among all Americans of the importance of the war against cancer. The Foundation accomplishes its mission through advocacy, education, fundraising and philanthropy. In 2003, the Foundation changed from a December 31 to September 30 year-end. As a result, only nine months of activity is reflected in the 2003 financial statements.

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets represent assets, which are fully available at the discretion of management and the Board of Directors.

Temporarily restricted net assets represent assets, which will be available for expenditures upon certain conditions being met. At such time, these assets will be reclassified as unrestricted net assets.

Permanently restricted net assets represent endowment funds for which the principal is required to remain intact. The donors of these assets permit the Foundation to use all of, or part of, the income earned on related investments for general purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The V Foundation

Notes to Financial Statements (continued)

1. Description of the Foundation and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents are comprised of highly liquid instruments with original maturities of three months or less from the date of purchase.

Investments Designated for Long-Term Use

The Foundation records all marketable equity securities and all debt securities at fair value, with realized and unrealized gains and losses being reported in the statements of activities. The Board of Directors has designated investments to support the operations of future years.

Use of Estimates

The preparation of 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 and assumptions used.

Other Assets

Other assets include accrued interest and inventory. Inventory is valued at the lower of cost, as determined on a first-in, first-out basis, or market.

Furniture and Equipment

Furniture and equipment (including capital lease assets) are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of three to five years. The estimated fair value of donated property is recorded as contributions income and fixed assets in the period received. The Foundation received \$2,500 and \$1,499 in donated furniture and fixtures for the nine months ended September 30, 2003 and the year ended December 31, 2002, respectively.

The V Foundation

Notes to Financial Statements (continued)

1. Description of the Foundation and Significant Accounting Policies (continued)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

Recognition of Program Grants

Program grants and the corresponding grants payable are recognized at the time the grant award letter is sent to the recipient.

Amortization of Copyrights and Trademarks

The cost of copyrights and trademarks is amortized on a straight-line basis over a period of 15 years.

Income Taxes

The Foundation is exempt from payment of income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income. Since there was no unrelated business income during the nine months ended September 30, 2003 and the year ended December 31, 2002, no provision for income taxes has been made.

Reclassification

Certain amounts in the 2002 financial statements have been reclassified to conform with the 2003 presentation. Such reclassifications had no effect on net assets or changes in net assets.

The V Foundation

Notes to Financial Statements (continued)

2. Investments

The Foundation's investments consist of the following:

	Nine months ended September 30, 2003	Year ended December 31, 2002
Marketable securities		
Carried at fair value:		
U.S. Treasury securities	\$ 1,346,645	\$ 1,295,986
Corporate debt securities	860,226	751,131
Equity securities	3,618,007	3,128,013
Total marketable securities	\$ 5,824,878	\$ 5,175,130

The following summarizes the investment return (loss) and its classification in the statements of activities:

	Nine months ended September 30, 2003	Year ended December 31, 2002
	Unrestricted	Unrestricted
Dividends and interest	\$ 119,887	\$ 154,187
Net realized gains (losses)	10,949	(138,314)
Net unrealized gains (losses)	660,765	(401,680)
Total return on investments	\$ 791,601	\$ (385,807)

The V Foundation

Notes to Financial Statements (continued)

3. Contributions Receivable

Contributions receivable relate to amounts owed from endowed pledges and events held to support the Foundation. Contributions receivable, net, is summarized as follows:

	Nine months ended September 30, 2003	Year ended December 31, 2002
Unconditional promises expected to be collected in:		
Less than one year	\$ 819,675	\$ 387,726
One year to five years	1,195,222	810,000
Greater than five years	–	30,000
	<u>2,014,897</u>	<u>1,227,726</u>
Less unamortized discount (4.75% and 9.5%)	<u>(105,477)</u>	<u>(62,449)</u>
	<u>\$ 1,909,420</u>	<u>\$ 1,165,277</u>

4. Permanently Restricted Net Assets

Permanently restricted net assets represent contributions made by donors who have restricted the use of their contributions to provide funding for the V Foundation Endowment Fund. The V Foundation Endowment Fund has been established to provide funding from the interest on restricted assets to be used for the operation of the Foundation.

The V Foundation Endowment Fund contributions totaled \$928,860 and \$1,525,516 for the nine months ended September 30, 2003 and the year December 31, 2002, respectively.

5. Special Events

During the nine months ended September 30, 2003 and year ended December 31, 2002, ESPN, Inc. (a cable television network) held several special events for which a specific objective was to promote and publicize the charitable, educational, and research activities of the Foundation. These events resulted in the Foundation receiving net proceeds of \$291,471 and \$353,973 for the nine months ended September 30, 2003 and the year ended December 31, 2002, respectively.

The V Foundation

Notes to Financial Statements (continued)

5. Special Events (continued)

In July 2003 and 2002, the Wine Country Associates held the annual Wine Celebration in Napa Valley, California. A specific objective of the Celebration was to promote and publicize the charitable, educational, and research activities of The V Foundation. The Foundation received net proceeds of \$813,500 and \$520,028 from the dinners and auctions held during the Wine Celebration for the nine months ended September 30, 2003 and the year ended December 31, 2002, respectively.

The Foundation received contributions of \$1,001,500 for the nine months ended September 30, 2003 and \$729,100 for the year ended December 31, 2002, respectively, from the Jimmy V Celebrity Golf Classic, a separate but affiliated organization.

6. Expenses

The V Foundation incurred the following expenses for the nine months ended September 30, 2003, with summary comparative information provided for the year ended December 31, 2002:

	Nine months ended September 30, 2003				Year Ended December 31, 2002
	Program Grants	Management and General	Fundraising	Total	Total
V Scholars	\$ 1,500,000	\$ —	\$ —	\$ 1,500,000	\$ 1,700,000
Translational grants	900,000	—	—	900,000	900,000
Designated grants	1,550,000	—	—	1,550,000	865,000
Salaries, wages and benefits	27,118	92,464	409,304	528,886	563,608
Occupancy	1,371	9,598	16,454	27,423	35,563
Supplies, office expenses, and postage	2,881	49,728	40,190	92,799	75,980
Professional fees	6,156	32,030	12,313	50,499	43,181
Advertising and travel	3,041	21,288	129,914	154,243	79,038
Printing and merchandise	—	—	25,786	25,786	27,489
Other	—	32,994	18,505	51,499	38,415
Total functional expense	<u>\$ 3,990,566</u>	<u>\$ 238,103</u>	<u>\$ 652,467</u>	<u>\$ 4,881,136</u>	<u>\$ 4,328,274</u>

The V Foundation

Notes to Financial Statements (continued)

7. Lease Commitments

The Foundation leases office equipment under zero interest capital leases that expire in 2003 and 2007. The Foundation entered into a new lease in 2002 to replace previously leased capital equipment. The equipment under previous lease, which was to expire in 2006, was disposed of and new equipment with a cost of \$25,452 was acquired. A schedule of future minimum lease payments under noncancelable capital leases as of September 30, 2003 follows:

Nine months ending September 30

2004	\$ 4,848
2005	4,848
2006	4,848
2007	4,848
2008	1,212
Total	<u>\$ 20,604</u>

The Foundation also leases its office space under a noncancelable operating lease agreement, which expires in 2006. Rent expense for the Foundation totaled \$27,423 and \$35,563 for the nine months ended September 30, 2003 and the year December 31, 2002, respectively. A schedule of future minimum lease payments under the noncancelable operating lease as of September 30, 2003 follows:

Year ending September 30

2004	\$ 33,169
2005	34,342
2006	35,540
2007	2,970
	<u>\$ 106,021</u>