THE V FOUNDATION

Cary, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2012
(With Comparative Totals for the
Year Ended September 30, 2011)

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The V Foundation
Cary, North Carolina

We have audited the accompanying statement of financial position of the The V Foundation (a nonprofit organization) as of September 30, 2012, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 prior year summarized comparative information has been derived from the Foundation's 2011 financial statements and, in our report dated March 26, 2012, we expressed an unqualified opinion on those financial 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 The V Foundation, as of September 30, 2012, 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.

Blackman + Sloop

Chapel Hill, North Carolina
February 8, 2013

THE V FOUNDATION

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

September 30, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,413,695	$ 12,687,460
Accounts receivable, net	55,500	86,000
Promises to give, net	316,918	482,292
Prepaid expenses	56,406	35,892
TOTAL CURRENT ASSETS	11,842,519	13,291,644
PROPERTY AND EQUIPMENT, NET	38,177	7,502
OTHER ASSETS:		
Investments	21,026,926	19,019,427
Promises to give, net	3,874,888	2,332,572
TOTAL OTHER ASSETS	24,901,814	21,351,999
TOTAL ASSETS	$ 36,782,510	$ 34,651,145

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 5,970	$ 18,584
Accrued payroll and related liabilities	33,164	16,080
Lease payable	27,350	-
Grants payable	10,897,500	10,561,666
TOTAL CURRENT LIABILITIES	10,963,984	10,596,330
LONG-TERM LIABILITIES:		
Grants payable, net	9,434,728	8,988,954
TOTAL LIABILITIES	20,398,712	19,585,284
NET ASSETS:		
Unrestricted	(3,207,040)	(2,770,420)
Temporarily restricted	3,834,726	4,533,875
Permanently restricted	15,756,112	13,302,406
TOTAL NET ASSETS	16,383,798	15,065,861
TOTAL LIABILITIES AND NET ASSETS	$ 36,782,510	$ 34,651,145

The accompanying Notes to Financial Statements are an integral part of these statements.

THE V FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Totals	2011 Totals
SUPPORT AND REVENUE:					
Contributions and gifts	$ 9,287,602	$ 936,206	$ 2,533,706	$ 12,757,514	$ 10,499,404
Special events income, net of expenses	3,827,663	-	-	3,827,663	3,218,161
Investment income	138,643	322,984	-	461,627	458,093
Unrealized gain (loss) on investments	320,457	813,615	-	1,134,072	(1,637,960)
Realized gain on investments	112,857	286,511	-	399,368	1,080,858
Loss on disposal of equipment	-	-	-	-	(1,595)
	13,687,222	2,359,316	2,533,706	18,580,244	13,616,961
Net assets released from restrictions	2,908,465	(2,908,465)	-	-	-
TOTAL SUPPORT AND REVENUE	16,595,687	(549,149)	2,533,706	18,580,244	13,616,961
EXPENSES:					
Program Services	15,537,636	-	-	15,537,636	12,959,465
Supporting Services:					
Management and general	724,916	-	-	724,916	631,268
Fundraising expenses	769,755	-	-	769,755	792,950
Total Supporting Services	1,494,671	-	-	1,494,671	1,424,218
SUBTOTAL EXPENSES	17,032,307	-	-	17,032,307	14,383,683
Loss from bad debts	-	150,000	80,000	230,000	220,000
TOTAL EXPENSES	17,032,307	150,000	80,000	17,262,307	14,603,683
CHANGES IN NET ASSETS	(436,620)	(699,149)	2,453,706	1,317,937	(986,722)
NET ASSETS - BEGINNING OF YEAR	(2,770,420)	4,533,875	13,302,406	15,065,861	16,052,583
NET ASSETS - END OF YEAR	$ (3,207,040)	$ 3,834,726	$ 15,756,112	$ 16,383,798	$ 15,065,861

