# THE V FOUNDATION

Cary, North Carolina

AUDITED FINANCIAL STATEMENTS

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

BLACKMAN & SLOOP
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**



Board of Directors
The V Foundation
Cary, North Carolina

***Report on the Financial Statements***

We have audited the accompanying financial statements of The V Foundation (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.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The V Foundation 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 The V Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 9, 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 26 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

**THE V FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**EXHIBIT A**

**September 30, 2017 and 2016**

**ASSETS**

| | 2017 | 2016 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash and cash equivalents | $ 30,856,127 | $ 26,715,427 |
| Accounts receivable | 79,059 | 100,000 |
| Accounts receivable - Don't Ever Give Up | 138,291 | 46,048 |
| Promises to give, net | 2,055,315 | 1,696,905 |
| Grants receivable | 2,750,000 | 2,327,501 |
| Grants receivable - Don't Ever Give Up | 1,276,300 | 795,186 |
| Prepaid expenses | 18,914 | 87,933 |
| **TOTAL CURRENT ASSETS** | 37,174,006 | 31,769,000 |
| **PROPERTY AND EQUIPMENT, NET** | 1,914,991 | 1,898,342 |
| **OTHER ASSETS:** | | |
| Investments | 30,045,431 | 28,244,080 |
| Promises to give, net | 2,364,856 | 3,345,849 |
| Grants receivable, net | - | 588,813 |
| Intangible assets | 50,000 | 50,000 |
| Other assets | - | 20,150 |
| **TOTAL OTHER ASSETS** | 32,460,287 | 32,248,892 |
| **TOTAL ASSETS** | $ 71,549,284 | $ 65,916,234 |

**LIABILITIES AND NET ASSETS**

| | 2017 | 2016 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Accounts payable and accrued expenses | $ 115,737 | $ 120,858 |
| Accrued payroll and related liabilities | 136,899 | 99,239 |
| Due to Don't Ever Give Up | 155,755 | 34,127 |
| Line of credit | 1,800,000 | 1,800,000 |
| Grants payable | 19,686,310 | 18,926,508 |
| **TOTAL CURRENT LIABILITIES** | 21,894,701 | 20,980,732 |
| **LONG-TERM LIABILITIES:** | | |
| Grants payable, net | 14,836,445 | 12,880,346 |
| **TOTAL LIABILITIES** | 36,731,146 | 33,861,078 |
| **NET ASSETS:** | | |
| Unrestricted: | | |
| Board designated | 16,591,647 | 14,182,981 |
| Undesignated | (9,803,941) | (3,708,030) |
| | 6,787,706 | 10,474,951 |
| Temporarily restricted | 15,916,230 | 9,398,602 |
| Permanently restricted | 12,114,202 | 12,181,603 |
| **TOTAL NET ASSETS** | 34,818,138 | 32,055,156 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 71,549,284 | $ 65,916,234 |

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

**THE V FOUNDATION**

**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 | Permanently Restricted | 2017 Totals | 2016 Totals |
|---|---|---|---|---|---|
| **SUPPORT AND REVENUE:** | | | | | |
| Contributions and gifts | $ 12,270,973 | $ 15,273,690 | $ 18,848 | $ 27,563,511 | $ 23,466,613 |
| Special events: | | | | | |
| Contributions | 58,000 | - | - | 58,000 | 75,000 |
| Event income | 86,500 | - | - | 86,500 | 125,000 |
| Less: costs of direct benefits to donors | (58,000) | - | - | (58,000) | (75,000) |
| Net revenues from special events | 86,500 | - | - | 86,500 | 125,000 |
| Royalties | 120,968 | - | - | 120,968 | 17,730 |
| Investment income, net of fees | 467,568 | 279,901 | - | 747,469 | 610,915 |
| Unrealized gains on investments | 835,830 | 498,287 | - | 1,334,117 | 1,045,898 |
| Realized gains on investments | 342,744 | 220,281 | - | 563,025 | 582,822 |
| Rental Income | 24,000 | - | - | 24,000 | 20,000 |
| | 14,148,583 | 16,272,159 | 18,848 | 30,439,590 | 25,868,978 |
| Net assets released from restrictions | 9,689,296 | (9,689,296) | - | - | - |
| **TOTAL SUPPORT AND REVENUE** | 23,837,879 | 6,582,863 | 18,848 | 30,439,590 | 25,868,978 |
| **EXPENSES:** | | | | | |
| Program services | 24,940,972 | - | - | 24,940,972 | 22,422,324 |
| Supporting services: | | | | | |
| Management and general | 1,149,072 | - | - | 1,149,072 | 1,232,805 |
| Fundraising expenses | 1,435,487 | - | - | 1,435,487 | 1,655,985 |
| Total supporting services | 2,584,559 | - | - | 2,584,559 | 2,888,790 |
| **SUBTOTAL EXPENSES** | 27,525,531 | - | - | 27,525,531 | 25,311,114 |
| Loss (recovery) from bad debts | (407) | 65,235 | 86,249 | 151,077 | 70,180 |
| **TOTAL EXPENSES** | 27,525,124 | 65,235 | 86,249 | 27,676,608 | 25,381,294 |
| **CHANGES IN NET ASSETS** | (3,687,245) | 6,517,628 | (67,401) | 2,762,982 | 487,684 |
| **NET ASSETS - BEGINNING OF YEAR (AS RESTATED)** | 10,474,951 | 9,398,602 | 12,181,603 | 32,055,156 | 31,567,472 |
| **NET ASSETS - END OF YEAR** | $ 6,787,706 | $ 15,916,230 | $ 12,114,202 | $ 34,818,138 | $ 32,055,156 |

