

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

A Nonprofit Organization

REPORT ON AUDIT

Year Ended September 30, 2004

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

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CERTIFIED PUBLIC ACCOUNTANTS
Raleigh, North Carolina

MEMBER
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The V Foundation for Cancer Research
Cary, North Carolina

We have audited the accompanying statement of financial condition of The V Foundation for Cancer Research (a non-profit organization) as of September 30, 2004, and the related statements of activities and cash flows for the year 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 for Cancer Research as of September 30, 2003 were audited by other auditors whose report dated April 13, 2004 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 financial statements referred to above present fairly, in all material respects, the financial position of The V Foundation for Cancer Research as of September 30, 2004, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Lynch & Howard, P.A.

November 16, 2004

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

STATEMENTS OF FINANCIAL CONDITION

September 30, 2004 and 2003

	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,858,561	\$ 1,232,906
Pledges receivable	900,142	819,675
Accounts receivable - events	600,000	1,851,011
Inventory	14,032	8,508
Prepaid expenses	6,614	4,436
Total Current Assets	\$ 4,379,349	\$ 3,916,536
 PROPERTIES AND EQUIPMENT:		
Properties and equipment	\$ 84,597	\$ 106,153
Less: Accumulated depreciation	(54,417)	(61,494)
Net Properties and Equipment	\$ 30,180	\$ 44,659
 OTHER ASSETS:		
Pledge receivables - long-term	\$ 1,495,053	\$ 1,089,745
Investments designated for long-term use	7,239,334	5,824,878
Other assets	-	69,000
Copyrights and trademarks, net of amortization	1,279	1,454
Total Other Assets	\$ 8,735,666	\$ 6,985,077
	\$ 13,145,195	\$ 10,946,272

The Notes to Financial Statements are an integral part of this statement.

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

STATEMENTS OF FINANCIAL CONDITION

September 30, 2004 and 2003

	2004	2003
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 38,638	\$ 55,867
Capital lease obligations	4,848	4,848
Grants payable	3,150,000	2,934,570
Total Current Liabilities	\$ 3,193,486	\$ 2,995,285
LONG-TERM LIABILITIES:		
Capital lease obligations	\$ 10,908	\$ 15,756
Grants payable	2,450,000	2,390,430
Total Long-Term Liabilities	\$ 2,460,908	\$ 2,406,186
NET ASSETS:		
Unrestricted net (deficiency) assets	\$ 82,766	\$ (911,064)
Temporarily restricted net assets	72,045	72,045
Permanently restricted net assets	7,335,990	6,383,820
Total Net Assets	\$ 7,490,801	\$ 5,544,801
	\$ 13,145,195	\$ 10,946,272

The Notes to Financial Statements are an integral part of this statement.

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

STATEMENTS OF ACTIVITIES

Year Ended September 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 2,616,663	\$ -	\$ 952,170	\$ 3,568,833
Special events, net of expenses	2,307,791	-	-	2,307,791
Investment income, net of expenses	122,089	-	-	122,089
Net realized and unrealized gains on investments designated for long-term use	844,259	-	-	844,259
	\$ 5,890,802	\$ -	\$ 952,170	\$ 6,842,972
Net assets released from restrictions:	-	-	-	-
Total Revenues, Gains, and Other Support	\$ 5,890,802	\$ -	\$ 952,170	\$ 6,842,972
EXPENSES:				
Program grants	\$ 3,948,909	\$ -	\$ -	\$ 3,948,909
Management and general	224,042	-	-	224,042
Fundraising	724,021	-	-	724,021
Total Expenses	\$ 4,896,972	\$ -	\$ -	\$ 4,896,972
CHANGE IN NET ASSETS	\$ 993,830	\$ -	\$ 952,170	\$ 1,946,000
NET ASSETS - BEGINNING	(911,064)	72,045	6,383,820	5,544,801
NET ASSETS - ENDING	\$ 82,766	\$ 72,045	\$ 7,335,990	\$ 7,490,801

The Notes to Financial Statements are an integral part of this statement.

