

PREVENT CANCER FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

KOSITZKA, WICKS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



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KOSITZKA, WICKS & COMPANY
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
Prevent Cancer Foundation
Alexandria, Virginia

We have audited the accompanying statements of financial position of **Prevent Cancer Foundation** (a not-for-profit organization) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of **Prevent Cancer Foundation's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 **Prevent Cancer Foundation** as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

September 5, 2012
Alexandria, Virginia

Prevent Cancer Foundation

Statements of Financial Position

June 30,

2012

2011

Assets

Current assets

Cash and cash equivalents	\$ 606,145	\$ 391,583
Grants, pledges, and bequests receivable	589,712	494,031
Investments - general	2,493,670	2,580,283
Prepaid expenses	27,089	26,873
	<u>3,716,616</u>	<u>3,492,770</u>

Property and equipment, net of accumulated depreciation	5,315	9,378
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Other assets

Investments - Donor restricted and Board designated funds	4,736,663	4,920,965
Deposits	23,636	23,636
Charitable gift annuities	110,218	122,491
Interests in remainder trusts	299,831	318,860
Deferred compensation plan	86,337	75,300
	<u>5,256,685</u>	<u>5,461,252</u>

Total assets	\$ 8,978,616	\$ 8,963,400
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Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 82,144	\$ 48,898
Grants payable	195,887	207,160
	<u>278,031</u>	<u>256,058</u>

Long-term liabilities

Charitable gift annuities	49,993	61,645
Deferred compensation plan	86,337	75,300
	<u>136,330</u>	<u>136,945</u>

Total liabilities	414,361	393,003
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Net assets

Unrestricted	6,596,069	6,672,202
Temporarily restricted	1,689,773	1,619,782
Permanently restricted	278,413	278,413
	<u>8,564,255</u>	<u>8,570,397</u>

Total liabilities and net assets	\$ 8,978,616	\$ 8,963,400
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The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Statement of Activities and Changes in Net Assets for the year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	\$ 1,986,066	\$ 620,712	\$ -	\$ 2,606,778
Bequests and other income	283,011	-	-	283,011
Colorectal tour	110,000	-	-	110,000
In-kind contributions	869,631	-	-	869,631
Special events	1,628,121	51,868	-	1,679,989
Less: Costs of direct benefits to donors	(261,416)	-	-	(261,416)
Net assets released from restrictions	609,390	(609,390)	-	-
Total support and revenue	5,224,803	63,190	-	5,287,993
Expenses				
Program				
Research	847,868	-	-	847,868
Education and public awareness	2,455,795	-	-	2,455,795
Community outreach	949,694	-	-	949,694
Management and general	485,513	-	-	485,513
Fundraising	632,154	-	-	632,154
Total expenses	5,371,024	-	-	5,371,024
Change in net assets before investment income	(146,221)	63,190	-	(83,031)
Investment income	70,088	6,801	-	76,889
Change in net assets	(76,133)	69,991	-	(6,142)
Net assets, beginning of year	6,672,202	1,619,782	278,413	8,570,397
Net assets, end of year	\$ 6,596,069	\$ 1,689,773	\$ 278,413	\$ 8,564,255

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Statement of Activities and Changes in Net Assets for the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	\$ 1,864,299	\$ 505,129	\$ -	\$ 2,369,428
Bequests and other income	237,378	-	-	237,378
Colorectal tour	203,800	-	-	203,800
In-kind contributions	504,544	-	-	504,544
Special events	1,391,699	108,372	-	1,500,071
Less: Costs of direct benefits to donors	(237,637)	-	-	(237,637)
Net assets released from restrictions	657,621	(657,621)	-	-
Total support and revenue	<u>4,621,704</u>	<u>(44,120)</u>	<u>-</u>	<u>4,577,584</u>
Expenses				
Program				
Research	954,021	-	-	954,021
Education and public awareness	2,596,283	-	-	2,596,283
Community outreach	1,017,243	-	-	1,017,243
Management and general	480,623	-	-	480,623
Fundraising	632,877	-	-	632,877
Total expenses	<u>5,681,047</u>	<u>-</u>	<u>-</u>	<u>5,681,047</u>
Change in net assets before investment income	(1,059,343)	(44,120)	-	(1,103,463)
Investment income	1,043,946	52,098	-	1,096,044
Change in net assets	(15,397)	7,978	-	(7,419)
Net assets, beginning of year	<u>6,687,599</u>	<u>1,611,804</u>	<u>278,413</u>	<u>8,577,816</u>
Net assets, end of year	<u>\$ 6,672,202</u>	<u>\$ 1,619,782</u>	<u>\$ 278,413</u>	<u>\$ 8,570,397</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Statement of Functional Expenses for the year ended June 30, 2012