THE V FOUNDATION

STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ended September 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 1,317,937	$ (986,722)
Adjustments to reconcile changes in net assets to net cash used in (provided by) operating activities:		
Depreciation and amortization	4,874	3,073
Loss on disposal of equipment	-	1,595
Adjustment for previously capitalized expenses	-	1,363
Unrealized (gain) loss on investments	(1,134,072)	1,637,960
Realized gain on investments	(399,368)	(1,080,858)
Permanently restricted contributions	(1,248,468)	(948,986)
Donated securities	(201,630)	(370,387)
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable, net	30,500	(23,000)
Promises to give, net	(1,376,942)	549,348
Prepaid expenses	(20,514)	3,091
Accounts payable and accrued expenses	(12,614)	(26,100)
Accrued payroll and related liabilities	17,084	(96)
Lease payable	27,350	-
Grants payable, net	781,608	423,245
NET CASH USED IN OPERATING ACTIVITIES	(2,214,255)	(816,474)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(35,549)	(2,554)
Redemption of certificates of deposit	-	1,515,920
Purchases of investments	(11,561,592)	(9,483,382)
Sales of investments	11,289,163	9,020,211
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(307,978)	1,050,195
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	1,248,468	948,986
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,273,765)	1,182,707
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,687,460	11,504,753
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 11,413,695	$ 12,687,460
SUPPLEMENTAL DISCLOSURE:		
Noncash contribution:		
Donated securities	$ 201,630	$ 370,387

The accompanying Notes to Financial Statements are an integral part of these statements.

THE V FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)

	Program Services	Management and General	Fundraising	Totals	2011 Totals
Grant expense	$ 14,613,141	$ -	$ -	$ 14,613,141	$ 12,186,491
Salaries	359,332	274,078	340,918	974,328	916,851
Employee benefits	82,452	62,889	78,226	223,567	190,080
Supporting organization expenses	207,245	-	-	207,245	143,642
Investment fees	-	177,838	-	177,838	184,611
Professional fees	59,262	45,203	56,225	160,690	225,784
Occupancy expenses	43,531	33,203	41,300	118,034	75,780
Travel related expenses	42,300	32,264	40,132	114,696	109,252
Computer maintenance	38,839	29,624	36,848	105,311	48,675
Bank service charges	4,303	3,282	89,130	96,715	113,675
Advertising	23,390	17,841	22,192	63,423	39,908
Payroll taxes	22,749	17,352	21,583	61,684	56,617
Printing and copying	18,829	14,361	17,864	51,054	36,215
Postage and shipping	9,524	7,265	9,037	25,826	19,547
Miscellaneous	5,601	4,272	5,314	15,187	9,798
Insurance	4,353	3,321	4,131	11,805	11,063
Depreciation and amortization	1,798	1,371	1,705	4,874	3,073
Direct fundraising expenses	-	-	4,214	4,214	11,876
Repairs and maintenance	987	752	936	2,675	745
	$ 15,537,636	$ 724,916	$ 769,755	$ 17,032,307	$ 14,383,683

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NATURE OF ACTIVITIES

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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

A. Basis of Accounting.

The Foundation's financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, revenues and support are recognized when earned, and expenses are recognized when the obligation is incurred.

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 activities as net assets released from restrictions. Permanently restricted contributions represent only those contributions restricted by the donor to be invested in perpetuity for the purpose of providing a permanent source of income. The accumulated earnings are reflected in temporarily restricted net assets until appropriated.

B. Cash and Cash Equivalents.

Cash and cash equivalents consist of monies on deposit at financial institutions and other highly liquid investments with maturities of three months or less. At times, the Foundation places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Foundation has not experienced any financial loss related to such deposits.

C. Accounts Receivable.

Accounts receivable consist of receivables from special events held with the specific purpose of promoting and publicizing the Foundation and are carried at their net realizable value. The Foundation provides an allowance for doubtful accounts equal to the estimated losses that are expected be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing receivables. As of September 30, 2012 and 2011, all accounts receivable were deemed collectible by management.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

D. Promises to Give.

Unconditional promises to give are recognized as support and assets in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Foundation provides an allowance for doubtful promises to give equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing promises to give. The allowance for doubtful promises to give at September 30, 2012 and 2011, totaled $341,459 and $181,459, respectively.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

E. Property and Equipment.

Property and equipment are stated at cost for purchased assets and at market value on the date of the gift for donated assets. Property and equipment are capitalized if the life is expected to be greater than one year and the cost exceeds $500. Depreciation is calculated using the straight-line method over estimated useful lives of the assets, which range from three to seven years.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

F. Investments.

Investments in marketable securities are stated at fair market value based on readily available published values. Donated securities are recorded at their fair market value at the date of gift.

Investments in non-publicly traded companies are stated at cost in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 325-20, *Cost Method Investments* and ASC 958-25, *Not-for-Profit Entities Investments.*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

G. Program Grants.

Program grants and the corresponding grants payable are recognized at the time the grant award letter is sent to the recipient. Grants to be awarded in future years are recorded at the present value of their estimated future cash flows.

