



GOETTSCHE, TRAMEN, WINTER & RUSSO

## Report of Independent Certified Public Accountants

Board of Trustees  
The Cancer Research Foundation

We have audited the accompanying statements of financial position of **The Cancer Research Foundation** as of March 31, 2005 and 2004, and the related statements of activities and changes in net assets 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 audit.

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 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 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 Cancer Research Foundation as of March 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Lincolnwood, Illinois  
May 27, 2005

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*Goettsche Tramen Winter + Russo*

### The Cancer Research Foundation STATEMENTS OF FINANCIAL POSITION March 31, 2005 and 2004

<b>ASSETS</b>		
	<b>2005</b>	<b>2004</b>
Cash and Equivalents .....	\$ 359,586	\$ 73,074
Investments.....	7,260,446	6,537,392
Accrued Interest Receivable.....	17,685	14,864
Prepaid Expenses .....	11,862	8,291
Beneficial Interest in		
Charitable Remainder Trust and Estates.....	189,250	314,500
Equipment – Net .....	1,054	480
<b>TOTAL ASSETS .....</b>	<b>\$7,839,883</b>	<b>\$6,948,601</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Unconditional grants payable .....	\$ 565,000	\$ 629,941
Accrued Liabilities .....	2,055	314
<b>Total Liabilities.....</b>	<b>567,055</b>	<b>630,255</b>
<b>NET ASSETS</b>		
Unrestricted Fund Balance .....	6,373,313	5,293,581
Temporarily Restricted Fund Balance .....	189,250	314,500
Restricted Fund Balance .....	710,265	710,265
<b>Total Net Assets .....</b>	<b>7,272,828</b>	<b>6,318,346</b>
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b>\$7,839,883</b>	<b>\$6,948,601</b>

**The Cancer Research Foundation**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Years ended March 31, 2005 and 2004

	2005			2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>Operating Revenues</b>							
Public Support Contributions	\$ 1,183,940	\$	\$	\$ 1,183,940	\$ 353,426	\$	\$
Investment Income	112,735			112,735	120,161		
Change in Value of Charitable Remainder Trust and Estates		(125,250)		(125,250)		(144,269)	
<b>Total Operating Revenues</b>	<b>1,296,675</b>	<b>(125,250)</b>		<b>1,171,425</b>	<b>473,587</b>	<b>(144,269)</b>	
<b>EXPENSES</b>							
<b>Program Services</b>							
Contributions and Grants Made to:							
The University of Chicago	410,000			410,000	732,724		
Northwestern University	5,000			5,000			
Miscellaneous gifts	8,500			8,500	22,500		
Cost of Direct Benefits to Donors	67,242			67,242	65,245		
<b>Total Program Services</b>	<b>490,742</b>			<b>490,742</b>	<b>820,469</b>		
<b>Supporting services</b>							
Management and General	40,107			40,107	37,536		
Fund Raising	74,235			74,235	62,587		
<b>Total Supporting Services</b>	<b>114,342</b>			<b>114,342</b>	<b>100,123</b>		
<b>Total Expenses</b>	<b>605,084</b>			<b>605,084</b>	<b>920,592</b>		
<b>NET OPERATING REVENUES (EXPENSES)</b>	<b>691,591</b>	<b>(125,250)</b>		<b>566,341</b>	<b>(447,005)</b>	<b>(144,269)</b>	
<b>Other Gains (Losses)</b>							
Realized and Unrealized Gains (Losses) on Investments	388,141			388,141	1,042,695		
<b>CHANGE IN NET ASSETS</b>	<b>1,078,732</b>	<b>(125,250)</b>		<b>954,482</b>	<b>595,690</b>	<b>(144,269)</b>	
Net Assets, Beginning of Year	5,293,581	314,500	710,265	6,318,346	4,697,891	458,769	710,265
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 6,373,313</b>	<b>\$ 189,250</b>	<b>\$ 710,265</b>	<b>\$7,272,828</b>	<b>\$ 5,293,581</b>	<b>\$ 314,500</b>	<b>\$ 710,265</b>

The accompanying notes are an integral part of these financial statements.

		2005			
		Program Services	Management and General	Fund Raising	Total
<b>The Cancer Research Foundation</b>					
<b>STATEMENTS OF</b>					
<b>FUNCTIONAL EXPENSES</b>					
<b>Years ended March 31, 2005 and 2004</b>					
	Grants	\$ 423,500	\$	\$	\$ 423,500
	Payroll and Taxes	25,577	20,462	5,115	51,154
	Legal and Professional	3,702	3,702	1,851	9,255
	Telephone	1,730	1,730	865	4,325
	Postage and Office Supplies	1,783	1,783	895	4,461
	Advertising			55,777	55,777
	Rent	4,890	4,890	2,445	12,225
	Meeting Expense	3,032			3,032
	Liability/Worker's Compensation	802	642	160	1,604
	Newsletter	16,209		4,052	20,261
	Internet	632		631	1,263
	Employee Benefits	7,306	5,845	1,461	14,612
	Dues and Subscriptions	915	951	951	2,745
	Depreciation	526			526
	Miscellaneous	138	138	68	344
	<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 490,742</b>	<b>\$ 40,107</b>	<b>\$ 74,235</b>	<b>\$ 605,084</b>

The accompanying notes are an integral part of these financial statements.