	Program Services				Support Services			Total Expenses
	Research	Education and Public Awareness	Community Outreach	Total	Management and General	Fundraising	Total	
Accounting and auditing	\$ 6,472	\$ 14,261	\$ 7,603	\$ 28,336	\$ 3,628	\$ 4,206	\$ 7,834	\$ 36,170
Audio/Staging	-	18,821	-	18,821	-	21,233	21,233	40,054
Advertising	-	5,250	471	5,721	1,242	20,432	21,674	27,395
Awards	-	1,217	-	1,217	-	347	347	1,564
Bad debt	-	-	-	-	35,000	-	35,000	35,000
Bank charges	-	-	-	-	22,347	974	23,321	23,321
Catering	-	75,167	-	75,167	-	9,534	9,534	84,701
Computer services	8,021	56,809	9,423	74,253	8,442	12,952	21,394	95,647
Consultant fees	939	36,610	14,098	51,647	527	610	1,137	52,784
Contributions	660	1,500	-	2,160	-	2,426	2,426	4,586
Copying	-	2,452	-	2,452	-	37	37	2,489
Credit card discount expense	-	-	-	-	12,145	-	12,145	12,145
Cultivation	-	-	-	-	109	77	186	186
Decorators/Exhibitors	-	-	-	-	-	50,000	50,000	50,000
Delivery and shipping	-	1,781	1,235	3,016	3,309	2,816	6,125	9,141
Depreciation	1,152	2,538	1,353	5,043	646	748	1,394	6,437
Design and layout	-	18,430	438	18,868	75	25,043	25,118	43,986
Employee relations	-	111	-	111	1,160	-	1,160	1,271
Equipment lease	2,835	8,624	3,864	15,323	1,590	5,379	6,969	22,292
Furniture and equipment	-	-	-	-	1,602	-	1,602	1,602
Gifts	-	509	1,650	2,159	850	7,538	8,388	10,547
Grants	347,526	35,000	338,639	721,165	-	-	-	721,165
Honorariums	-	-	350	350	-	750	750	1,100
Incidentals	16	-	-	16	-	15	15	31
Insurance - general	3,422	8,542	4,021	15,985	1,919	2,224	4,143	20,128
Insurance - employee benefits	35,336	77,867	41,515	154,718	19,809	22,965	42,774	197,492
Legal	-	-	-	-	2,246	-	2,246	2,246
Lettershop	-	1,774	-	1,774	-	16,803	16,803	18,577
List rentals	-	816	-	816	-	3,855	3,855	4,671
Lodging	2,102	32,983	247	35,332	622	2,630	3,252	38,584

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The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Statement of Functional Expenses for the year ended June 30, 2012

	Program Services				Support Services			Total Expenses
	Research	Education and Public Awareness	Community Outreach	Total	Management and General	Fundraising	Total	
Maintenance	\$ 6,509	\$ 7,731	\$ 4,122	\$ 18,362	\$ 1,967	\$ 3,146	\$ 5,113	\$ 23,475
Meals	1,380	3,079	422	4,881	1,832	2,403	4,235	9,116
Miscellaneous	-	162	10	172	81	2,042	2,123	2,295
Media services	-	-	-	-	100	-	100	100
Media services - in-kind	-	869,391	-	869,391	240	-	240	869,631
Meetings	130	-	9	139	-	-	-	139
Membership and dues	6,000	8,350	-	14,350	1,374	-	1,374	15,724
Mileage and parking	698	3,785	902	5,385	10,381	9,152	19,533	24,918
Photography	-	708	-	708	-	1,850	1,850	2,558
Postage	-	2,826	1,095	3,921	7,089	16,484	23,573	27,494
Premiums	-	-	-	-	-	2,117	2,117	2,117
Printing	-	33,465	995	34,460	9,272	37,544	46,816	81,276
Professional services	-	156,784	-	156,784	17,513	29,360	46,873	203,657
Rent	55,932	123,251	65,712	244,895	31,355	36,349	67,704	312,599
Salaries	298,703	647,190	348,487	1,294,380	179,787	199,136	378,923	1,673,303
Payroll taxes and processing	23,119	50,092	26,973	100,184	12,844	15,413	28,257	128,441
Registration fees	-	35	1,260	1,295	(2,901)	3,269	368	1,663
Retirement	8,671	18,787	10,116	37,574	21,317	5,781	27,098	64,672
Site rental	-	2,440	5,325	7,765	-	-	-	7,765
Software and support	-	657	-	657	-	-	-	657
Stipend	-	4,500	1,200	5,700	300	-	300	6,000
Storage	920	3,530	1,081	5,531	515	598	1,113	6,644
Subscriptions	-	49,034	-	49,034	2,114	16,258	18,372	67,406
Supplies	1,412	(2,106)	17,735	17,041	790	3,339	4,129	21,170
Taxes and licenses	-	-	-	-	11,217	45	11,262	11,262
Telephone	3,197	7,811	3,595	14,603	1,714	1,994	3,708	18,311
Temporary services	23,158	33,327	35,405	91,890	57,881	25,847	83,728	175,618
Transportation and per diem	9,558	29,904	343	39,805	1,463	6,433	7,896	47,701
	<u>\$ 847,868</u>	<u>\$ 2,455,795</u>	<u>\$ 949,694</u>	<u>\$ 4,253,357</u>	<u>\$ 485,513</u>	<u>\$ 632,154</u>	<u>\$ 1,117,667</u>	<u>\$ 5,371,024</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Statement of Functional Expenses for the year ended June 30, 2011

