

**The Cancer Research Foundation**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended March 31, 2006 and 2005**

**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 Accounting**

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 \$61,669 and \$56,626 in the fiscal years ended March 31, 2006 and 2005 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 the beneficiary, 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 \$118,300 representing the present value of the estimated future payments to be received. The Foundation has used a 5% discount factor and the IRS single life 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 46 payments. The Foundation has estimated that its share of the remaining assets of this estate as of the year-end to be \$48,300 representing the present value of the estimated future payments to be received.

**NOTE 4: INVESTMENTS**

Investments consist of the following at March 31, 2006 and 2005:

	2006	2005
Money Market Fund	\$ 43,965	\$ 403,745
U.S. Government Bonds	991,453	610,688
Corporate Bonds and Warrants	692,053	878,145
Convertible Bonds	33,644	33,819
Stocks and Securities	5,533,411	5,334,050
<b>Total</b>	<b>\$ 7,294,526</b>	<b>\$ 7,260,447</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, 2007	\$ 733,494
March 31, 2008	\$ 608,500
March 31, 2009	\$ 3,500
<b>Total</b>	<b>\$ 1,345,494</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, 2006, the Foundation received a contribution of \$20,000. \$10,000 of this contribution was restricted for use in breast cancer research. The Foundation appropriately paid this amount to Dr. Gini F. Fleming of the University of Chicago. The remaining \$10,000 of this contribution was restricted for use in colon cancer research. The Foundation appropriately incorporated this amount in its commitment to fund a new program in Gastrointestinal Cancer Prevention and Control at 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	2006	2005
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
Gastrointestinal Cancer Prevention and Control at the University of Chicago	1,500,000	
Dr. Al-Hallaq	49,994	
Dr. Chen	50,000	
Dr. Chmura	50,000	
Dr. Innocenti	50,000	
Dr. Lang	50,000	
Dr. Suzuki	50,000	
Dr. Fleming	10,000	
<b>Total</b>	<b>\$ 1,809,994</b>	<b>\$ 410,000</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, 2006 and 2005.

**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, 2006 and 2005 amounted to \$78,593 and 74,233, 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 \$73,915 under a 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, 2006 and 2005, totaled \$14,255 and \$12,225 respectively.

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

March 31, 2007	\$ 16,178
March 31, 2008	16,510
March 31, 2009	16,841
March 31, 2010	17,173
March 31, 2011	7,213
<b>Total</b>	<b>\$ 73,915</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 81% and 73% of total public support for the years ended March 31, 2006 and 2005, respectively.



## 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, 2006 and 2005, 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, 2006 and 2005, 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

June 2, 2006

7383 N. Lincoln Ave.

Lincolnwood, IL 60712

Tel: (847) 679-8500

Fax: (847) 673-0347

**The Cancer Research Foundation**  
**STATEMENTS OF**  
**FINANCIAL POSITION**  
**March 31, 2006 and 2005**

	ASSETS	
	2006	2005
Cash and Equivalents .....	\$ 298,079	\$ 359,585
Investments .....	7,294,526	7,260,447
Accrued Interest Receivable .....	19,590	17,685
Prepaid Expenses .....	9,414	11,862
Beneficial Interest in Charitable Reminder Trusts and Estates .....	166,600	189,250
Equipment - Net .....	834	1,054
<b>TOTAL ASSETS .....</b>	<b>\$ 7,789,043</b>	<b>\$ 7,839,883</b>

LIABILITIES AND NET ASSETS		
LIABILITIES		
Unconditional Grants Payable .....	\$ 1,345,494	\$ 565,000
Accrued Liabilities .....	2,791	2,055
<b>Total Liabilities.....</b>	<b>\$ 1,348,285</b>	<b>\$ 567,055</b>
NET ASSETS		
Unrestricted Fund Balance .....	\$ 5,563,893	\$ 6,373,313
Temporarily Restricted Fund Balance .....	166,600	189,250
Restricted Fund Balance .....	710,265	710,265
<b>Total Net Assets .....</b>	<b>\$ 6,440,758</b>	<b>\$ 7,272,828</b>
<b>TOTAL LIABILITIES AND NET ASSETS.....</b>	<b>\$ 7,789,043</b>	<b>\$ 7,839,883</b>