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

**THE V FOUNDATION**

**STATEMENTS OF CASH FLOWS**

**EXHIBIT C**

**For the Years Ended September 30, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Changes in net assets | $ 2,762,982 | $ 487,684 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 90,550 | 51,697 |
| Donated equipment | - | (2,320) |
| Unrealized gain on investments | (1,334,117) | (1,045,898) |
| Realized gain on investments | (563,025) | (582,822) |
| Permanently restricted contributions | (57,648) | (132,835) |
| Increase (decrease) in cash arising from changes in assets and liabilities: | | |
| Accounts receivable | 20,941 | 601,214 |
| Accounts receivable - Don't Ever Give Up | (92,243) | (46,048) |
| Promises to give, net | 622,583 | 996,091 |
| Grants receivable, net | 166,314 | 4,085,454 |
| Grants receivable - Don't Ever Give Up | (481,114) | (795,186) |
| Prepaid expenses | 69,019 | 25,787 |
| Other assets | 20,150 | (20,150) |
| Accounts payable and accrued expenses | (5,121) | (138,920) |
| Accrued payroll and related liabilities | 37,660 | 12,954 |
| Due to Don't Ever Give Up | 121,628 | - |
| Grants payable, net | 2,715,901 | 2,272,182 |
| Deferred rent | - | (30,350) |
| Deferred revenue | - | (31,000) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 4,094,460 | 5,707,534 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Acquisition of property and equipment | (107,199) | (89,073) |
| Purchases of investments | (10,900,141) | (8,920,321) |
| Sales of investments | 10,995,932 | 10,154,849 |
| **NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES** | (11,408) | 1,145,455 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Permanently restricted contributions | 57,648 | 132,835 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 4,140,700 | 6,985,824 |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 26,715,427 | 19,729,603 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 30,856,127 | $ 26,715,427 |
| **SUPPLEMENTAL DISCLOSURE:** | | |
| Noncash contributions: | | |
| Donated securities | $ 2,168,824 | $ 1,289,873 |
| Donated equipment | $ - | $ 2,320 |
| Donated raffle item | $ 58,000 | $ 75,000 |

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

**THE V FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**



## NATURE OF ACTIVITIES

The V Foundation (the "Foundation") was incorporated on February 12, 1993, as a nonprofit charitable organization dedicated to saving lives by helping to find a cure for cancer. The Foundation's mission is to generate broad based support for cancer research and create an urgent awareness among all Americans of the importance of the war against cancer. The Foundation accomplishes its mission through advocacy, education, fundraising, and philanthropy.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

A. Basis of Accounting.

The Foundation'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 Foundation 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. Permanently restricted contributions represent only those contributions restricted by the donor to be invested in perpetuity for the purpose of providing a permanent source of income. The accumulated earnings are reflected in temporarily restricted net assets until appropriated.

B. Cash and Cash Equivalents.

Cash and cash equivalents consist of monies on deposit at financial institutions and other highly liquid investments with maturities of three months or less excluding monies maintained in the endowment investment fund. At times, the Foundation places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Foundation has not experienced any financial loss related to such deposits.