H. Fair Value of Financial Instruments.

U.S. GAAP requires the Foundation to disclose estimated fair values for its financial instruments. The carrying amount of financial instruments approximates fair value because of the short maturities of the instruments held.

I. Advertising.

The Foundation expenses advertising costs as incurred. Advertising expense was $63,423 and $39,908, for the years ended September 30, 2012 and 2011, respectively.

J. Net Assets.

Unrestricted - Resources of the Foundation that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.

Temporarily Restricted - Resources that carry a donor-imposed restriction that permits the Foundation to use or expend the donated assets for a specific purpose. The restrictions can be satisfied by the passage of time or by actions of the Foundation.

Permanently Restricted - Resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Foundation to use or expend part or all of the income derived from the donated assets.

K. Income Taxes.

The Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation. It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

L. Estimates.

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

PROMISES TO GIVE

Promises to give consist of the following at September 30:

	2012	2011
Receivable in less than one year	$ 1,450,893	$ 1,351,518
Receivable in one to five years	3,168,140	1,697,138
Receivable in greater than five years	20,000	10,000
Total gross promises to give	4,639,033	3,058,656
Discount at a rate of 2%	(105,768)	(62,333)
Allowance for uncollectible promises to give	(341,459)	(181,459)
Net present value of promises to give	$ 4,191,806	$ 2,814,864

Promises to give are presented on the statement of financial position under the following captions:

	2012	2011
Current assets:		
Promises to give, net	$ 316,918	$ 482,292
Other assets:		
Promises to give, net	3,874,888	2,332,572
Total promises to give	$ 4,191,806	$ 2,814,864

The Foundation has been named in a number of wills as a beneficiary and has also been informed of other intentions to give. Such intentions to give are not recorded as promises to give until they become unconditional.

PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2012	2011
Furniture and fixtures	$ 41,128	$ 34,072
Office equipment	68,499	40,007
	109,627	74,079
Accumulated depreciation	(71,450)	(66,577)
Net property and equipment	$ 38,177	$ 7,502

INVESTMENTS

Investments in marketable securities are stated at fair market value and are recorded on the trade or contract date. The estimated value of the marketable securities is based on quoted market prices, except for alternative investments for which quoted market prices are not available. The estimated fair value of alternative investments is based on valuations provided by the external investment managers. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Foundation also holds stock in non-publicly traded companies and values these securities at cost. The fair value of these investments has not been estimated because there are no triggering events or changes in circumstances that may have a significant adverse effect on their value.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

INVESTMENTS (CONTINUED)

Investments of the Foundation consist of the following at September 30:

	2012		2011	
	Cost	Market	Cost	Market
Marketable securities:				
Carried at fair value:				
Money market funds	$ 973,089	$ 973,089	$ 1,159,262	$ 1,159,262
U.S. Treasury securities	4,126,174	4,289,927	4,127,017	4,331,935
Corporate debt securities	2,643,349	2,882,745	2,460,411	2,522,914
Equity securities:				
Energy	1,943,051	1,786,879	1,514,066	1,331,784
Information technology	1,513,038	1,579,442	1,492,120	1,411,457
Financials	1,433,699	1,507,019	2,088,040	1,578,043
Industrials	1,439,523	1,415,363	1,275,553	1,213,645
Materials	1,392,883	1,331,135	1,183,797	1,264,484
Healthcare	992,975	1,274,584	995,123	1,037,498
Consumer discretionary	838,769	917,350	909,727	825,364
Consumer staples	806,012	864,248	1,006,482	1,065,779
Telecommunications	374,673	337,496	636,170	588,820
Utilities	226,064	167,844	450,476	372,781
Service	-	-	20,195	19,911
Equities blend	107,012	107,778	-	-
Alternative investments	1,631,897	1,517,027	250,342	220,750
Equity securities carried at cost	75,000	75,000	75,000	75,000
Total marketable securities	$ 20,517,208	$ 21,026,926	$ 19,643,781	$ 19,019,427

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

INVESTMENTS (CONTINUED)

The following schedules summarize the investment returns and their classifications in the statements of activities and changes in net assets for the years ended September 30, 2012 and 2011. Investment income on the statements of activities and changes in net assets for the years ended September 30, 2012 and 2011, includes $11,429 and $19,250, respectively, of earnings from deposits at financial institutions.