	Program Services				Support Services			Total Expenses
	Research	Education and Public Awareness	Community Outreach	Total	Management and General	Fundraising	Total	
Accounting and auditing	\$ 6,544	\$ 17,178	\$ 6,953	\$ 30,675	\$ 5,317	\$ 4,908	\$ 10,225	\$ 40,900
Audio/Staging	-	21,782	-	21,782	-	31,129	31,129	52,911
Advertising	-	323	-	323	2,045	2,503	4,548	4,871
Awards	-	1,028	-	1,028	-	2,621	2,621	3,649
Bank charges	55	-	-	55	25,712	2,409	28,121	28,176
Catering	-	18,423	-	18,423	-	13,840	13,840	32,263
Computer services	5,789	59,961	6,151	71,901	4,703	32,615	37,318	109,219
Consultant fees	3,000	96,758	41,310	141,068	-	-	-	141,068
Contributions	4,375	-	600	4,975	-	-	-	4,975
Copying	-	1,452	-	1,452	-	-	-	1,452
Creative fees	-	-	-	-	-	-	-	-
Credit card discount expense	-	-	-	-	13,427	-	13,427	13,427
Cultivation	-	-	-	-	-	64	64	64
Data entry	-	-	-	-	-	330	330	330
Decorators/Exhibitors	-	-	-	-	-	56,260	56,260	56,260
Delivery and shipping	-	1,647	716	2,363	3,175	2,038	5,213	7,576
Depreciation	1,338	3,513	1,422	6,273	1,088	1,003	2,091	8,364
Design and layout	-	17,223	323	17,546	180	16,160	16,340	33,886
Employee relations	-	69	-	69	102	-	102	171
Entertainment	-	-	-	-	-	6,500	6,500	6,500
Equipment lease	2,372	6,226	2,520	11,118	1,926	5,338	7,264	18,382
Furniture and equipment	-	-	-	-	2,234	-	2,234	2,234
Gifts	-	1,487	-	1,487	805	44,266	45,071	46,558
Grants	459,576	106,000	438,639	1,004,215	-	-	-	1,004,215
Honorariums	6,500	-	350	6,850	-	-	-	6,850
Incidentals	-	32	-	32	-	-	-	32
Insurance	38,232	101,040	40,621	179,893	31,064	28,674	59,738	239,631
Legal	-	-	-	-	9,866	-	9,866	9,866
Lettershop	-	9,850	-	9,850	244	4,911	5,155	15,005
List rentals	-	1,658	-	1,658	-	893	893	2,551
Lodging	1,477	38,438	-	39,915	2,062	5,616	7,678	47,593
Maintenance	6,584	12,034	4,871	23,489	3,724	3,438	7,162	30,651
Meals	442	72,713	-	73,155	5,923	1,581	7,504	80,659
Miscellaneous	-	1,424	55	1,479	13	3,382	3,395	4,874
Media services	-	528,191	-	528,191	-	1,549	1,549	529,740

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The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Statement of Functional Expenses for the year ended June 30, 2011

	Program Services				Support Services			Total Expenses
	Research	Education and Public Awareness	Community Outreach	Total	Management and General	Fundraising	Total	
Meetings	\$ -	\$ 770	\$ 21	\$ 791	\$ -	\$ -	\$ -	\$ 791
Membership and dues	8,575	14,540	-	23,115	823	-	823	23,938
Mileage and parking	262	5,349	25	5,636	8,167	7,987	16,154	21,790
Temporary services	50,895	56,272	43,755	150,922	22,720	-	22,720	173,642
Photography	-	1,643	-	1,643	-	3,200	3,200	4,843
Postage	-	10,688	-	10,688	6,634	7,004	13,638	24,326
Premiums	-	-	-	-	-	2,750	2,750	2,750
Printing	-	54,723	1,491	56,214	4,576	25,030	29,606	85,820
Professional fundraising fees	-	-	-	-	-	-	-	-
Professional services	-	320,219	20,004	340,223	2,563	28,929	31,492	371,715
Rent	47,094	123,621	50,037	220,752	38,264	35,320	73,584	294,336
Salaries	274,548	720,690	291,708	1,286,946	223,071	205,911	428,982	1,715,928
Payroll taxes and processing	20,096	52,752	21,352	94,200	16,328	15,072	31,400	125,600
Registration fees	295	570	-	865	779	300	1,079	1,944
Retirement	10,723	28,148	11,393	50,264	8,713	8,042	16,755	67,019
Site rental	-	4,795	6,084	10,879	-	-	-	10,879
Stipend	-	-	-	-	4,220	-	4,220	4,220
Storage	721	1,892	766	3,379	585	540	1,125	4,504
Subscriptions	-	39,355	-	39,355	1,299	719	2,018	41,373
Supplies	1,343	(3,664)	22,662	20,341	1,091	8,738	9,829	30,170
Taxes and licenses	-	-	-	-	10,816	681	11,497	11,497
Telephone	3,165	8,633	3,414	15,212	2,561	2,451	5,012	20,224
Training	-	-	-	-	2,408	1,913	4,321	4,321
Transportation and per diem	20	36,837	-	36,857	11,395	6,262	17,657	54,514
	<u>\$ 954,021</u>	<u>\$ 2,596,283</u>	<u>\$ 1,017,243</u>	<u>\$ 4,567,547</u>	<u>\$ 480,623</u>	<u>\$ 632,877</u>	<u>\$ 1,113,500</u>	<u>\$ 5,681,047</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Statements of Cash Flows