C. Accounts Receivable.

Accounts receivable consist of receivables from special events held with the specific purpose of promoting and publicizing the Foundation and are carried at their net realizable value. The Foundation 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. As of September 30, 2017 and 2016, all accounts receivable were deemed collectible by management.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

D. Promises to Give.

Unconditional promises to give are recognized as support and assets in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Foundation provides an allowance for doubtful promises to give 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 promises to give.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

E. Grants Receivable.

Unconditional grants receivable are recognized as support in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Unconditional grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional grants receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional grants receivable are recognized when the conditions upon which the grants depend are substantially met. An allowance is provided for amounts management estimates to be uncollectible.

F. Property and Equipment.

Property and equipment are stated at cost for purchased assets and at market value on the date of the gift for donated assets. Property and equipment are capitalized if the life is expected to be greater than one year and if the cost exceeds $1,000. Depreciation is calculated using the straight-line method over estimated useful lives of the assets, which range from three to thirty-nine years. Depreciation expense totaled $90,550 and $51,697, for the years ended September 30, 2017 and 2016.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**

G. Investments.

Investments in marketable securities and non-publicly traded companies are stated at fair market value based on readily available published values. Donated securities are recorded at their fair market value at the date of gift.

H. Intangible Assets.

Intangible assets are capitalized and stated at cost in accordance with U.S. GAAP. The assets have indefinite lives and are reviewed annually for impairment.

I. Grant Expenditures.

Grant expenditures and the corresponding grants payable 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.

J. Advertising.

The Foundation expenses advertising costs as incurred. Advertising expense totaled $82,616 and $130,603, for the years ended September 30, 2017 and 2016, respectively.

K. Net Assets.

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

*Temporarily Restricted* - Resources that carry a donor-imposed restriction that permits the Foundation 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 Foundation.

*Permanently Restricted* - Resources that carry a donor-imposed restriction that stipulates donated assets be maintained in perpetuity, but may permit the Foundation to use or expend part or all of the income derived from the donated assets.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

L. Income Taxes.

The Foundation 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.

M. 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.

## PROMISES TO GIVE

Promises to give consist of the following at September 30:

| | 2017 | 2016 |
|---|---|---|
| Receivable in less than one year | $ 2,210,068 | $ 1,769,420 |
| Receivable in one to five years | 2,478,683 | 3,614,892 |
| Receivable in greater than five years | 125,396 | 40,500 |
| Total gross promises to give | 4,814,147 | 5,424,812 |
| Discount at a rate of 2.60% and 1.90%, respectively | (124,865) | (114,622) |
| Allowance for uncollectible promises to give | (240,711) | (267,436) |
| Net present value of promises to give | $ 4,448,571 | $ 5,042,754 |

The Foundation has been named in a number of wills as a beneficiary and has also been informed of other intentions to give. Such intentions to give are not recorded as promises to give until they become unconditional. The Foundation has also been informed of intentions to give through donor advised funds. In accordance with US GAAP, these funds will be recognized when received.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS



## GRANTS RECEIVABLE

Grants receivable consist of the following at September 30:

| | 2017 | 2016 |
|---|---|---|
| Receivable in less than one year | $ 4,026,300 | $ 3,122,687 |
| Receivable in one to five years | - | 600,000 |
| Total gross grants receivable | 4,026,300 | 3,722,687 |
| Discount at a rate of 0% and 1.90%, respectively | - | (11,187) |
| Net present value of grants receivable | $ 4,026,300 | $ 3,711,500 |

The Foundation provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in collection. As of September 30, 2017 and 2016, grants receivable were deemed fully collectible by management.

On September 23, 2014, the Foundation received a conditional grant to receive $600,000 over a three year period. The Foundation can receive up to $200,000 per year. The funds are conditional on the Foundation raising funds from new donors or incremental funds from existing donors. The Foundation met this condition and recognized $200,000 in revenue for the years ended September 30, 2017 and 2016. All revenue has been recognized under this grant.

On July 9, 2015, the Foundation received a conditional grant to receive $1,000,000, over a four year period. The Foundation can receive up to $250,000 per year. The funds are conditional on the donor raising a specified amount. The donor met this condition and the Foundation recognized $250,000 in revenue for the years ended September 30, 2017 and 2016. The remaining amount will be recognized as the conditions are met in 2018.

## PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

| | 2017 | 2016 |
|---|---|---|
| Building | $ 1,850,701 | $ 1,850,701 |
| Software and website | 155,070 | 56,070 |
| Furniture and fixtures | 86,507 | 86,508 |
| Office equipment | 76,344 | 68,144 |
| | 2,168,622 | 2,061,423 |
| Accumulated depreciation | (253,631) | (163,081) |
| Net property and equipment | $ 1,914,991 | $ 1,898,342 |

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS



## INVESTMENTS

Investments in marketable securities are stated at fair market value and are recorded on the trade or contract date. The estimated value of the marketable securities is based on quoted market prices, except for alternative investments for which quoted market prices are not available. The estimated fair value of alternative investments is based on valuations provided by the external investment managers. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investments of the Foundation consist of the following at September 30:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Cost | Market | Cost | Market |
| Investments: | | | | |
| Carried at fair value: | | | | |
| Money market funds | $ 2,513,030 | $ 2,513,030 | $ 950,388 | $ 950,388 |
| Equity securities | 14,746,145 | 18,140,666 | 15,825,734 | 17,540,118 |
| U.S. Treasury securities | 4,036,688 | 4,053,982 | 3,982,915 | 4,085,729 |
| Corporate debt securities | 3,569,951 | 3,604,183 | 3,565,646 | 3,652,671 |
| Preferred stock | - | - | 28,252 | 30,237 |
| Alternative investments | 1,966,290 | 1,733,570 | 2,011,935 | 1,984,937 |
| Total investments | $ 26,832,104 | $ 30,045,431 | $ 26,364,870 | $ 28,244,080 |

The following schedule summarizes the investment returns and their classifications in the statement of activities and changes in net assets for the year ended September 30, 2017. Investment income on the statement of activities and changes in net assets for the year ended September 30, 2017, is recorded net of investment fees of $168,167, and includes earnings from deposits at financial institutions totaling $32,059.

| September 30, 2017 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Investment income | $ 537,881 | $ 345,696 | $ - | $ 883,577 |
| Unrealized gains | 835,830 | 498,287 | - | 1,334,117 |
| Realized gains | 342,744 | 220,281 | - | 563,025 |
| Total investment return | $ 1,716,455 | $ 1,064,264 | $ - | $ 2,780,719 |

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS



## INVESTMENTS (CONTINUED)

The following schedule summarizes the investment returns and their classifications in the statement of activities and changes in net assets for the year ended September 30, 2016. Investment income on the statement of activities and changes in net assets for the year ended September 30, 2016, is recorded net of investment fees of $174,807, and includes earnings from deposits at financial institutions totaling $27,440.

| September 30, 2016 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Investment income | $ 470,007 | $ 288,275 | $ - | $ 758,282 |
| Unrealized loss | 648,280 | 397,618 | - | 1,045,898 |
| Realized gains | 361,251 | 221,571 | - | 582,822 |
| Total investment return | $ 1,479,538 | $ 907,464 | $ - | $ 2,387,002 |

## FAIR VALUE OF ASSETS

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets not active, or determined through the use of models or other valuation methodologies.

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS



## FAIR VALUE OF ASSETS (CONTINUED)

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the assets, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets existed.

The Foundation's investments are classified as Level 1, Level 2, and Level 3.

There were no changes during the years ending September 30, 2017 and 2016, to the Foundation's valuation techniques used to measure asset values on a recurring basis.

The following tables summarize the assets of the Foundation for which fair values are determined on a recurring basis as of September 30, 2017 and 2016. As required by U.S. GAAP, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| September 30, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ - | $ 2,513,030 | $ - | $ 2,513,030 |
| U. S. Treasury securities | - | 4,053,982 | - | 4,053,982 |
| Corporate debt securities | - | 3,604,183 | - | 3,604,183 |
| Equity securities: | | | | |
| Consumer discretionary | 1,863,792 | - | - | 1,863,792 |
| Consumer staples | 1,500,838 | - | - | 1,500,838 |
| Energy | 495,649 | - | - | 495,649 |
| Equities blend | 4,384,773 | - | - | 4,384,773 |
| Financials | 1,315,884 | - | - | 1,315,884 |
| Healthcare | 2,268,935 | - | - | 2,268,935 |
| Industrials | 1,520,327 | - | - | 1,520,327 |
| Information technology | 3,589,299 | - | - | 3,589,299 |
| Materials | 388,553 | - | - | 388,553 |
| Real estate | 274,440 | - | - | 274,440 |
| Telecommunications | 186,618 | - | - | 186,618 |
| Utilities | 351,558 | - | - | 351,558 |
| Alternative investments | - | - | 1,733,570 | 1,733,570 |
| | $ 18,140,666 | $ 10,171,195 | $ 1,733,570 | $ 30,045,431 |