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

STATEMENTS OF ACTIVITIES

Nine Months Ended September 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 729,514	\$ 1,450	\$ 928,860	\$ 1,659,824
Special events, net of expenses	2,106,471	-	-	2,106,471
Investment income, net of expenses	119,887	-	-	119,887
Net realized and unrealized gains on investments designated for long-term use	671,714	-	-	671,714
	<u>\$ 3,627,586</u>	<u>\$ 1,450</u>	<u>\$ 928,860</u>	<u>\$ 4,557,896</u>
Net assets released from restrictions:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains, and Other Support	 <u>\$ 3,627,586</u>	 <u>\$ 1,450</u>	 <u>\$ 928,860</u>	 <u>\$ 4,557,896</u>
EXPENSES:				
Program grants	\$ 3,990,567	\$ -	\$ -	\$ 3,990,567
Management and general	238,102	-	-	238,102
Fundraising	652,466	-	-	652,466
	<u>\$ 4,881,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,881,135</u>
 Total Expenses	 <u>\$ 4,881,135</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 4,881,135</u>
 CHANGE IN NET ASSETS	 <u>\$ (1,253,549)</u>	 <u>\$ 1,450</u>	 <u>\$ 928,860</u>	 <u>\$ (323,239)</u>
 NET ASSETS - BEGINNING	 <u>342,485</u>	 <u>70,595</u>	 <u>5,454,960</u>	 <u>5,868,040</u>
 NET ASSETS - ENDING	 <u>\$ (911,064)</u>	 <u>\$ 72,045</u>	 <u>\$ 6,383,820</u>	 <u>\$ 5,544,801</u>

THE V FOUNDATION FOR CANCER RESEARCH
Cary, North Carolina
STATEMENTS OF CASH FLOWS
Year Ended September 30, 2004 and Nine Months Ended September 30, 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,946,000	\$ (323,239)
Adjustments to reconcile change in net assets provided by (used in) operating activities:		
Depreciation	18,107	11,750
Donated furniture and equipment	-	(2,500)
Net unrealized and realized (gains) losses on investments designated for long-term use	(844,259)	(671,714)
Pledges restricted for long-term investments	(952,170)	(928,860)
Amortization of intangibles	174	174
Changes in assets and liabilities:		
Pledges receivable	(485,775)	(744,143)
Accounts receivable - events	1,251,011	(1,829,319)
Prepaid	(2,178)	-
Inventory	(5,524)	-
Other assets	69,000	16,860
Accounts payable and accrued expenses	(17,228)	35,869
Grants payable	275,000	2,875,000
Net Cash Provided By (Used In) Operating Activities	\$ 1,252,158	\$ (1,560,122)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	\$ (3,627)	\$ -
Purchase of investments designated for long-term use	(3,972,654)	(3,261,111)
Proceeds from sale of investments restricted for long-term use	3,402,456	3,283,077
Net Cash Provided By (Used In) Investing Activities	\$ (573,825)	\$ 21,966
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments under capital lease obligations	\$ (4,848)	\$ (5,995)
Proceeds from pledges restricted for long-term investments	952,170	928,860
Net Cash Provided By Financing Activities	\$ 947,322	\$ 922,865
INCREASE (DECREASE IN CASH AND CASH EQUIVALENTS	\$ 1,625,655	\$ (615,291)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,232,906	1,848,197
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,858,561	\$ 1,232,906
Noncash Investing and Financing Transactions:		
Gifts of furniture and equipment	\$ -	\$ 2,500

The Notes to Financial Statements are an integral part of this statement.

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and September 30, 2003

(1) ORGANIZATION

The V Foundation for Cancer Research ("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 a September 30 year end. As a result, only nine months of activity is reflected in the 2003 financial statements.

