

THE V FOUNDATION

Cary, North Carolina

A Nonprofit Organization

REPORT ON AUDIT

Years Ended September 30, 2006 and 2005

THE V FOUNDATION

Cary, North Carolina

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LYNCH & HOWARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Member
American Institute of Certified Public Accountants
Center for Public Company Audit Firms
Private Companies Practice Section

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial condition of The V Foundation (a non-profit organization) as of September 30, 2006 and 2005, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 as of September 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Schedule 1 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lynch & Howard, P.A.

January 25, 2007

THE V FOUNDATION
Cary, North Carolina
STATEMENTS OF FINANCIAL CONDITION
September 30, 2006 and 2005

ASSETS	2006	2005
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,143,485	\$ 3,705,656
Pledges receivable	1,682,014	1,514,947
Accounts receivable	180,000	631,100
Inventory	8,290	13,699
Prepaid expenses	12,102	6,321
Total Current Assets	8,025,891	5,871,723
PROPERTIES AND EQUIPMENT:		
Properties and equipment	95,725	96,251
Less: Accumulated depreciation	(72,094)	(65,962)
Net Properties and Equipment	23,631	30,289
OTHER ASSETS:		
Pledge receivables - long-term	2,512,997	3,367,162
Investments designated for long-term use	12,757,382	9,719,021
Copyrights and trademarks, net of amortization	931	1,105
Total Other Assets	15,271,310	13,087,288
	\$ 23,320,832	\$ 18,989,300
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,020,100	\$ 55,820
Capital lease obligations	4,848	4,848
Grants payable	4,650,000	3,250,000
Total Current Liabilities	5,674,948	3,310,668
LONG-TERM LIABILITIES:		
Capital lease obligations	1,212	6,060
Grants payable	4,150,000	2,000,000
Total Long-Term Liabilities	4,151,212	2,006,060
NET ASSETS:		
Unrestricted net assets	(320,338)	1,753,984
Temporarily restricted net assets	880,160	646,252
Permanently restricted net assets	12,934,850	11,272,336
Total Net Assets	13,494,672	13,672,572
	\$ 23,320,832	\$ 18,989,300

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

THE V FOUNDATION
Cary, North Carolina
STATEMENTS OF ACTIVITIES

Year Ended September 30, 2006 (with comparative totals for 2005)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2005
REVENUES, GAINS AND OTHER SUPPORT:					
Contributions	\$ 3,472,433	\$ 209,554	\$ 1,662,514	\$ 5,344,501	\$ 6,271,536
Special events, net of expenses	2,726,304	-	-	2,726,304	3,279,763
Investment income, net of expenses	305,874	24,354	-	330,228	152,004
Net realized and unrealized gains on investments designated for long-term use	851,447	-	-	851,447	932,503
Net assets released from restrictions	7,356,058	233,908	1,662,514	9,252,480	10,635,806
	-	-	-	-	-
Total Revenues, Gains, and Other Support	<u>7,356,058</u>	<u>233,908</u>	<u>1,662,514</u>	<u>9,252,480</u>	<u>10,635,806</u>
EXPENSES:					
Program expenses	8,743,865	-	-	8,743,865	3,807,478
Management and general	298,577	-	-	298,577	223,001
Fundraising	387,938	-	-	387,938	523,556
Total Expenses	<u>9,430,380</u>	<u>-</u>	<u>-</u>	<u>9,430,380</u>	<u>4,554,035</u>
CHANGE IN NET ASSETS	(2,074,322)	233,908	1,662,514	(177,900)	6,081,771
NET ASSETS - BEGINNING	<u>1,753,984</u>	<u>646,252</u>	<u>11,272,336</u>	<u>13,672,572</u>	<u>7,590,801</u>
NET ASSETS - ENDING	<u>\$ (320,338)</u>	<u>\$ 880,160</u>	<u>\$ 12,934,850</u>	<u>\$ 13,494,672</u>	<u>\$ 13,672,572</u>