**The Cancer Research Foundation**  
**STATEMENTS OF CASH FLOWS**  
**Years ended March 31, 2005 and 2004**

		<b>2005</b>	<b>2004</b>
<b>Total</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	Change in Net Assets	\$ 954,482	\$ 451,421
\$ 353,426	Adjustments to Reconcile Change in Net Assets to Net Cash		
120,161	Provided (Used) in Operating Activities:		
	Depreciation Expense	526	688
(144,269)	Net Realized and Unrealized Loss (Gain) on Investments	(388,141)	(1,042,695)
<b>329,318</b>	(Increase) Decrease in Assets:		
	Accrued Interest Receivable	(2,821)	6,914
	Prepaid Expenses	(3,571)	1,030
	Beneficial Interest in Charitable Remainder Trusts and Estates.	125,250	144,269
	Increase (Decrease) in Liabilities:		
	Accrued Liabilities	1,741	40
732,724	Grants Payable	(64,941)	128,344
22,500	<b>Net Cash Provided (Used) by Operating Activities</b>	<b>622,525</b>	<b>(309,989)</b>
65,245			
<b>820,469</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	Purchases of Investments	(1,808,554)	(2,202,958)
	Proceeds from the Sale of Investments	1,473,641	2,535,907
37,536	Purchase of Equipment	(1,100)	
62,587	<b>Net Cash Provided(Used) in Investing Activities</b>	<b>(336,013)</b>	<b>332,949</b>
<b>100,123</b>	<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	<b>286,512</b>	<b>22,960</b>
	Cash and Cash Equivalents, Beginning of Year	73,074	50,114
<b>920,592</b>	<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b>\$ 359,586</b>	<b>\$ 73,074</b>
(591,274)			

The accompanying notes are an integral part of these financial statements.

1,042,695  
451,421  
5,866,925  
**\$ 6,318,346**

**2004**

<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
\$ 755,224	\$	\$	\$ 755,224
23,880	19,105	4,776	47,761
3,942	3,942	1,971	9,855
1,668	1,668	834	4,170
1,551	1,551	775	3,877
		45,048	45,048
4,976	4,976	2,488	12,440
3,092			3,092
556	445	111	1,112
17,075		4,269	21,344
610		610	1,220
6,798	5,439	1,360	13,597
280	281	281	842
688			688
129	129	64	322
<b>\$ 820,469</b>	<b>\$ 37,536</b>	<b>\$ 62,587</b>	<b>\$ 920,592</b>

**The Cancer Research Foundation**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended March 31, 2005 and 2004**

**NOTE 1: NATURE OF PROGRAM SERVICES**

The purpose of The Cancer Research Foundation (the "Foundation") is to obtain and distribute funds to recognized doctors, hospitals, laboratories, institutes, and centers engaged in cancer research.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Foundation have been prepared on the accrual basis.

**Classification of Net Assets**

The Foundation's net assets have been grouped into three classes as defined below:

**Unrestricted**

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

**Temporarily Restricted**

Net assets subject to donor-imposed stipulations that will be met by action of the Foundation and/or the passage of time.

**Permanently Restricted**

Net assets subject to donor-imposed stipulations requiring the funds be maintained in perpetuity by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on these assets. Permanently restricted assets consist of the Foundation's endowment fund.

**Public Support Contributions**

Public Support contributions are recorded as revenue when received or when an unconditional promise to give is received by the Foundation. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Split interest agreements are recorded as revenue at their estimated future value when the Foundation is notified it has an irrevocable beneficial interest in such agreements. Changes in the estimated future value of split interest agreements are recorded annually in the Statement of Activities.

**Contributions and Grants Made**

Grants, unconditional promises to give, are recorded as expenses when the Board approves the grants. Grants approved by the Board, but not yet paid, are recorded as liabilities in the Statement of Financial Position.

**Cash Equivalents**

The Foundation considers all liquid investments purchased with a maturity of three months or less and designated to be used to support daily operations to be cash equivalents. These investments are held in general operating bank accounts. The Foundation considers all liquid money market funds held by the custodian and controlled by the investment manager to be investments as described in Note 4 of these financial statements.

**Investments**

Investments consist of publicly traded securities and are carried at fair market value, based on quoted market prices. Interest and dividends are included in operating revenues as investment income net of custodial and investment advisory fees. Realized and unrealized gains and losses are stated as other gains and losses on the Statement of Activities. Custodial and investment advisory fees amounted to \$56,626 and \$52,230 in the fiscal years ended March 31, 2005 and 2004 respectively.

**Equipment**

Equipment purchased by the Foundation is stated at cost. Depreciation of assets begins when the assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful life of the equipment.

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 may vary from those estimates.