for the years ended June 30, 2012 and 2011

2012

2011

Cash flows from operating activities

Change in net assets	\$ (6,142)	\$ (7,419)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,437	8,364
Investments donated	(6,930)	(18,384)
Realized and unrealized losses on investments	(24,397)	886,336
Increase in allowance for doubtful accounts	35,000	-
(Increase) decrease in operating assets		
Grants, pledges, and bequests receivable	(130,681)	84,256
Prepaid expenses	(216)	(11,963)
Charitable gift annuities	12,273	503
Interests in remainder trusts	19,029	(44,863)
Deferred compensation plan	(11,037)	(30,918)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	33,246	(120,364)
Deferred income	-	(14,500)
Grants payable	(11,273)	(421,250)
Charitable gift annuities	(11,652)	6,631
Deferred compensation plan	11,037	30,918
Net cash provided (used) by operating activities	<u>(85,306)</u>	<u>347,347</u>

Cash flows from investing activities

Purchase of property and equipment	(2,373)	-
Proceeds from sale of investments	5,525,810	5,200,674
Purchase of investments	<u>(5,223,568)</u>	<u>(5,887,357)</u>
Net cash provided (used) by investing activities	<u>299,869</u>	<u>(686,683)</u>

Net increase (decrease) in cash and cash equivalents 214,563 (339,336)

Cash and cash equivalents, beginning of year 391,583 730,919

Cash and cash equivalents, end of year \$ 606,145 \$ 391,583

Supplemental disclosure of cash flow information

Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

1. Organization

Prevent Cancer Foundation (the Foundation) was incorporated in Virginia in 1985 as a non-stock corporation. The Foundation provides support for cancer prevention, research, education and community outreach programs nationwide and plays a pivotal role in developing a body of knowledge that is a basis for important prevention and early detection strategies. The Foundation focuses its resources on those cancers – including lung, breast, prostate, colorectal, cervical, skin, oral and testicular – that can be prevented through lifestyle changes or detection and treatment in the early stages.

2. Significant accounting policies

Basis of accounting

The financial statements of the Foundation are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses, which are applicable to future periods, have been presented as deferred revenue or prepaid expenses on the accompanying statements of financial position.

Support and expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. It is the Foundation's policy not to classify certificates of deposit as cash and cash equivalents. Unlimited FDIC insurance for noninterest-bearing transaction accounts became effective on December 31, 2010 and continues through December 31, 2012. FDIC insurance on interest bearing accounts is \$250,000 per depositor, per insured bank.

Grants, pledges, and bequests receivable

Grants, pledges receivable and bequests are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncertain amounts through a provision for bad debt expense and an adjustment to a valuation allowance.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

2. Significant accounting policies (continued)

Furniture and equipment

Furniture and equipment are reported at cost. The Foundation capitalizes purchases over \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Investments

Investments are measured at fair value in the statement of financial position based on publicly available market data obtained from services independent of the Foundation. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Compensated absences

Employees of the Foundation are entitled to paid vacation depending on job classification, length of service and other factors. As of June 30, 2012 and 2011, estimated compensated absences of \$49,494 and \$35,654, respectively, are included in accounts payable and accrued expenses in the accompanying statement of financial position.

Donated services

A substantial number of volunteers donate time to Prevent Cancer Foundation's program services and special events. These donated services are not reflected in the financial statements since the services do not require specialized skills as defined by U.S. generally accepted accounting principles.

Income taxes

The Foundation is exempt from federal income tax as a non-profit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. The Organization did not have a liability for unrelated business income for the years ended June 30, 2012 and 2011.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. The Board does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. Tax years that remain subject to examination by the IRS are 2008 through 2011.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, grants and pledges receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses, deferred income, and grants payable. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

2. Significant accounting policies (continued)

Advertising costs

Advertising costs are expensed as incurred.