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

THE V FOUNDATION
Cary, North Carolina
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (177,900)	\$ 6,081,771
Adjustments to reconcile change in net assets provided by (used in) operating activities:		
Depreciation	11,849	12,366
Donated equipment	(6,164)	-
Loss on disposal of equipment	1,735	-
Net unrealized and realized (gains) losses on investments designated for long-term use	(851,447)	(932,503)
Pledges restricted for long-term investments	(2,093,688)	(3,936,346)
Amortization of intangibles	174	174
Changes in assets and liabilities:		
Pledges receivable	687,098	(2,486,915)
Accounts receivable - events	451,100	(31,100)
Prepaid expenses	(5,781)	293
Inventory	5,409	333
Accounts payable and accrued expenses	964,280	17,182
Grants payable	3,550,000	(350,000)
Net Cash Provided By (Used In) Operating Activities	2,536,665	(1,624,745)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	(762)	(12,474)
Purchase of investments designated for long-term use	(6,928,868)	(3,930,739)
Proceeds from sale of investments restricted for long-term use	4,741,954	2,483,555
Net Cash Provided By (Used In) Investing Activities	(2,187,676)	(1,459,658)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments under capital lease obligations	(4,848)	(4,848)
Proceeds from pledges restricted for long-term investments	2,093,688	3,936,346
Net Cash Provided By Financing Activities	2,088,840	3,931,498
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,437,829	847,095
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,705,656	2,858,561
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,143,485	\$ 3,705,656

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

THE V FOUNDATION
Cary, North Carolina
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

(1) ORGANIZATION

The V Foundation ("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.

(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
Cary, North Carolina
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

(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 publicly traded 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.

The Foundation also holds stock in non-publicly traded companies and values these securities at cost. The aggregate carrying amount of these investments at September 30, 2006 and 2005 was \$50,000 and \$150,000, respectively. The fair value of these investments has not been estimated because there are no events or changes in circumstances that may have a significant adverse effect on their value, and the Foundation is exempt from estimating fair value under Financial Accounting Standards Board Statement No. 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*.

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.

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.

THE V FOUNDATION
Cary, North Carolina
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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. All grants are payable in less than five years.

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 \$6,164 of donated equipment for the year ended September 30, 2006. The Foundation received no donated properties and equipment for the years ended September 30, 2005.

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.

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 years ended September 30, 2006 and 2005, no provision for income taxes has been made.

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 \$7,050 and \$300 for the years ended September 30, 2006 and 2005, respectively.

THE V FOUNDATION
Cary, North Carolina
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

(4) PLEDGES RECEIVABLE

Pledges receivable relate to amounts owed from endowed pledges and events held to support the Foundation. The Foundation considers pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. Pledges receivable are summarized as follows:

	September 30, 2006	September 30, 2005
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,682,014	\$ 1,514,947
One year to five years	3,159,800	4,127,535
Greater than five years	<u>142,500</u>	<u>365,000</u>
	4,984,314	6,007,482
Less unamortized discount (8.25% and 6.50%)	<u>(789,303)</u>	<u>(1,125,373)</u>
	<u>\$ 4,195,011</u>	<u>\$ 4,882,109</u>
Current Portion	<u>\$ 1,682,014</u>	<u>\$ 1,514,947</u>
Long Term Portion	<u>\$ 2,512,997</u>	<u>\$ 3,367,162</u>

(5) RESTRICTIONS ON 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 for the operations of the Foundation from the earnings on restricted assets.

The V Foundation Endowment Fund contributions totaled \$1,662,514 and \$3,936,346, respectively, for the years ended September 30, 2006 and 2005.

Temporarily restricted net assets represent contributions and event income that has been restricted for use as a memorial grant. Contributions and event income restricted for this purpose totaled \$209,554 and \$297,760, respectively for the years ended September 30, 2006 and 2005.

THE V FOUNDATION
Cary, North Carolina
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

(6) INVESTMENTS

The Foundation's investments consisted of the following:

	Year Ended September 30, 2006	Year Ended September 30, 2005
Marketable securities:		
Carried at fair value:		
U. S. Treasury securities	\$ 1,880,365	\$ 1,543,479
Corporate debt securities	1,290,174	1,281,399
Equity securities	9,536,843	6,744,143
Equity securities at cost	<u>50,000</u>	<u>150,000</u>
Total Marketable Securities	<u>\$ 12,757,382</u>	<u>\$ 9,719,021</u>

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

Dividends and interest	\$ 426,223	\$ 243,768
Investment expenses	(120,349)	(91,764)
Net realized gains	853,663	494,352
Net unrealized gains	<u>22,138</u>	<u>438,151</u>
Total Marketable Securities	<u>\$ 1,181,675</u>	<u>\$ 1,084,507</u>

(7) 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 years ended September 30, 2006 and 2005 was \$13,900 and \$10,588, respectively.