**NOTE 3: BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS AND ESTATES**

The Foundation has been named the remainder beneficiary in a charitable remainder trust. The trust agreement provides that upon the death of all beneficiaries, the Foundation will receive a certain defined amount of the trust assets. The Foundation is not the trustee of the agreement. Included in Beneficial Interest in Charitable Remainder Trusts and Estates is \$101,690 representing the present value of the estimated future payments to be received. The Foundation has used a 5% discount factor and the IRS joint life and last survivor annuity table, for determining life expectancy in estimating the future payments to be received under the agreement.

During fiscal year 2002, the Foundation was notified that it will receive monthly payments of \$3,560 over five years from life insurance annuities from its share of the assets of an estate. To date, the Foundation has received 34 payments. The Foundation has estimated that its share of the remaining assets of this estate as of the year-end to be \$87,560 representing the present value of the estimated future payments to be received.

**NOTE 4: INVESTMENTS**

Investments consist of the following at March 31, 2005 and 2004:

	2005	2004
Money Market Fund	\$ 403,745	\$ 179,577
U.S. Government Bonds	610,687	445,985
Corporate Bonds and Warrants	878,145	890,222
Convertible Bonds	33,819	33,075
Stocks and Securities	5,334,050	4,988,533
<b>Total</b>	<b>\$ 7,260,446</b>	<b>\$ 6,537,392</b>

**NOTE 5: UNCONDITIONAL GRANTS PAYABLE**

Unconditional grants payable are grants approved by the Board of Trustees and are payable over the next four years as follows:

March 31, 2005	\$ 354,500
March 31, 2006	103,500
March 31, 2007	\$ 103,500
March 31, 2008	\$ 3,500
<b>Total</b>	<b>\$ 565,000</b>

**NOTE 6: PERMANENTLY RESTRICTED NET ASSETS**

The Foundation received endowments totaling \$710,265 from the Eugene and Dorothy S. Fletcher Trust. The terms of the endowments permit the use of investment earnings for laboratory research.

**NOTE 7: TEMPORARILY RESTRICTED NET ASSETS**

During the year ended March 31, 2005, the Foundation received a contribution of \$10,000 that was restricted for use in breast cancer research. The Foundation appropriately paid this amount to Dr. Suzanne Conzen, of the University of Chicago.

**NOTE 8: GRANTS MADE TO THE UNIVERSITY OF CHICAGO**

Grants made to the University of Chicago were directed to the following researchers:

Name	2005	2004
Dr. Fan		\$ 50,000
Dr. Vokes		783
Dr. Nagasubramaniam		500,000
Dr. Aifantis		50,000
Dr. Godley		50,000
Dr. Rubin		31,941
Dr. Yamini		50,000
Dr. Lengyel	\$ 50,000	
Dr. Nash	50,000	
Dr. Onel	50,000	
Dr. Peterson	50,000	
Dr. Kron	100,000	
Dr. Conzen	10,000	
Dr. Schilsky	100,000	
<b>Total</b>	<b>\$ 410,000</b>	<b>\$ 732,724</b>

**NOTE 9: EMPLOYEE BENEFIT PLAN**

The Foundation maintains a 403(b) retirement plan for its employee. Under the terms of the Plan, employees are entitled to contribute a portion of their total compensation up to maximum limits established by the Internal Revenue Code. The Plan provides for discretionary employer matching contributions. Retirement expense amounted to \$3,000 in the fiscal years ended March 31, 2005 and 2004.

**NOTE 10: ADVERTISING COSTS**

It is the Foundation's policy to expense advertising costs as incurred.

**NOTE 11: FUND RAISING EXPENSE**

Total Fund Raising expense for the years ended March 31, 2005 and 2004 amounted to \$55,777 and 62,587, respectively. Fund-raising expenses are computed using actual expenses and an allocation of expenses based on management's estimate.

**NOTE 12: LEASE AGREEMENT**

The Foundation is obligated for future minimum rental commitments totaling \$5,668 under a non-cancelable operating lease for office space expiring in August 2004. The Foundation has contracted with the same landlord to move to new premises on September 1, 2004. The Foundation is obligated for future minimum rental commitments totaling \$89,762 under this non-cancelable operating lease for office space expiring in August 2010. The agreement provides for annual base rents plus additional rents relating to future increases in the building's operating expenses and real estate taxes. Rent expense during the years ended March 31, 2005 and 2004, totaled \$12,225 and \$12,439 respectively.

Minimum payments scheduled under these leases for the next five years are:

March 31, 2006	\$ 15,847
March 31, 2007	16,178
March 31, 2008	16,510
March 31, 2009	16,841
March 31, 2010	17,173
Thereafter	7,213
<b>Total</b>	<b>\$ 89,762</b>

**NOTE 13: TAX STATUS**

The United States Treasury Department has advised that the Foundation is a not-for-profit corporation organized and operated exclusively for charitable and scientific purposes, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation as defined in Section 509(a), of the Internal Revenue Code.

**NOTE 14: CONCENTRATIONS OF CREDIT RISK**

At times during the year, the Foundation may maintain certain bank account balances in excess of the FDIC's insured limits.

The Foundation is a member of the Combined Federal Campaign and Local Independent Charities of America whereby government employees make donations to selected charities through payroll withholdings. Contributions from these organizations amounted to 73% and 0% of total public support for the years ended March 31, 2005 and 2004, respectively.