Concentrations of credit and market risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments.

At year-end and throughout the year, the Foundation's cash balances were deposited in several banks which may exceed federally insured limits. Cash and cash equivalents are maintained at high-quality financial institutions. The Foundation has not experienced any losses on its cash equivalents and management does not believe this result in any significant credit risk.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that the Foundation's investments do not represent significant concentrations of market risk in as the Foundation's investment portfolio is adequately diversified among issuers.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts reported in prior years have been reclassified to conform to the current year's presentation.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

3. Cash and cash equivalents

Cash and cash equivalents as of June 30, 2012 and 2011, consisted of the following:

	2012	2011
Checking accounts	\$ 606,145	\$ 391,583
Amount covered by Federal Deposit Insurance Corporation (FDIC)	\$ 261,406	\$ 261,510

4. Grants, pledges, and bequests receivable

Grants and pledges receivable consisted of the following as of June 30, 2012 and 2011:

	2012	2011
Pledges - Combined Federal Campaign	\$ 335,712	\$ 380,267
Other receivables	329,000	153,764
Allowance for uncollectible amounts	(75,000)	(40,000)
	\$ 589,712	\$ 494,031

The preliminary allocation to the Foundation for the 2011-2012 CFC pledge drive was \$336,000 (net of fees), \$41,422 of which was received prior to June 30, 2012. The remaining balance is expected to be received in fiscal year 2013.

The preliminary allocation to the Foundation for the 2010-2011 CFC pledge drive was \$407,778 (net of fees), \$52,149 of which was received prior to June 30, 2011 with \$254,495 collected during fiscal year 2012. The remaining balance is expected to be received in fiscal year 2013.

Management has estimated the collectability of the remaining outstanding balances from CFC campaigns and recorded an allowance for uncollectible amounts based on historic collections.

Grants and pledges receivable are expected to be collected in less than one year.

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

5. Investments

The fair market value of securities held at June 30, 2012 and 2011, was as follows:

	2012	2011
Cash and money market funds	\$ 418,188	\$ 1,262,755
Fixed income	2,475,558	2,548,049
Equities	4,025,977	3,690,444
Mutual funds	310,610	-
Fair value per statements of financial position	<u>\$ 7,230,333</u>	<u>\$ 7,501,248</u>

Investment income (loss) for the years ended June 30, 2012 and 2011 consisted of the following:

	2012	2011
Realized and unrealized (losses) gains	\$ (24,397)	\$ 886,336
Interest and dividend income	140,331	241,853
Investment fees	(39,045)	(32,145)
	<u>\$ 76,889</u>	<u>\$ 1,096,044</u>

6. Property and equipment

A summary of information relative to property depreciation as of June 30, 2012 and 2011 is as follows:

2012			
	Cost	Accumulated depreciation	Depreciation expense
Office furniture and equipment	<u>\$ 152,195</u>	<u>\$ 146,880</u>	<u>\$ 6,437</u>
			3-10 years
2011			
	Cost	Accumulated depreciation	Depreciation expense
Office furniture and equipment	<u>\$ 149,822</u>	<u>\$ 140,444</u>	<u>\$ 8,364</u>
			3-10 years

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Prevent Cancer Foundation

Notes to Financial Statements

June 30, 2012 and 2011

7. Charitable gift annuities

The Foundation established a Charitable Gift Annuity Program during the year ended June 30, 2003. The value of the assets held in the Program was \$110,218 and \$122,491 as of June 30, 2012 and June 30, 2011, respectively, and the anticipated liability to the donors was \$49,993 and \$61,645 for the years then ended. Distributions are governed by annuity agreements. A growth rate of 7% has been used to compute the value of the liability.

8. Interests in remainder trusts

The Foundation has been named as a beneficiary of several charitable remainder trusts. The present value of these trusts has been recorded as assets in the amount of \$299,831 and \$318,860 for the years ended June 30, 2012 and 2011, respectively. A discount rate of 7% has been used in the calculation of the present value of these items.

9. Grants awarded

The Foundation recorded grants during 2012 and 2011 totaling \$721,165 and \$1,004,215, respectively. Adjustments to reflect differences between the award and actual payments are made in the year the final payment is made. Grants recorded but unpaid amounted to \$195,887 and \$207,160 as of June 30, 2012 and 2011, respectively. Grants are generally awarded for two years with the second year payment contingent on whether the grantee provides financial, interim, and progress reports in a timely manner. The liability for the second year payment is not recorded until the contingency is fulfilled. Contingent liabilities for second year payments were \$160,000 at June 30, 2012.

10. In-kind contributions

The Foundation received donated goods and services during the years ended June 30, 2012 and 2011. The revenue and expenses associated with these services have been recorded in these financial statements. Special event contributions are reflected in the revenue and direct costs of special events on the statement of activities.