THE V FOUNDATION
Cary, North Carolina
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

(8) PROPERTIES AND EQUIPMENT

Properties and equipment consisted of the following:

	<u>2006</u>	<u>2005</u>
Furniture and fixtures	\$ 29,814	\$ 29,684
Office equipment	<u>65,911</u>	<u>66,567</u>
	95,725	96,251
Less: Allowance for accumulated depreciation	<u>(72,094)</u>	<u>(65,962)</u>
	<u>\$ 23,631</u>	<u>\$ 30,289</u>

(9) SPECIAL EVENTS

During 2006 and 2005, ESPN, Inc. (a cable television network) held several special events with the specific objective of promoting and publicizing the charitable, educational, and research activities of the Foundation. Net proceeds to the Foundation from these events totaled \$1,092,081 and \$1,112,889, respectively, for the years ended September 30, 2006 and 2005.

In July 2006 and 2005, the Foundation held its 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 the years ended September 30, 2006 and 2005, the Foundation received net proceeds from the dinners and auctions held during the Wine Celebration of \$1,372,749 and \$1,159,500, respectively.

The Foundation received contributions of \$285,550 and \$619,902, respectively, for the years ended September 30, 2006 and 2005, from the Jimmy V Celebrity Golf Classic, a separate but affiliated organization.

The amounts due from these special events at September 30, 2006 and 2005 were \$100,000 and \$631,100, respectively. No portion of these amounts was older than 90 days for either year. No finance charges were accrued.

THE V FOUNDATION
Cary, North Carolina
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005

(10) 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 for the years ended September 30, 2006 and 2005 was \$4,890. The accumulated amortization at September 30, 2006 and 2005 was \$14,721 and \$19,612, respectively. A schedule of future minimum lease payments as of September 30, 2006 is as follows:

2007	\$ 4,848
2008	<u>1,212</u>
Total	<u>\$ 6,060</u>

The Foundation also leases its office space under an operating agreement which expires in 2011. Rent expense for the Foundation totaled \$40,036 and \$38,938 for the years ended September 30, 2006 and 2005, respectively. A schedule of future minimum lease payments under the operating lease as of September 30, 2006 is as follows:

2007	\$ 38,268
2008	39,225
2009	40,205
2010	41,210
2011	<u>42,241</u>
Total	<u>\$ 201,149</u>

(11) DONATIONS OF IN-KIND SERVICES

In-kind revenue and corresponding expenses recorded in these financial statements consisted of the following:

Call center	\$ 7,491
Accounting	<u>13,103</u>
	<u>\$ 20,594</u>

THE V FOUNDATION
Cary, North Carolina

STATEMENTS OF FUNCTIONAL EXPENSES

September 30, 2006 (with comparative totals for 2005)

	Program Expenses	Management and General	Fundraising	Total	2005
Grant expense	\$ 7,732,000	-	-	\$ 7,732,000	\$ 3,115,000
Direct fundraising					
Personnel expenses:			39,597	39,597	265,344
Salaries and Wages	452,225	133,444	155,684	741,353	693,794
Payroll taxes	32,100	9,472	11,051	52,623	49,277
Employee benefits	78,904	23,277	27,156	129,337	96,040
Occupancy expenses:					
Rent	24,422	7,206	8,408	40,036	38,938
Maintenance	2,624	774	904	4,302	2,892
Utilities	9,702	2,863	3,340	15,905	14,743
Insurance	10,265	3,029	3,534	16,828	20,527
Office expenses:					
Credit card processing	30,983	9,143	10,666	50,792	18,764
Data processing and online servicing	16,933	4,997	5,829	27,759	17,779
Licenses	3,198	944	1,101	5,243	6,694
Other supplies and expenses	6,523	1,925	2,246	10,694	28,323
Professional fees	12,410	3,662	4,272	20,344	26,830
Travel related expenses	51,457	15,184	17,715	84,356	81,368
Public relations and advertising	61,901	18,266	21,310	101,477	11,477
Printing and postage:					
Postage and shipping	24,803	7,318	8,539	40,660	24,794
Printing, copying and stationary	29,967	8,843	10,317	49,127	28,007
Uncollectible pledges	156,114	46,066	53,744	255,924	904
Depreciation	7,228	2,133	2,488	11,849	12,366
Amortization	106	31	37	174	174
TOTALS	<u>\$ 8,743,865</u>	<u>\$ 298,577</u>	<u>\$ 387,938</u>	<u>\$ 9,430,380</u>	<u>\$ 4,554,035</u>