(2) 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 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 FOR CANCER RESEARCH

Cary, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and September 30, 2003

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Cash Flows

For purposes of reporting cash flows, the Foundation considers cash and cash equivalents to be cash on hand, cash in banks and all highly liquid debt instruments with a maturity of less than three months. During the year there were no cash payments for income taxes or for interest.

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.

Management's 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 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.

Inventory

Inventory is valued at the lower of cost, as determined on a first-in, first-out basis or market.

Properties and Equipment

Properties and equipment (including capital lease assets) purchased are stated at cost. Properties and equipment are adjusted for impairments of value as required by Financial Accounting Standards Board Statement No. 144. Depreciation is recorded using the straight-line method 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 \$0 and \$2,500 in donated furniture and fixtures for the year ended September 30, 2004 and the nine months ended September 30, 2003, respectively.

Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition, the cost and related accumulated depreciation accounts are relieved and any related gain or loss is included in operations.

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and September 30, 2003

(3) SUMMARY OF 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 federal income taxes in accordance with Internal Revenue Code Section 501c(3), except for any unrelated business income. Since there was no unrelated business income during the year ended September 30, 2004 and the nine months ended September 30, 2003, no provision for income taxes has been made.

Reclassification

Certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation. Such reclassifications had no effect on net assets or changes in net assets.

Concentration of Credit Risk

The Foundation maintains cash deposits in banks in excess of the federally insured amounts. Pledge receivables are from individuals throughout the United States.

Advertising

The Foundation expenses advertising as incurred. Advertising expense was \$5,237 and \$5,406 for the year ended September 30, 2004 and the nine month period ended September 30, 2003, respectively.

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and September 30, 2003

(4) INVESTMENTS

The Foundation's investments consist of the following:

	Year Ended September 30, 2004	Nine Months Ended September 30, 2003
Marketable securities:		
Carried at fair value:		
U. S. Treasury securities	\$ 1,332,673	\$ 1,346,645
Corporate debt securities	950,911	860,226
Equity securities	<u>4,955,750</u>	<u>3,618,007</u>
Total Marketable Securities	<u>\$ 7,239,334</u>	<u>\$ 5,824,878</u>

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

Dividends and interest	\$ 197,685	\$ 119,887
Investment expenses	(75,597)	-
Net realized gains (losses)	522,523	10,949
Net unrealized gains (losses)	<u>321,736</u>	<u>660,765</u>
Total Marketable Securities	<u>\$ 966,347</u>	<u>\$ 791,601</u>

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and September 30, 2003

(5) PLEDGES RECEIVABLE

Pledges receivable relate to amounts owed from endowed pledges and events held to support the Foundation. Pledges receivable are summarized as follows:

	September 30, 2004	September 30, 2003
Unconditional promises expected to be collected in:		
Less than one year	\$ 900,142	\$ 819,675
One year to five years	1,750,410	1,195,222
Greater than five years	-	-
	<u>\$ 2,650,552</u>	<u>\$ 2,014,897</u>
Less unamortized discount (4.75%)	<u>(255,357)</u>	<u>(105,477)</u>
	<u>\$ 2,395,195</u>	<u>\$ 1,909,420</u>
Current Portion	<u>\$ 900,142</u>	<u>\$ 819,675</u>
Long-Term Portion	<u>\$ 1,495,053</u>	<u>\$ 1,089,745</u>

(6) 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 \$952,170 and \$928,860 for the year ended September 30, 2004 and for the nine months ended September 30, 2003, respectively.

(7) SPECIAL EVENTS

During the year ended September 30, 2004 and the nine months ended September 30, 2003, 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 \$927,791 and \$291,471 for the year ended September 30, 2004 and the nine months ended September 30, 2003, respectively.