In-kind contributions for the years ended June 30, 2012 and 2011 consisted of the following:

	2012	2011
Public service announcements	\$ 869,631	\$ 504,544
Contributions for special events	120,852	84,373
	<u>\$ 990,483</u>	<u>\$ 588,917</u>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

11. Special events

The Foundation sponsors several special events during the year. The purpose of these events is to raise public awareness about cancer as well as to raise funds to further the Foundation's purpose. A summary of special events for the years ended June 30, 2012 and 2011 is as follows:

	2012			
	Revenue	Direct Benefit Expenses	Other Expenses	Net
Gala	\$ 1,537,454	\$ 247,852	\$ 111,789	\$ 1,177,813
Sarah Howard Benefit	51,868	-	2,599	49,269
5K Race	90,667	13,564	38,471	38,632
	<u>\$ 1,679,989</u>	<u>\$ 261,416</u>	<u>\$ 152,859</u>	<u>\$ 1,265,714</u>
	2011			
	Revenue	Direct Benefit Expenses	Other Expenses	Net
Gala	\$ 1,254,422	\$ 173,710	\$ 177,651	\$ 903,061
Sarah Howard Benefit	51,498	7,455	20,336	23,707
5K Race	43,080	5,436	28,426	9,218
Capitol Hill Poker Tournament	139,597	39,562	31,336	68,699
Other	11,474	11,474	-	-
	<u>\$ 1,500,071</u>	<u>\$ 237,637</u>	<u>\$ 257,749</u>	<u>\$ 1,004,685</u>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

12. Allocation of joint costs and functional expenses

Operating costs have been allocated among the programs, fundraising activities, and administrative functions based on estimates provided by management. The Foundation incurs joint costs for informational materials and activities that included fundraising appeals. These costs were allocated based on management's analysis of the content of each mailing.

Joint allocated costs were as follows for the year ended June 30:

	2012	
	Fundraising	Education
Direct mailings	\$ 16,072	\$ 38,357
	2011	
	Fundraising	Education
Direct mailings	\$ 14,059	\$ 31,048
Email communications	15	36
Total Joint Costs Allocated	\$ 14,074	\$ 31,084

13. Lease commitments

In March of 2003, the Foundation signed a seven-year agreement for office space. On May 1, 2009, the Foundation signed an amendment to the lease agreement to extend the agreement through April 30, 2017. Minimum rentals due under these agreements are as follows:

For the year ending June 30,

2013	\$ 311,486
2014	320,830
2015	330,455
2016 and thereafter	631,064
	<u>\$ 1,593,835</u>

Rent expense for the years ended June 30, 2012 and 2011 was \$312,599 and \$294,336, respectively.

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

14. Retirement plan

The Foundation adopted a 403(b) plan in 1995 (converted to a 401(k) plan in January, 2001). Beginning in 2001, the Foundation began making contributions on behalf of employees in amounts ranging from 3% to 4% of an employee's salary. Contributions in the amount of \$48,172 and \$50,519 were made for the years ended June 30, 2012 and 2011, respectively.

The Foundation adopted a 457(b) plan in 2007. Only employees within a select group of management or highly compensated employees chosen by the Board of Directors are eligible to participate. Contributions are made at the sole discretion of the Foundation and do not need to be uniform among all participants. For the years ended June 30, 2012 and 2011, the President was the only participant in the plan. Contributions in the amount of \$16,500 were made on her behalf for both years ended June 30, 2012 and 2011. Fair market value of the plan was \$86,337 and \$75,300 as of June 30, 2012 and 2011, respectively.

The Foundation holds a flexible premium variable universal life insurance policy for the benefit of the President. The policy has an initial death benefit of \$500,000. Effective June 30, 2011, the policy was transferred to the President with a cash surrender value of approximately \$260,000.

15. Temporarily restricted net assets

Net assets are temporarily restricted for specific events as well as for future periods. Temporarily restricted assets as of June 30, 2012 and 2011 were as follows:

	2011	Additions	Releases	2012
Restricted to future periods				
Contributions receivable for the Combined Federal campaign	\$ 380,267	\$ 335,712	\$ 380,267	\$ 335,712
Contributions receivable and other	-	200,000	-	200,000
Charitable gift annuities	60,846	-	621	60,225
Interest in remainder trusts	318,860	-	19,029	299,831
	<u>759,973</u>	<u>535,712</u>	<u>399,917</u>	<u>895,768</u>
Restricted for specific activities				
State fairs- health awareness booth	15,000	-	15,000	-
Partnership grants	65,000	85,000	65,000	85,000
Sarah Howard fund	604,465	51,868	124,473	531,860
5K Run	5,000	-	5,000	-
	<u>689,465</u>	<u>136,868</u>	<u>209,473</u>	<u>616,860</u>
Portion of donor-restricted endowment subject to a time restriction under UPMIFA for research grants	<u>170,344</u>	<u>6,801</u>	<u>-</u>	<u>177,145</u>
	<u>\$ 1,619,782</u>	<u>\$ 679,381</u>	<u>\$ 609,390</u>	<u>\$ 1,689,773</u>

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

16. Permanently restricted net assets

The Foundation established a permanent endowment fund in 2003 to support its research program. Initial contributions of \$278,413 were received in 2003. Reinvested earnings from the fund will be periodically expended to support the Foundation's research grant program.