THE V FOUNDATION

NOTES TO FINANCIAL STATEMENTS



## FAIR VALUE OF ASSETS (CONTINUED)

| September 30, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ - | $ 950,388 | $ - | $ 950,388 |
| U. S. Treasury securities | - | 4,085,729 | - | 4,085,729 |
| Corporate debt securities | - | 3,652,671 | - | 3,652,671 |
| Equity securities: | | | | |
| Consumer discretionary | 2,480,557 | - | - | 2,480,557 |
| Consumer staples | 1,830,037 | - | - | 1,830,037 |
| Energy | 462,374 | - | - | 462,374 |
| Equities blend | 3,715,323 | - | - | 3,715,323 |
| Financials | 1,214,414 | - | - | 1,214,414 |
| Healthcare | 1,920,092 | - | - | 1,920,092 |
| Industrials | 1,847,495 | - | - | 1,847,495 |
| Information technology | 2,307,462 | - | - | 2,307,462 |
| Materials | 517,483 | - | - | 517,483 |
| Real estate | 498,221 | - | - | 498,221 |
| Telecommunications | 431,820 | - | - | 431,820 |
| Utilities | 314,840 | - | - | 314,840 |
| Preferred stock | - | 30,237 | - | 30,237 |
| Alternative investments | - | - | 1,984,937 | 1,984,937 |
| | $ 17,540,118 | $ 8,719,025 | $ 1,984,937 | $ 28,244,080 |

The changes in investments classified as Level 3 are as follows for the years ended September 30, 2017 and 2016:

| | |
|---|---|
| Beginning balance on October 1, 2016 | $ 1,984,937 |
| Purchases | 700,349 |
| Net sales | (883,534) |
| Fees | - |
| Total realized/unrealized losses | (68,182) |
| Ending balance on September 30, 2017 | $ 1,733,570 |
| Beginning balance on October 1, 2015 | $ 1,527,926 |
| Purchases | 604,653 |
| Net sales | - |
| Fees | (150) |
| Total realized/unrealized gains | (147,492) |
| Ending balance on September 30, 2016 | $ 1,984,937 |

**FAIR VALUE OF ASSETS (CONTINUED)**

Gains and losses (realized and unrealized) for Level 3 investments included in revenue for the years ended September 30 are reported as follows:

| | 2017 | 2016 |
|---|---|---|
| Total gains and losses included in realized gains on investments and unrealized gains (losses) on investments. | $ (68,182) | $ (147,492) |
| Unrealized gains or losses relating to assets held at year-end included in unrealized gains (losses) on investments | $ (205,717) | $ (147,492) |

There were $137,535 and $0 of realized gains on Level 3 investments for the years ended September 30, 2017 and 2016, respectively.

Level 3 investments include $294,679 and $264,376, at September 30, 2017 and 2016, respectively, of investments in a fund that invests substantially all of its assets in privately negotiated mezzanine investment funds. The fair value of the investments in this class has been estimated using the net asset value per share of the investments. The fund consists of private equity, long term, ill-liquid investments. The fund does not offer any liquidity; therefore, there is no redemption frequency or redemption fees.

Level 3 investments include $520,381 and $603,335, at September 30, 2017 and 2016, respectively, of investments in a fund that invests substantially all of its assets in secondary opportunities to acquire private investment funds on a global basis, with a focus on the United States and Western Europe. The fund seeks capital appreciation primarily through the purchase of secondary interests in mature, high-quality leveraged buyout funds. The fair value of the investments in this fund has been estimated using the underlying portfolio investments as provided by the underlying funds' general partners or managers, adjusted dollar-for-dollar for subsequent capital contributions to, and distributions received from, the underlying funds. Interests in the fund are ill-liquid, and the term period is ten years from the final closing, subject to four one-year extensions. The fund does not offer any liquidity; therefore, there is no redemption frequency or redemption fees.

