

THE CANCER RESEARCH FOUNDATION

FINANCIAL STATEMENTS

March 31, 2012 and 2011

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GOETTSCHÉ, TRANEN, WINTER & RUSSO

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INDEPENDENT AUDITORS' REPORT

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, 2012 and 2011, and the related statements of activities and changes in net assets, cash flows and functional expenses 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, 2012 and 2011, 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.

Goettsche Tranen Winter & Russo

Lincolnwood, Illinois
October 22, 2012

STATEMENTS OF FINANCIAL POSITION

March 31, 2012 and 2011

	2012	2011
A S S E T S		
Cash and Equivalents	\$ 812,968	\$ 591,358
Investments, at Fair Value	6,135,966	5,823,363
Accrued Interest Receivable	26,912	21,986
Prepaid Expenses	1,899	906
Security Deposit	1,700	1,700
Beneficial Interest in Charitable Remainder Trusts and Estates	98,747	31,662
Equipment - Net	2,510	3,478
TOTAL ASSETS	\$ 7,080,702	\$ 6,474,453
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Unconditional Grants Payable	\$ 150,000	\$ 237,500
Accrued Liabilities	9,544	1,634
Total Current Liabilities	159,544	239,134
NET ASSETS		
Unrestricted Fund Balance	6,112,147	5,493,392
Temporarily Restricted Fund Balance	98,746	31,662
Restricted Fund Balance	710,265	710,265
Total Net Assets	6,921,158	6,235,319
TOTAL LIABILITIES AND NET ASSETS	\$ 7,080,702	\$ 6,474,453

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, 2012 and 2011

	2012				2011			
	Unrestricted Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues								
Public Support Contributions	\$ 979,547	\$	\$	\$ 979,547	\$ 757,244	\$	\$	\$ 757,244
Investment Income	165,689			165,689	173,808			173,808
Change in Value of Charitable Remainder Trusts and Estates		67,084		67,084		31,662		31,662
Total Operating Revenues	<u>1,145,236</u>	<u>67,084</u>		<u>1,212,320</u>	<u>931,052</u>	<u>31,662</u>		<u>962,714</u>
EXPENSES								
Program Services								
Contributions and Grants Made to: The University of Chicago	475,000			475,000	375,000			375,000
Other Program Service Costs	93,461			93,461	80,442			80,442
Total Program Services	<u>568,461</u>			<u>568,461</u>	<u>455,442</u>			<u>455,442</u>
Supporting Services								
Management and General	51,981			51,981	37,473			37,473
Fund Raising	57,948			57,948	44,818			44,818
Total Supporting Services	<u>109,929</u>			<u>109,929</u>	<u>82,291</u>			<u>82,291</u>
Total Expenses	<u>678,390</u>			<u>678,390</u>	<u>537,733</u>			<u>537,733</u>
NET OPERATING REVENUES	466,846	67,084		533,930	393,319	31,662		424,981
Other Gains								
Realized and Unrealized Gains on Investments	151,909			151,909	342,579			342,579
CHANGE IN NET ASSETS	618,755	67,084		685,839	735,898	31,662		767,560
Net Assets, Beginning of Year	5,493,392	31,662	710,265	6,235,319	4,757,494		710,265	5,467,759
NET ASSETS, END OF YEAR	<u>\$ 6,112,147</u>	<u>\$ 98,746</u>	<u>\$ 710,265</u>	<u>\$ 6,921,158</u>	<u>\$ 5,493,392</u>	<u>\$ 31,662</u>	<u>\$ 710,265</u>	<u>\$ 6,235,319</u>

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 685,839	\$ 767,560
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities		
Depreciation Expense	968	671
Net Realized and Unrealized (Gain) on Investments	(151,909)	(342,579)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accrued Interest Receivable	(4,926)	13,602
Prepaid Expenses	(993)	6
Security Deposit		(1,700)
Beneficial Interest in Charitable Remainder Trusts and Estates	(67,085)	(31,662)
Increase (Decrease) in Liabilities:		
Accrued Liabilities	7,912	640
Grants Payable	(87,500)	(1,125,000)
Net Cash Provided By (Used In) Operating Activities	<u>382,306</u>	<u>(718,462)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,959,471)	(2,951,737)
Proceeds from the Sale of Investments	1,798,775	3,464,412
Purchase of Equipment		(2,327)
Net Cash Provided By (Used In) Investing Activities	<u>(160,696)</u>	<u>510,348</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	221,610	(208,114)
Cash and Cash Equivalents, Beginning of Year	591,358	799,472
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 812,968</u>	<u>\$ 591,358</u>

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

THE CANCER RESEARCH FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended March 31, 2012 and 2011