THE V FOUNDATION FOR CANCER RESEARCH

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NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and September 30, 2003

(7) SPECIAL EVENTS - Continued

In July 2004 and 2003, the Foundation 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 for Cancer Research. The Foundation received net proceeds of \$730,000 and \$813,500 from the dinners and auctions held during the Wine Celebration for the year ended September 30, 2004 and the nine months ended September 30, 2003, respectively.

The Foundation received contributions of \$650,000 and \$1,001,500 for the year ended September 30, 2004 and the nine months ended September 30, 2003, respectively, from the Jimmy V Celebrity Golf Classic, a separate but affiliated organization.

The amounts due from these special events at September 30, 2004 and 2003 were \$600,000 and \$1,851,011, respectively. No portion of these amounts was older than 90 days for either year. No finance charges were accrued.

(8) ALLOCATION OF EXPENSES

The V Foundation incurred the following expenses for the year ended September 30, 2004 with summary comparative information provided for the nine months ended September 30, 2003:

	Year Ended September 30, 2004				September 30,
	Program Grants	Management and General	Fundraising	Total	2003 Total
Grant expense	\$ 3,209,570	\$ -	\$ -	\$ 3,209,570	\$ 3,950,000
Direct fundraising	-	-	567,291	567,291	94,475
Salaries, wages and benefits	445,292	134,936	94,357	674,585	528,886
Occupancy	24,916	7,550	5,285	37,751	27,423
Insurance	12,793	3,877	2,714	19,384	
Office overhead	56,633	17,162	12,013	85,808	92,799
Professional fees	44,624	13,522	9,466	67,612	50,499
Advertising and travel	59,423	18,007	12,605	90,035	59,768
Printing and postage	32,068	9,718	6,802	48,588	25,786
Other	63,590	19,270	13,488	96,348	51,499
Total Functional Expense	<u>\$ 3,948,909</u>	<u>\$ 224,042</u>	<u>\$ 724,021</u>	<u>\$ 4,896,972</u>	<u>\$ 4,881,135</u>

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and September 30, 2003

(9) LEASE COMMITMENTS

The Foundation leases office equipment under a zero interest capital lease that expires in 2007. The cost of the leased equipment is \$25,452. The amortization expense and accumulated amortization for the year ended September 30, 2004 were \$4,890 and \$9,831, respectively. The amortization expense and accumulated amortization for the nine months ended September 30, 2003 were \$3,668 and \$4,941, respectively. A schedule of future minimum lease payments as of September 30, 2004 is as follows:

2005	\$	4,848
2006		4,848
2007		4,848
2008		<u>1,212</u>
Total	\$	<u>15,756</u>

The Foundation also leases its office space under an operating agreement, which expires in 2011. Rent expense for the Foundation totaled \$37,752 and \$27,423 for the year ended September 30, 2004 and the nine months ended September 30, 2003, respectively. A schedule of future minimum lease payments under the operating lease as of September 30, 2004 is as follows:

2005	\$	34,342
2006		35,540
2007		38,268
2008		39,225
2009		40,205
Thereafter		<u>83,451</u>
Total	\$	<u>271,031</u>

(10) RETIREMENT PLAN

The Foundation maintains a Simple IRA plan for its eligible employees. The Foundation matches up to 3% of each participating employee's compensation. The expense for the year ended September 30, 2004 was \$0 and \$7,329 for the nine months ended September 30, 2003.

THE V FOUNDATION FOR CANCER RESEARCH

Cary, North Carolina

NOTES TO FINANCIAL STATEMENTS

September 30, 2004 and September 30, 2003

(11) PROPERTIES AND EQUIPMENT

Properties and equipment consisted of the following:

	<u>2004</u>	<u>2003</u>
Furniture and fixtures	\$ 19,022	\$ 28,857
Office equipment	<u>65,575</u>	<u>77,296</u>
	\$ 84,597	\$ 106,153
Less: Allowance for accumulated depreciation	<u>(54,417)</u>	<u>(61,494)</u>
	<u>\$ 30,180</u>	<u>\$ 44,659</u>