17. Endowment and Board designated funds

The Foundation has 3 individual funds established for the purpose of funding research grants and community education (the Funds). The Funds include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. The donor-restricted endowment fund was established for the purpose of providing income to support the Foundation's research grant programs. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 required to be made by explicit directions in the applicable donor gift instrument at the time the gift 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 organization 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 additions to 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 effects 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

UPMIFA applies only to donor-restricted endowment funds and not to Board designated funds.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its Funds while seeking to maintain the purchasing power of the assets. Fund assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as Board-designated funds. Under the policy, as approved by the Board of Directors, the assets are invested in a manner that is intended to maximize current return and provide growth and income that at a minimum exceeds inflation for the current year. Actual returns in any given year may vary from this amount.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

17. Endowment and Board designated funds (continued)

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 an equal emphasis on equity-based investments and fixed-income mutual funds to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The amounts appropriated for distribution by the Foundation vary each year depending on their program needs. Amounts distributed from the Board designated funds are authorized by the Board of Directors and are transferred into the Foundation's operating cash accounts for use during the year. Over the long term, the Foundation expects the current spending policy to allow its Funds to grow and to maintain the Foundation's objective to maintain the purchasing power of the Fund assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Net asset composition by type of fund

The net assets consisted of the following as of June 30:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 177,145	\$ 278,413	\$ 455,558
Board designated funds (not subject to UPMIFA)	4,281,105	-	-	4,281,105
Total	<u>\$ 4,281,105</u>	<u>\$ 177,145</u>	<u>\$ 278,413</u>	<u>\$ 4,736,663</u>
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 170,344	\$ 278,413	\$ 448,757
Board designated funds (not subject to UPMIFA)	4,472,208	-	-	4,472,208
Total	<u>\$ 4,472,208</u>	<u>\$ 170,344</u>	<u>\$ 278,413</u>	<u>\$ 4,920,965</u>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

17. Endowment and Board designated funds (continued)

Changes in endowment and Board designated net assets

The net activity consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment and Board designated funds as of June 30, 2010	\$ 4,707,865	\$ 118,246	\$ 278,413	\$ 5,104,524
Investment return				
Investment income	136,273	12,005	-	148,278
Net appreciation	553,482	41,766	-	595,248
Investment fees	<u>(20,701)</u>	<u>(1,673)</u>	<u>-</u>	<u>(22,374)</u>
Total investment return	669,054	52,098	-	721,152
Contributions to perpetual endowment	-	-	-	-
Amounts appropriated for expenditure	<u>(904,711)</u>	<u>-</u>	<u>-</u>	<u>(904,711)</u>
Donor restricted endowment and Board designated funds as of June 30, 2011	<u>\$ 4,472,208</u>	<u>\$ 170,344</u>	<u>\$ 278,413</u>	<u>\$ 4,920,965</u>
Investment return				
Investment income	\$ 94,989	\$ 10,018	\$ -	\$ 105,007
Net appreciation	(27,005)	(848)	-	(27,853)
Investment fees	<u>(23,009)</u>	<u>(2,369)</u>	<u>-</u>	<u>(25,378)</u>
Total investment return	44,975	6,801	-	51,776
Contributions to perpetual endowment	-	-	-	-
Amounts appropriated for expenditure	<u>(236,078)</u>	<u>-</u>	<u>-</u>	<u>(236,078)</u>
Donor restricted endowment and Board designated funds as of June 30, 2011	<u>\$ 4,281,105</u>	<u>\$ 177,145</u>	<u>\$ 278,413</u>	<u>\$ 4,736,663</u>

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 the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2012 and 2011.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements

June 30, 2012 and 2011

18. Fair Value of financial instruments

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace at Prevent Cancer Foundation would use in pricing Prevent Cancer Foundation's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of Prevent Cancer Foundation are traded. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: The carrying value is considered to be a reasonable estimate of the fair value.

Charitable remainder trusts receivable: The Foundation has interests in three irrevocable charitable remainder trusts for which it does not act as trustee. The fair value of these trust assets, which are reported at the market value of the investments reported by the trustees and adjusted based on the estimated life expectancy of the donor, have been identified as Level 3 in the fair value hierarchy.