	2012				2011			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 475,000	\$	\$	\$ 475,000	\$ 375,000	\$	\$	\$ 375,000
Payroll and Taxes	70,541	38,477	19,238	128,256	52,666	21,944	13,167	87,777
Legal and Professional	5,660	5,660	2,830	14,150	5,680	5,680	2,840	14,200
Telephone	972	972	485	2,429	1,154	1,154	578	2,886
Postage and Office Supplies	1,300	1,300	649	3,249	1,838	1,838	918	4,594
Advertising			30,147	30,147			21,345	21,345
Rent	4,466	4,466	2,233	11,165	4,886	4,886	2,443	12,215
Meeting Expense	144			144	369			369
Insurance	1,119	895	223	2,237	1,072	858	214	2,144
Newsletter	5,365		1,341	6,706	3,631		908	4,539
Internet	2,715		679	3,394	7,362		1,840	9,202
Dues and Subscriptions	35	35	35	105	18	18	17	53
Depreciation	968			968	671			671
Miscellaneous	176	176	88	440	1,095	1,095	548	2,738
TOTAL FUNCTIONAL EXPENSES	<u>\$ 568,461</u>	<u>\$ 51,981</u>	<u>\$ 57,948</u>	<u>\$ 678,390</u>	<u>\$ 455,442</u>	<u>\$ 37,473</u>	<u>\$ 44,818</u>	<u>\$ 537,733</u>

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2012 and 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2012 and 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 \$49,558 and \$53,139 in the fiscal years ended March 31, 2012 and 2011 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. Depreciation expense amounted to \$968 and \$671 in the fiscal years ended March 31, 2012 and 2011 respectively.

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.

Fair Value Measurements

The Foundation accounts for its financial instruments at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset in the principal or most advantageous market for the asset. Fair value is a market based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2012 and 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. Financial instruments recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose value is based on quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs includes quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; pricing models whose inputs are observable for substantially the full term of the asset or liability; and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about what market participants would use in pricing the asset or liability developed using the best information available including assistance from investment advisors.

NOTE 3: BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS AND ESTATES

During the year, the Foundation was notified of new bequests totaling \$575,000 and received \$500,000. An ongoing bequest of \$7,900 was also received and two more installments of the same amount will occur in the next two years.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2012 and 2011

NOTE 4: INVESTMENTS

The Foundation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the organization measures fair value refer to Note 2.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of March 31, 2012 and 2011.

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Observable Inputs Other Than Quoted Market Prices (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2012:				
Money Market Funds	\$ 207,748	\$ 207,748	\$	\$
Corporate Bonds and Warrants	1,239,477	1,239,477		
Stocks and Securities	<u>4,688,741</u>	<u>4,688,741</u>		
Total	<u>\$ 6,135,966</u>	<u>\$ 6,135,966</u>	<u>\$</u>	<u>\$</u>
March 31, 2011:				
Money Market Funds	\$ 228,544	\$ 228,544	\$	\$
Corporate Bonds and Warrants	858,684	858,684		
Stocks and Securities	<u>4,736,135</u>	<u>4,736,135</u>		
Total	<u>\$ 5,823,363</u>	<u>\$ 5,823,363</u>	<u>\$</u>	<u>\$</u>

NOTE 5: UNCONDITIONAL GRANTS PAYABLE

Unconditional grants payable are grants approved by the Board of Trustees and are payable in the following year.

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.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2012 and 2011

NOTE 7: GRANTS MADE TO THE UNIVERSITY OF CHICAGO

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

Name	2012	2011
Dr. Catenacci	\$	\$ 75,000
Dr. de Jong		75,000
Dr. O'Donnell		75,000
Dr. Spiotto		75,000
Dr. Wiersma		75,000
Dr. Rubin	25,000	
Dr. Wu	75,000	
Dr. Sammet	75,000	
Dr. Szmulewitz	75,000	
Dr. Pierce	75,000	
Dr. Pinto	75,000	
Dr. de Sousa	<u>75,000</u>	<u> </u>
Total	<u>\$ 475,000</u>	<u>\$ 375,000</u>

NOTE 8: ADVERTISING COSTS

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

NOTE 9: FUND-RAISING EXPENSE

Total fundraising expense for the years ended March 31, 2012 and 2011 amounted to \$57,948 and \$44,818, respectively. Fund-raising expenses are computed using actual expenses and an allocation of expenses based on management's estimate.

NOTE 10: LEASE AGREEMENT

The Foundation is obligated for future minimum rental commitments totaling \$25,421 under a non-cancelable operating lease for office space expiring in August 2013. 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, 2012 and 2011, totaled \$11,165 and \$12,215 respectively.

Minimum payments scheduled under these leases for the next year:

March 31, 2013	\$ 10,607
March 31, 2014	<u>4,465</u>
Total	<u>\$ 15,072</u>

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2012 and 2011

NOTE 11: 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 12: 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 40% and 83% of total public support for the years ended March 31, 2012 and 2011, respectively.

The Foundation received bequests which comprised 55% and 10% of total public support for the years ended March 31, 2012 and 2011, respectively.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 22, 2012, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.