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

**The Cancer Research Foundation**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Years Ended March 31, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Revenues</b>								
Public Support Contributions	\$ 629,866	\$	\$	\$ 629,866	\$ 1,183,938	\$	\$	\$ 1,183,938
Investment Income	173,884			173,884	112,737			112,737
Change in Value of Charitable Remainder Trusts and Estates		(22,650)		(22,650)		(125,250)		(125,250)
<b>Total Operating Revenues</b>	<b>\$ 803,750</b>	<b>\$ (22,650)</b>	<b>\$</b>	<b>\$ 781,100</b>	<b>\$ 1,296,675</b>	<b>\$ (125,250)</b>	<b>\$</b>	<b>\$ 1,171,425</b>
<b>EXPENSES</b>								
<b>Program Services</b>								
Contributions and Grants Made to:								
The University of Chicago	\$ 1,809,994	\$	\$	\$1,809,994	\$ 410,000	\$	\$	\$ 410,000
Northwestern University	15,000			15,000	5,000			5,000
Miscellaneous Gifts	3,000			3,000	8,500			8,500
Other Program Service Costs	78,379			78,379	67,243			67,243
<b>Total Program Services</b>	<b>\$ 1,906,373</b>	<b>\$</b>	<b>\$</b>	<b>\$1,906,373</b>	<b>\$ 490,743</b>	<b>\$</b>	<b>\$</b>	<b>\$ 490,743</b>
<b>Supporting Services</b>								
Management and General	\$ 40,375	\$	\$	\$ 40,375	\$ 40,108	\$	\$	\$ 40,108
Fund Raising	78,593			78,593	74,233			74,233
<b>Total Supporting Services</b>	<b>\$ 118,968</b>	<b>\$</b>	<b>\$</b>	<b>\$ 118,968</b>	<b>\$ 114,341</b>	<b>\$</b>	<b>\$</b>	<b>\$ 114,341</b>
<b>Total Expenses</b>	<b>\$2,025,341</b>	<b>\$</b>	<b>\$</b>	<b>\$2,025,341</b>	<b>\$ 605,084</b>	<b>\$</b>	<b>\$</b>	<b>\$ 605,084</b>
<b>NET OPERATING REVENUES</b>	<b>\$(1,221,591)</b>	<b>\$ (22,650)</b>	<b>\$</b>	<b>\$(1,244,241)</b>	<b>\$ 691,591</b>	<b>\$ (125,250)</b>	<b>\$</b>	<b>\$ 566,341</b>
<b>Other Gains (Losses)</b>								
Realized and Unrealized Gains on Investments	\$ 412,171			\$ 412,171	388,141			388,141
<b>CHANGE IN NET ASSETS</b>	<b>\$ (809,420)</b>	<b>\$ (22,650)</b>	<b>\$</b>	<b>\$ (832,070)</b>	<b>\$ 1,079,732</b>	<b>\$ (125,250)</b>	<b>\$</b>	<b>\$ 954,482</b>
Net Assets, Beginning of Year	6,373,313	189,250	710,265	7,272,828	5,293,581	312,500	710,265	6,318,346
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 5,563,893</b>	<b>\$ 166,600</b>	<b>\$ 710,265</b>	<b>\$ 6,440,758</b>	<b>\$ 6,373,313</b>	<b>\$ 189,250</b>	<b>\$ 710,265</b>	<b>\$ 7,272,828</b>

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

**The Cancer Research Foundation**  
**STATEMENTS OF CASH FLOWS**  
Years Ended March 31, 2006 and 2005

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (832,070)	\$ 954,482
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expense	220	526
Net Realized and Unrealized Loss (Gain) on Investments	(412,171)	(388,141)
(Increase) Decrease in Assets:		
Accrued Interest Receivable	(1,905)	(2,821)
Prepaid Expenses	2,448	(3,570)
Beneficial Interest in Charitable Remainder Trusts and Estates.	22,650	125,250
Increase (Decrease) in Liabilities:		
Accrued Liabilities	735	1,741
Grants Payable	780,494	(64,941)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (439,599)</b>	<b>\$ 622,525</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	\$ (2,526,427)	\$(1,808,557)
Proceeds from the Sale of Investments	2,904,520	1,473,641
Purchase of Equipment		(1,100)
<b>Net Cash Provided(Used) in Investing Activities</b>	<b>\$ 378,093</b>	<b>\$ (336,016)</b>
<b>NET INCREASE PROVIDED BY (USED IN) CASH AND EQUIVALENTS</b>	<b>\$ (61,506)</b>	<b>\$ 286,510</b>
Cash and Cash Equivalents, Beginning of Year	359,585	73,075
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b>\$ 298,079</b>	<b>\$ 359,585</b>

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

**\*NET INCREASE (DECREASE)**

	2006				2005			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
<b>The Cancer Research Foundation</b>								
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>								
<b>Years Ended March 31, 2006 and 2005</b>								
Grants	\$ 1,827,994	\$	\$	\$ 1,827,994	\$ 423,500	\$	\$	\$ 423,500
Payroll and Taxes	25,567	20,454	5,113	51,134	25,577	20,462	5,115	51,154
Legal and Professional	3,320	3,320	1,660	8,300	3,702	3,702	1,851	9,255
Telephone	1,535	1,535	767	3,837	1,730	1,730	865	4,325
Postage and Office Supplies	1,929	1,929	965	4,823	1,784	1,784	892	4,460
Advertising			56,230	56,230			55,777	55,777
Rent	5,702	5,702	2,851	14,255	4,890	4,890	2,445	12,225
Meeting Expense	2,012			2,012	3,032			3,032
Liability/Worker's Compensation	504	403	100	1,007	802	642	160	1,604
Newsletter	27,398		6,849	34,247	16,209		4,052	20,261
Internet	1,629		1,629	3,258	632		631	1,263
Employee Benefits	7,652	6,121	1,530	15,303	7,306	5,845	1,461	14,612
Dues and Subscriptions	888	888	887	2,663	915	951	951	2,745
Depreciation	220			220	526			526
Miscellaneous	23	23	12	58	138	138	68	344
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,906,373</b>	<b>\$ 40,375</b>	<b>\$ 78,593</b>	<b>\$ 2,025,341</b>	<b>\$ 490,743</b>	<b>\$ 40,108</b>	<b>\$ 74,233</b>	<b>\$ 605,084</b>

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