

DON'T EVER GIVE UP, INC.

Cary, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017
(With Comparative Totals for the
Year Ended September 30, 2016)



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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
Don't Ever Give Up, Inc.
Cary, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Don't Ever Give Up, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Don't Ever Give Up, Inc., as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Don't Ever Give Up, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Blackman & Sloop

Chapel Hill, North Carolina
February 9, 2018

DON'T EVER GIVE UP, INC.

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

September 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash	\$ 873,415	\$ 302,031
Contributions and gifts receivable	915,759	805,930
Special events receivable, net	94,860	99,492
Due from The V Foundation	155,755	34,127
Prepaid expenses	72,208	41,647
	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,111,997	\$ 1,283,227
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 169,795	\$ 145,958
Accounts payable - The V Foundation	138,291	\$ 46,048
Accrued payroll and related liabilities	43,446	62,622
Grant payable - The V Foundation	1,276,300	795,186
	<hr/>	<hr/>
TOTAL LIABILITIES	1,627,832	1,049,814
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	(431,595)	(118,745)
Temporarily restricted	915,760	352,158
	<hr/>	<hr/>
TOTAL NET ASSETS	484,165	233,413
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 2,111,997	\$ 1,283,227
	<hr/> <hr/>	<hr/> <hr/>

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

DON'T EVER GIVE UP, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Year Ended September 30, 2017
 (With Comparative Totals for the Year Ended September 30, 2016)

	Unrestricted	Temporarily Restricted	2017 Totals	2016 Totals
SUPPORT AND REVENUE:				
Contributions and gifts	\$ 7,078,889	\$ 5,396,940	\$ 12,475,829	\$ 11,293,338
Special events income	1,462,334	-	1,462,334	1,019,306
Interest	572	-	572	116
	<u>8,541,795</u>	<u>5,396,940</u>	<u>13,938,735</u>	<u>12,312,760</u>
Net assets released from restrictions	4,833,338	(4,833,338)	-	-
TOTAL SUPPORT AND REVENUE	<u>13,375,133</u>	<u>563,602</u>	<u>13,938,735</u>	<u>12,312,760</u>
EXPENSES:				
Program services	6,896,942	-	6,896,942	6,078,048
Management and general	1,575,350	-	1,575,350	1,144,501
Fundraising expenses:				
Direct benefits to donors	3,873,018	-	3,873,018	3,956,794
Other fundraising expenses	1,327,858	-	1,327,858	900,004
Total fundraising expenses	<u>5,200,876</u>	<u>-</u>	<u>5,200,876</u>	<u>4,856,798</u>
SUBTOTAL EXPENSES	<u>13,673,168</u>	<u>-</u>	<u>13,673,168</u>	<u>12,079,347</u>
Loss from bad debts	14,815	-	14,815	-
TOTAL EXPENSES	<u>13,687,983</u>	<u>-</u>	<u>13,687,983</u>	<u>12,079,347</u>
CHANGES IN NET ASSETS	(312,850)	563,602	250,752	233,413
NET ASSETS - BEGINNING OF YEAR	<u>(118,745)</u>	<u>352,158</u>	<u>233,413</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ (431,595)</u>	<u>\$ 915,760</u>	<u>\$ 484,165</u>	<u>\$ 233,413</u>

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

DON'T EVER GIVE UP, INC.

STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ended September 30, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2017</u>	<u>2016</u>
Changes in net assets	\$ 250,752	\$ 233,413
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Increase (decrease) in cash arising from changes in assets and liabilities:		
Contributions and gifts receivable	(109,829)	(352,158)
Due from The V Foundation	(121,628)	-
Special events receivable, net	4,632	(587,391)
Prepaid expenses	(30,561)	(41,647)
Accounts payable	23,837	192,006
Accounts payable - The V Foundation	92,243	-
Accrued payroll and related liabilities	(19,176)	62,622
Grant payable - The V Foundation	481,114	795,186
	<u>571,384</u>	<u>302,031</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>571,384</u>	<u>302,031</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>302,031</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 873,415</u>	<u>\$ 302,031</u>
SUPPLEMENTAL DISCLOSURE:		
Noncash contribution:		
Donated securities	<u>\$ 473,654</u>	<u>\$ 225,902</u>
Donated services and facilities	<u>\$ 429,300</u>	<u>\$ 314,950</u>

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

DON'T EVER GIVE UP, INC.**NOTES TO FINANCIAL STATEMENTS**

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NATURE OF ACTIVITIES

Don't Ever Give Up, Inc. (the "Organization") is a nonprofit charitable organization incorporated on September 21, 2015, to support The V Foundation (the "Foundation"), including promoting cancer research and related programs of the Foundation, as well as providing funds directly to the Foundation to further its purposes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Basis of Accounting.**

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

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

B. Cash.

Cash consists of monies on deposit at financial institutions. At times, the Organization places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Organization has not experienced any financial loss related to such deposits.

C. Contributions, Gifts, and Special Events Receivable.

Receivables consist of gifts and sponsorships from special events held with the specific purpose of promoting and publicizing the Foundation and are carried at their net realizable value. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing receivables. The allowance totaled \$8,315 and \$0, as of September 30, 2017 and 2016, respectively.

D. Grant Expenses.

Grant expenses and the corresponding grant payable to the Foundation are recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

DON'T EVER GIVE UP, INC.

NOTES TO FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Outreach and Public Relations.