September 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	$ 127,214	$ 322,984	$ -	$ 450,198
Unrealized gains	320,457	813,615	-	1,134,072
Realized gains	112,857	286,511	-	399,368
Total investment return	$ 560,528	$ 1,423,110	$ -	$ 1,983,638

September 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	$ 126,654	312,189	$ -	$ 438,843
Unrealized losses	(472,720)	(1,165,240)	-	(1,637,960)
Realized gains	311,936	768,922	-	1,080,858
Total investment return	$ (34,130)	$ (84,129)	$ -	$ (118,259)

Investment fees of $177,838 and $184,611, were recorded for the years ended September 30, 2012 and 2011, respectively.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FAIR VALUE OF ASSETS

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices included, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets not active, or determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the assets, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets existed.

The Foundation's investments are classified as Level 1, Level 2, and Level 3.

There were no changes during the year ending September 30, 2012, to the Foundation's valuation techniques used to measure asset values on a recurring basis.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FAIR VALUE OF ASSETS (CONTINUED)

The following tables summarize the assets of the Foundation for which fair values are determined on a recurring basis as of September 30, 2012 and 2011. As required by FASB ASC 820, *Fair Value Measurements and Disclosures,* assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement

September 30, 2012	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 973,089	$ -	$ 973,089
U. S. Treasury securities	-	4,289,927	-	4,289,927
Corporate debt securities	-	2,882,745	-	2,882,745
Equity securities:				
Energy	1,786,879	-	-	1,786,879
Information technology	1,579,442	-	-	1,579,442
Financials	1,507,019	-	-	1,507,019
Industrials	1,415,363	-	-	1,415,363
Materials	1,331,135	-	-	1,331,135
Healthcare	1,274,584	-	-	1,274,584
Consumer discretionary	917,350	-	-	917,350
Consumer staples	864,248	-	-	864,248
Telecommunications	337,496	-	-	337,496
Utilities	167,844	-	-	167,844
Equities blend	107,778	-	-	107,778
Alternative investments	-	-	1,517,027	1,517,027
	$ 11,289,138	$ 8,145,761	$ 1,517,027	$ 20,951,926

FAIR VALUE OF ASSETS (CONTINUED)

September 30, 2011	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 1,159,262	$ -	$ 1,159,262
U. S. Treasury securities	-	4,331,935	-	4,331,935
Corporate debt securities	-	2,522,914	-	2,522,914
Equity securities:				
Energy	1,331,784	-	-	1,331,784
Financials	1,578,043	-	-	1,578,043
Information technology	1,411,457	-	-	1,411,457
Industrials	1,213,645	-	-	1,213,645
Materials	1,264,484	-	-	1,264,484
Healthcare	1,037,498	-	-	1,037,498
Consumer discretionary	825,364	-	-	825,364
Consumer staples	1,065,779	-	-	1,065,779
Telecommunications	588,820	-	-	588,820
Utilities	372,781	-	-	372,781
Service	19,911	-	-	19,911
Alternative investments	-	-	220,750	220,750
	$ 10,709,566	$ 8,014,111	$ 220,750	$ 18,944,427

The changes in investments classified as Level 3 are as follows for the years ended September 30, 2012 and 2011:

Beginning balance on October 1, 2011	$ 220,750
Purchases	2,619,130
Net sales	(1,250,000)
Fees	-
Total realized/unrealized losses	(72,853)
Ending balance on September 30, 2012	$ 1,517,027

Beginning balance on October 1, 2010	$ 686,200
Purchases	250,000
Net sales	(822,289)
Fees	-
Total realized/unrealized gains	106,839
Ending balance on September 30, 2011	$ 220,750

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FAIR VALUE OF ASSETS (CONTINUED)

Level 3 investments include $222,250 and $220,750, at September 30, 2012 and 2011, respectively, of investment in currency-linked step up notes. The notes are linked to a basket of Asian currencies and represent a long position in these currencies in relation to the U.S. dollar. There is 100% participation in any increase in the value of the exchange rate measure if it increases above the step-up value, and 90% principal protection at maturity against decreases in the value of the exchange rate measure. The notes have a maturity of approximately three years.

Level 3 investments include $109,410, at September 30, 2012, of investments in a fund that invests substantially all of its assets in privately negotiated mezzanine investment funds. The fair value of the investments in this class has been estimated using the net asset value per share of the investments. The fund is a private equity, long term, ill-liquid investment.