Mutual funds: Prevent Cancer Foundation's holdings in publicly traded mutual funds consist principally of fixed income and equity securities carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily. Valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

18. Fair Value of financial instruments (continued)

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 418,549	\$ -	\$ -	\$ 418,549
Fixed income				
ETF - fixed income				
iShares Barclays AGG Bond Fund	641,533	-	-	641,533
iShares Barclays 1-3 YR Treasury Index Fund	567,810	-	-	567,810
Mutual funds - fixed income				
PIMCO FDS Total Return Bond Fund	663,064	-	-	663,064
PNC Total Return Advantage Fund Class Fund	645,032	-	-	645,032
Equities				
ETF - equity				
Vanguard MSCI Emerging Markets	115,121	-	-	115,121
Vanguard Small Cap	146,148	-	-	146,148
Mutual funds - equity				
Artisan Mid Cap Value Fund	140,723	-	-	140,723
Federated Strategic Value Dividend Fund	1,436,301	-	-	1,436,301
Goldman Sachs Growth Opportunity Fund	154,122	-	-	154,122
Harbor International Fund	581,037	-	-	581,037
T Rowe Price Growth Stock	1,520,502	-	-	1,520,502
Mutual Funds				
Blackrock Global Allocation	206,807	-	-	206,807
Blackrock Strategic Inc Opp A	103,803	-	-	103,803
Long term trust receivables				
Cash and equivalents	-	-	7,562	7,562
Accrued income	-	-	91	91
Mutual funds - fixed income	-	-	33,742	33,742
Equities				
US Large Cap	-	-	51,595	51,595
US Mid Cap	-	-	6,413	6,413
US Small cap	-	-	4,610	4,610
US Small -mid cap	-	-	2,666	2,666
Developed international	-	-	13,731	13,731
Emerging markets	-	-	11,596	11,596
Equity reits	-	-	2,650	2,650
Mutual funds - equities	-	-	45,808	45,808
Other equities	-	-	44,543	44,543
Fixed income	-	-	70,022	70,022
Alternative investments	-	-	4,802	4,802
Deferred compensation plan	86,337	-	-	86,337
Total assets, at fair value	\$ 7,426,889	\$ -	\$ 299,831	\$ 7,726,719

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

18. Fair Value of financial instruments (continued)

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 1,266,512	\$ -	\$ -	\$ 1,266,512
Fixed income				
ETF - fixed income				
iShares Barclays 1-3 YR Treasury Index Fund	216,651	-	-	216,651
iShares Barclays 1-3 YR Cred	124,577	-	-	124,577
CGCM Core Fixed Income Investments	131,617			131,617
Mutual funds - fixed income		-	-	
PIMCO FDS Total Return Bond Fund	1,927,168	-	-	1,927,168
PNC Ultra Short Bond Fund	189,621			189,621
Equities				
ETF - equity				
Vanguard MSCI Emerging Markets	143,525	-	-	143,525
Vanguard Small Cap	169,526			169,526
Wisdomtree Large Cap Dividend Fund	154,980	-	-	154,980
CGCM Large Cap Value Investments	51,214	-	-	51,214
Mutual funds - equity				
Artisan Mid Cap Value Fund	66,840	-	-	66,840
Goldman Sachs Growth Opportunity Fund	302,820	-	-	302,820
Harbor International Fund	566,074			566,074
T Rowe Price Growth Stock	981,628	-	-	981,628
Selected American Shares-D	1,176,441	-	-	1,176,441
CGCM High Yield Investments	23,795	-	-	23,795
CGCM International Fixed Income Investments	27,752	-	-	27,752
CGCM International Equity Investments	23,792	-	-	23,792
CGCM Large Cap Growth Investments	79,010	-	-	79,010
Long term trust receivables				
Cash and equivalents	-	-	6,152	6,152
Accrued income	-	-	93	93
Mutual funds - fixed income	-	-	33,431	33,431
Equities				
US Large Cap	-	-	55,873	55,873
US Mid Cap	-	-	6,945	6,945
US Small cap	-	-	4,993	4,993
US Small -mid cap	-	-	2,887	2,887
Developed international	-	-	14,869	14,869
Emerging markets	-	-	12,557	12,557
Equity reits	-	-	2,869	2,869
Mutual funds - equities	-	-	54,461	54,461
Other equities	-	-	47,937	47,937
Fixed income	-	-	71,679	71,679
Alternative investments	-	-	4,114	4,114
Deferred compensation plan	75,300			75,300
Total assets, at fair value	\$ 7,698,843	\$ -	\$ 318,860	\$ 8,017,703

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2012 and 2011

18. Fair Value of financial instruments (continued)

The following table presents the Foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820 for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 318,860	\$ 273,997
Total gains or losses (realized/unrealized) included in changes in net assets	(19,029)	44,863
Purchases, issuances, and settlements	-	-
Transfers in and/or out of Level 3	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 299,831</u>	<u>\$ 318,860</u>

19. Subsequent events

The Organization assessed events occurring subsequent to June 30, 2012 through September 5, 2012, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. There were no subsequent events to disclose.

See independent auditor's report.