Level 3 investments include $161,475 and $15,000, at September 30, 2017 and 2016, respectively, of investments in a fund that invests substantially all of its assets in global private equities in medium-to-large industry leading businesses and equity investments in secular growth areas with structural downside protection, limited leverage and low concept or technology risk in the United States, Canada, Europe, and Israel. The fair value of the investments in this class has been estimated using the net asset value per share of the investments. Interests in the fund are ill-liquid and the term period is one year after the termination of the underlying fund.

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**FAIR VALUE OF ASSETS (CONTINUED)**

Level 3 investments include $0 and $857,446, at September 30, 2017 and 2016, respectively, of investments in an event driven hedge fund. Event driven hedge funds include funds whose objective is to achieve appreciation of their assets through trading in debt and equity securities and other investments expected to appreciate in price due to financial recovery and/or restructuring. They seek to deliver consistent positive risk-adjusted returns throughout market cycles, with a strong focus on risk management and capital preservation.

Portfolio composition is determined by market opportunities rather than any predetermined commitment to investment discipline or geography. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The fund has a quarterly redemption frequency with a 30 day redemption notice requirement.

Level 3 investments include $587,984 and $244,780 at September 30, 2017 and 2016, respectively, of investments in a fund that invests substantially all of its assets in commercial real estate loan portfolios, direct real estate and commercial real estate companies in Europe, North America, and Japan. The fair value of the investments in this class has been estimated using the net asset value per share of the investments.

Level 3 investments include $169,051 at September 30, 2017 of investments in the private equity in a company. The fair value is calculated by using information, techniques, and pricing methods that it determines to be reliable and consistent with its prior practices and customs.

**ENDOWMENT**

*Interpretation of Relevant Law*

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, 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 made in accordance with the direction of the applicable donor gift instrument at the time the accumulation 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 Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

**ENDOWMENT (CONTINUED)**

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate 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 effect of inflation and deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources of the Foundation, and
7. The investment policies of the Foundation.

*Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) and board designated funds. The Foundation expects its endowment fund, over time, to provide an average rate of return of approximately 6% in perpetuity. Actual returns in any given year may vary from this amount.

*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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints as managed by the Foundation's Endowment Committee.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation has a policy of appropriating investment earnings for distribution each year based upon the prior year's investment earnings of the related endowment. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a moderate rate. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

*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 SPMIFA requires to retain as a fund of perpetual duration. As of September 30, 2017 and 2016, the endowment fund was above the required amounts.

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## ENDOWMENT (CONTINUED)

Changes in the endowment fund consist of the following during the year ended September 30, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Net assets, beginning of year | $ 16,750,794 | $ - | $ 11,926,500 | $ 28,677,294 |
| Investment income | 537,881 | 345,696 | - | 883,577 |
| Net appreciation (realized and unrealized) | 1,118,047 | 718,569 | - | 1,836,616 |
| Contributions | 1,042,755 | - | 57,648 | 1,100,403 |
| Appropriation of assets for expenditure | (2,555,745) | (998,470) | - | (3,554,215) |
| Investment fees | (102,372) | (65,795) | - | (168,167) |
| Net assets, end of year | $ 16,791,360 | $ - | $ 11,984,148 | $ 28,775,508 |

The endowment net asset composition by type of fund as of September 30, 2017, was as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted | $ 191,895 | $ - | $ 11,984,148 | $ 12,176,043 |
| Board-designated | 16,599,465 | - | - | 16,599,465 |
| Total funds | $ 16,791,360 | $ - | $ 11,984,148 | $ 28,775,508 |

Permanently restricted endowment funds noted above exclude endowment promises to give.

Changes in the endowment fund consist of the following during the year ended September 30, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Net assets, beginning of year | $ 16,275,032 | $ - | $ 11,793,665 | $ 28,068,697 |
| Investment income | 470,007 | 288,275 | - | 758,282 |
| Net appreciation (realized and unrealized) | 1,009,531 | 619,189 | - | 1,628,720 |
| Contributions | 1,645,806 | - | 132,835 | 1,778,641 |
| Appropriation of assets for expenditure | (2,541,231) | (841,008) | - | (3,382,239) |
| Investment fees | (108,351) | (66,456) | - | (174,807) |
| Net assets, end of year | $ 16,750,794 | $ - | $ 11,926,500 | $ 28,677,294 |

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NOTES TO FINANCIAL STATEMENTS



## ENDOWMENT (CONTINUED)

Permanently restricted endowment funds noted above exclude endowment promises to give.