Level 3 investments include investments in certain entities that calculate net asset value per share as follows at September 30, 2012:

	Fair Value	Redemption Frequency	Redemption Notice Period
Event driven hedge funds	$ 769,060	quarterly	30 days
Gold investment hedge fund	170,155	quarterly	30 days
Global macro hedge funds	246,152	quarterly	30 days
	$ 1,185,367		

Event driven hedge funds include funds whose objective is to achieve appreciation of their assets through trading in debt and equity securities and other investments expected to appreciate in price due to financial recovery and/or restructuring. They seek to deliver consistent positive risk-adjusted returns throughout market cycles, with a strong focus on risk management and capital preservation. Portfolio composition is determined by market opportunities rather than any predetermined commitment to investment discipline or geography. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Gold investment hedge funds' principal trading objective is to outperform the price of gold in a rising gold price environment. The fair value of the investments in this class has been estimated using the net asset value per share of the investments.

Global macro hedge funds have an investment objective of generating strong risk adjusted returns in all market conditions by giving investors broad based exposure to trading strategies across multiple asset classes. The fair value of the investments in this class has been estimated using the net asset value per share of the investments.

ENDOWMENT

Endowments are reported under FASB ASC 958-205-50-1A, *Reporting Endowment Funds.* FASB ASC 958-205-50-1A provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and requires additional disclosures about an organization's endowment funds. In 2009, the State of North Carolina adopted UPMIFA. The following disclosures are made as required by FASB ASC 958-205-50-1A.

The Foundation's endowment consists of one individual fund established for providing long-term stability and utilization of its earnings for funding of the operations of the Foundation. The endowment represents donor-restricted funds. There are no funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation.

ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6% in perpetuity. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints as managed by the Foundation's Endowment Committee.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year based upon the prior year's investment earnings of the related endowment. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a moderate rate. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that UPMIFA requires to retain as a fund of perpetual duration. As of September 30, 2012 and 2011, the endowment fund was above the required amounts.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

ENDOWMENT (CONTINUED)

Changes in endowment funds consist of the following during the year ended September 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 5,743,061	$ 1,889,436	$ 11,625,175	$ 19,257,672
Investment income	127,214	322,984	-	450,198
Net appreciation (realized and unrealized)	433,314	1,100,126	-	1,533,440
Contributions	-	-	1,248,468	1,248,468
Appropriation of assets for expenditure	-	(741,333)	-	(741,333)
Investment fees	(50,258)	(127,580)	-	(177,838)
Net assets, end of year	$ 6,253,331	$ 2,443,633	$ 12,873,643	$ 21,570,607

Changes in endowment funds consist of the following during the year ended September 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 5,283,747	$ 4,047,320	$ 10,676,189	$ 20,007,256
Investment income	128,219	312,189	-	440,408
Net depreciation (realized and unrealized)	(160,784)	(396,318)	-	(557,102)
Contributions	-	-	948,986	948,986
Appropriation of assets for expenditure	-	(1,942,424)	-	(1,942,424)
Additional investments	545,159	-	-	545,159
Investment fees	(53,280)	(131,331)	-	(184,611)
Net assets, end of year	$ 5,743,061	$ 1,889,436	$ 11,625,175	$ 19,257,672

Permanently restricted endowment funds noted above exclude endowment promises to give.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

GRANTS PAYABLE

Grants payable consist of the following at September 30:

	2012	2011
Payable in less than one year	$ 10,897,500	$ 10,561,666
Payable in one to five years	9,771,000	9,293,500
Payable in greater than five years	81,500	91,500
Total gross grants payable	20,750,000	19,946,666
Discount at a rate of 3.25%	(417,772)	(396,046)
Net present value of grants payable	$ 20,332,228	$ 19,550,620

Grants payable are presented on the statement of financial position under the following captions:

Current liabilities:		
Grants payable	$ 10,897,500	$ 10,561,666
Long-term liabilities:		
Grants payable, net	9,434,728	8,988,954
Total grants payable	$ 20,332,228	$ 19,550,620

SPECIAL EVENTS

During 2012 and 2011, 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 $1,060,440 and $1,083,197, for the years ended September 30, 2012 and 2011, respectively.

Several other special events were held with the specific objective of raising contributions for the Foundation. Net proceeds to the Foundation from these events totaled $2,767,223 and $2,134,964, for the years ended September 30, 2012 and 2011.

RETIREMENT PLAN

The Foundation has established a simple IRA plan for its eligible employees. Employees of the Foundation are eligible for coverage under this plan after 90 days of service. The Foundation matches up to 3% of each participating employee's compensation. The expense was $24,025 and $23,946, for the years ended September 30, 2012 and 2011, respectively.