The Organization expenses outreach and public relations costs as incurred. Outreach and public relations expense totaled \$161,660 and \$111,830, for the years ended September 30, 2017 and 2016, respectively.

F. Net Assets.

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

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

Permanently Restricted - Resources that carry a donor-imposed restriction that stipulates donated assets be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets. The Organization did not have any permanently restricted net assets as of September 30, 2017 and 2016.

G. Income Taxes.

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation. It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act. If applicable, penalties and interest assessed by income taxing authorities related to uncertain tax positions are included as management and general expenses in the statement of activities and changes in net assets.

H. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

DON'T EVER GIVE UP, INC.**NOTES TO FINANCIAL STATEMENTS**

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RETIREMENT PLAN

The Organization has established a simple IRA plan for its eligible employees. Employees of the Organization are eligible for coverage under this plan after 90 days of service. The Organization matches up to 3% of each participating employee's compensation. The expense was \$27,332 and \$12,856, for the years ended September 30, 2017 and 2016, respectively.

OPERATING LEASES

The Organization has a non-cancelable operating lease agreement for the office space in St. Helena, California, which expired December 31, 2017. Under the agreement, monthly payments commenced at \$2,000, rising to \$2,175 by the end of the lease. Minimum future payments under the lease total \$6,525 for the year ended September 30, 2018. Rent expense totaled \$25,815 and \$24,720, for the years ended September 30, 2017 and 2016, respectively. The Organization continues to maintain the office space on a month-to-month basis.

RELATED PARTY TRANSACTIONS

The Organization granted \$6,676,300 and \$5,850,000, to the Foundation for the years ended September 30, 2017 and 2016, respectively. The Organization reimbursed the Foundation for shared costs including facilities, personnel, and administrative expenses totaling \$653,132 and \$504,540, for the years ended September 30, 2017 and 2016, respectively. The Organization owed the Foundation \$1,414,591 and \$841,234, at September 30, 2017 and 2016, respectively, for grants and shared costs. Additionally, the Foundation owed the Organization \$155,755 and \$34,127, as of September 30, 2017 and 2016, respectively.

Members of the Board of Directors of the Organization make contributions to special events. The Organization received contributions from related parties totaling \$38,400 and \$23,428 at September 30, 2017 and 2016, respectively.

CONCENTRATIONS

At September 30, 2017, approximately 38% of special events receivable is from one donor and 31% of contributions and gifts receivable is from two donors. Four special events provided approximately 98% of the Organization's total gross special events income for the year ended September 30, 2017.

At September 30, 2016, approximately 63% of special events receivable is from one donor and 42% of contributions and gifts receivable is from two donors. Four special events provided approximately 98% of the Organization's total gross special events income for the year ended September 30, 2016.

DON'T EVER GIVE UP, INC.**NOTES TO FINANCIAL STATEMENTS**

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TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaled \$915,760 and \$352,158 at September 30, 2017 and 2016, respectively.

NET ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions totaled \$4,360,898 and \$3,674,438 for the years ended September 30, 2017 and 2016, respectively.

DONATED SERVICES AND FACILITIES

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, and would typically need to be purchased if not provided by donation. The Organization recognized \$249,300 of donated services for fundraising events and \$180,000 of donated facility rentals for the year ended September 30, 2017. The Organization recognized \$230,950 of donated services for fundraising events and \$84,000 of donated facility rentals for the year ended September 30, 2016.

FUNCTIONAL ALLOCATION OF EXPENSES

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

RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. Such reclassifications had no effect on net assets.

PRIOR YEAR INFORMATION

The statement of activities and changes in net assets includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

DON'T EVER GIVE UP, INC.**NOTES TO FINANCIAL STATEMENTS**

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SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through February 9, 2018, the date the financial statements were available to be issued. Management did not identify any events that occurred subsequent to year-end that require disclosure in the financial statements.

ADDITIONAL INFORMATION

DON'T EVER GIVE UP, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

SCHEDULE 1

For the Year Ended September 30, 2017
(With Comparative Totals for the Year Ended September 30, 2016)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Grant expense	\$ 6,676,300	\$ -	\$ -	\$ 6,676,300	\$ 5,850,000
Direct benefit to donors	-	-	3,873,018	3,873,018	3,956,794
Salaries	100,060	692,603	657,919	1,450,582	1,053,507
Employee benefits	20,014	176,037	131,599	327,650	184,870
Travel related expenses	21,501	74,972	141,376	237,849	134,313
Bank service charges	-	184,373	-	184,373	145,592
Technology	-	182,922	-	182,922	67,205
Outreach and public relations	-	-	161,660	161,660	111,830
Professional fees	2,416	92,308	59,955	154,679	201,486
Printing and copying	-	8	105,118	105,126	42,674
Payroll taxes	7,276	43,307	47,844	98,427	80,031
Occupancy expenses	-	75,946	-	75,946	65,001
Other grants	65,000	-	-	65,000	110,000
Office supplies	-	29,477	-	29,477	14,648
Postage and shipping	-	5,995	22,387	28,382	25,831
Miscellaneous	-	8,673	-	8,673	6,594
Insurance	-	6,618	-	6,618	6,871
Forums and meetings	4,375	2,111	-	6,486	22,100
	<u>\$ 6,896,942</u>	<u>\$ 1,575,350</u>	<u>\$ 5,200,876</u>	<u>\$ 13,673,168</u>	<u>\$ 12,079,347</u>

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