OPERATING LEASES

The Foundation leases a postage machine under an operating lease agreement, which expires in January 2013. The Foundation also leases its office space under an operating lease agreement which was amended and renewed in fiscal year 2012 for a five year term ending October 2016. Monthly payments increase annually on the anniversary date of the lease.

In June 2012, the Foundation leased online fundraising and marketing software under an operating lease agreement, which expires in June 2015.

Rent expense for the Foundation under these lease agreements totaled $145,046 and $80,938, for the years ended September 30, 2012 and 2011, respectively.

Year Ending September 30,	Amount
2013	$ 120,898
2014	140,969
2015	128,989
2016	87,200
2017	7,350
Total minimum lease payments	$ 485,406

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30:

	2012	2011
Purpose restriction:		
General operations	$ 2,443,633	$ 1,889,406
Gastric Cancer Fund	364,163	304,867
Geno's Cancer Team	191,322	191,322
Ewing's Sarcoma Foundation	79,694	71,949
Kay Yow Foundation	63,762	1,161,904
Todd Bucher Memorial Fund	26,688	26,488
Garry Betty Foundation	14,769	14,749
	3,184,031	3,660,685
Time restriction:		
General	650,695	873,190
Total temporarily restricted net assets	$ 3,834,726	$ 4,533,875

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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 ("Fund"). The Fund has been established to provide funding for the operations of the Foundation from the earnings on restricted assets. Permanently restricted net assets totaled and $15,756,112 and $13,302,406, at September 30, 2012 and 2011, respectively.

NET ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The amounts released during the years ended September 30, 2012 and 2011, were as follows:

	2012	2011
Purpose restriction:		
Kay Yow Foundation	$ 1,099,911	$ 100,288
General operations	868,920	2,073,785
Gastric Cancer Foundation	375,186	102,912
Tamar Goodfellow Fund	156,915	52,700
Ewing's Sarcoma Foundation	37	1,295
Geno's Cancer Team	-	690
Garry Betty Foundation	-	23
	2,500,969	2,331,693
Time restriction:		
General	407,496	378,909
Total temporarily restricted net assets released	$ 2,908,465	$ 2,710,602

RELATED PARTY TRANSACTIONS

Members of the Board of Directors and management of the Foundation make contributions for the support of general operations and the Foundation's programs. The Foundation had outstanding related party promises to give of $556,039 and $206,845, at September 30, 2012 and 2011, respectively. Also, a member of the Board of Directors contributed $100,000 in 2012.

CONCENTRATIONS

Promises to give are from individuals throughout the United States and abroad. A substantial portion of the Foundation's revenues and support is derived from donor promises to give. For the year ended September 30, 2012, approximately 31% of the outstanding net promises to give were from two donors. For the year ended September 30, 2011, approximately 25% of the outstanding net promises to give were from three donors.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

CONCENTRATIONS (CONTINUED)

Two special events provided net proceeds of approximately 76% and 70%, of the Foundation's total special events revenue, net of expenses in 2012 and 2011, respectively. A significant decline in the success of these events could have a detrimental impact on the Foundation's operations.

DONATED SERVICES

The Foundation recognizes donated services that create or enhance non-financial assets or that require specialized skills, and would typically need to be purchased if not provided by donation. No services meeting these requirements for recognition in the financial statements were received during the years ended September 30, 2012 and 2011. However, a number of persons have donated a significant amount of time and services to the Foundation's operations.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain indirect costs have been allocated between the programs and supporting services benefited based on management's estimates.

INCOME TAXES

In accordance with FASB ASC 740, *Accounting for Income Taxes*, the Foundation reflects in the financial statements the benefit of positions taken in a previously filed tax return or expected to be taken in a future tax return only when it is considered 'more-likely-than-not' that the position taken will be sustained by a taxing authority. The Foundation evaluates its uncertain tax positions using provisions of FASB ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

If applicable, penalties and interest assessed by income taxing authorities are included as expenses in the statement of activities and changes in net assets. Under the statute of limitations, the federal informational returns of the Foundation for 2009 through 2011, are subject to examination by the Internal Revenue Service. Management evaluated tax positions for the 2009 through 2011 returns, and concluded that there are no uncertain tax positions and believes there is no income tax effect on the financial statements.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS

RECLASSIFICATIONS

Certain reclassifications have been made to the 2011 financial statements in order to conform to the 2012 presentation. Such reclassifications had no effect on net assets.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through February 8, 2013, the date the financial statements were available to be issued. Management did not identify any events that occurred subsequent to year-end that require disclosure in the financial statements.