The endowment net asset composition by type of fund as of September 30, 2016, was as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted | $ 2,567,813 | $ - | $ 11,926,500 | $ 14,494,313 |
| Board-designated | 14,182,981 | - | - | 14,182,981 |
| Total funds | $ 16,750,794 | $ - | $ 11,926,500 | $ 28,677,294 |

## GRANTS PAYABLE

Grants payable consist of the following at September 30:

| Year Ending September 30, | |
|---|---|
| 2018 | $ 19,686,310 |
| 2019 | 10,056,500 |
| 2020 | 5,300,000 |
| Total gross grants payable | 35,042,810 |
| Discount at a rate of 2.60% | (520,055) |
| Net present value of grants payable | $ 34,522,755 |

## LINE OF CREDIT

In July 2015, the Foundation obtained a line of credit for $5,000,000 with a financial institution to assist in covering operating expenses. The line of credit bears interest at a variable rate and is secured by the Foundation's investment portfolio. The interest rate at September 30, 2017 and 2016, was 2.24% and 1.52%, respectively, and the balance outstanding was $1,800,000. Accrued interest totaled $64,142 and $28,224, at September 30, 2017 and 2016, respectively.

## RETIREMENT PLAN

The Foundation has established a simple IRA plan for its eligible employees. Employees of the Foundation are eligible for coverage under this plan after 90 days of service. The Foundation matches up to 3% of each participating employee's compensation. The expense was $52,988 and $54,465, for the years ended September 30, 2017 and 2016, respectively.

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**NOTES TO FINANCIAL STATEMENTS**



## OPERATING LEASES

The Foundation leases a postage machine under an operating lease agreement at $162 a month, which expires in June 2018. The Foundation leased its office space under an operating lease agreement which was amended and renewed in fiscal year 2012 for a five year term ending October 2016. The Foundation purchased a building to house the Foundation's operations and terminated the existing lease for office space.

In July 2015, the Foundation leased online fundraising and marketing software under an operating lease agreement, with quarterly payments of $23,216, which expires in July 2018.

Rent expense for the Foundation under these lease agreements totaled $99,756 and $202,630, for the years ended September 30, 2017 and 2016, respectively. Minimum future payments under the existing lease agreements total $71,105 for the year ended September 30, 2018.

## RELATED PARTY TRANSACTIONS

Members of the Board of Directors and management of the Foundation make contributions for the support of general operations and the Foundation's programs. The Foundation received contributions from related parties totaling $6,841,300 and $6,141,718, at September 30, 2017 and 2016, respectively. The Foundation had outstanding related party promises to give of $1,407,068 and $2,775,611, at September 30, 2017 and 2016, respectively.

The Foundation assisted in the establishment of The V Foundation Canada/La Foundation V ("La Foundation V"), a Canadian nonprofit organization, whose goals and objectives are identical to those of The V Foundation. The Foundation is related to La Foundation V through common control through the Board of Directors.

## SUPPORTING ORGANIZATION

Effective September 21, 2015, a supporting organization, Don't Ever Give Up, Inc. ("Organization") was formed for the purpose of supporting and/or benefitting The V Foundation and to help carry out the purpose of The V Foundation. The managing and coordinating of all special events of the Foundation were transferred to the Organization during the year ended September 30, 2016. Monies raised by the Organization are granted to the Foundation.

The Foundation recognized $6,676,300 and $5,850,000 in contributions from the Organization 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. The Foundation owed the Organization $155,755 and $34,127 at September 30, 2017 and 2016, respectively.

## CONCENTRATIONS

Promises to give are from individuals throughout the United States and abroad. A substantial portion of the Foundation's support and revenue is derived from donor promises to give and grants awarded to the Foundation. Four donors represent approximately 28% of the outstanding gross promises to give at September 30, 2017, and two donors represent 22% of the outstanding gross promises to give at September 30, 2016. Two grantors represent approximately 89% and 87% of gross grants receivable at September 30, 2017 and 2016, respectively.

One special event provided 100% of net proceeds of the Foundation's total special events revenue, net of expenses for the years ended September 30, 2017 and 2016.

## TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30:

| | 2017 | 2016 |
|---|---|---|
| Purpose restriction: | | |
| Various cancer programs | $ 7,151,506 | $ 574,687 |
| Gastric Cancer Fund | 493,316 | 565,832 |
| Kay Yow Foundation | 479,296 | 266,931 |
| Geno's Cancer Team | 191,322 | 191,322 |
| Richard F. Jones Memorial Fund | 68,985 | 68,785 |
| Tamar Goodfellow Fund | 62,026 | 53,988 |
| Garry Betty Foundation | 17,029 | 16,661 |
| Ewing's Sarcoma Foundation | 1,704 | 1,140 |
| | 8,465,184 | 1,739,346 |
| Time restriction: | | |
| General | 7,451,046 | 7,659,256 |
| Total temporarily restricted net assets | $ 15,916,230 | $ 9,398,602 |

## PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent contributions made by donors who have restricted the use of their contributions to provide funding for the V Foundation Endowment Fund ("Fund"). The Fund has been established to provide funding for the operations of the Foundation from the earnings on restricted assets. Permanently restricted net assets totaled $12,114,202 and $12,181,603, at September 30, 2017 and 2016, respectively.

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## 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. The amounts released during the years ended September 30, 2017 and 2016, were as follows:

| | 2017 | 2016 |
|---|---|---|
| Purpose restriction: | | |
| Various cancer programs | $ 2,953,069 | $ 5,572,214 |
| General operations | 998,470 | 841,008 |
| Gastric Cancer Foundation | 458,444 | 456,262 |
| Kay Yow Foundation | 242,962 | 100,028 |
| Ewing's Sarcoma Foundation | 16 | 25,834 |
| Tamar Goodfellow Fund | - | 1,000 |
| Garry Betty Fund | 8 | 8 |
| | 4,652,969 | 6,996,354 |
| Time restriction: | | |
| General | 5,036,327 | 8,881,067 |
| Total temporarily restricted net assets released | $ 9,689,296 | $ 15,877,421 |

## RESTATEMENT OF NET ASSETS

During the year ended September 30, 2017, management noted promises to give that had been recognized as revenue that were from donor advised funds. The following balances were restated as of September 30, 2016:

| | September 30, 2016 Originally Reported | Adjustments | September 30, 2016 Restated Balances |
|---|---|---|---|
| Promises to give, net | $ 6,081,640 | $ (1,038,886) | $ 5,042,754 |
| Contributions and gifts | $ 23,233,349 | $ 233,264 | $ 23,466,613 |
| Loss from bad debts | $ 78,830 | $ (8,650) | $ 70,180 |
| Beginning net assets | $ 32,848,272 | $ (1,280,800) | $ 31,567,472 |
| Temporarily restricted net assets | $ 10,437,488 | $ (1,038,886) | $ 9,398,602 |

## DONATED SERVICES

The Foundation 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. No services meeting these requirements for recognition in the financial statements were received during the years ended September 30, 2017 and 2016. However, a number of persons have donated a significant amount of time and services to the Foundation's operations.

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## 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 statements of activities and changes in net assets include 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 Foundation's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

## 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

**THE V FOUNDATION**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**SCHEDULE 1**

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

| | Program Services | Management and General | Fundraising | 2017 Totals | 2016 Totals |
|---|---|---|---|---|---|
| Grant expense | $ 23,257,280 | $ - | $ - | $ 23,257,280 | $ 20,736,034 |
| Salaries | 749,250 | 566,160 | 719,511 | 2,034,921 | 2,106,448 |
| Employee benefits | 175,109 | 132,318 | 168,158 | 475,585 | 482,567 |
| Printing and copying | 86,312 | 65,221 | 82,886 | 234,419 | 124,451 |
| Computer maintenance | 71,479 | 54,013 | 68,643 | 194,135 | 256,373 |
| Charity partner support expense | 172,315 | - | - | 172,315 | 144,182 |
| Travel related expenses | 62,748 | 47,414 | 60,257 | 170,419 | 185,818 |
| Payroll taxes | 53,630 | 40,525 | 51,502 | 145,657 | 146,892 |
| Bank service charges | 49,809 | 37,638 | 47,832 | 135,279 | 92,699 |
| Professional fees | 23,994 | 92,383 | 4,726 | 121,103 | 386,958 |
| Depreciation and amortization | 33,340 | 25,193 | 32,017 | 90,550 | 51,697 |
| Direct fundraising expenses | - | - | 87,856 | 87,856 | 89,595 |
| Advertising | 30,418 | 22,986 | 29,212 | 82,616 | 130,603 |
| V Scholar summit | 75,454 | - | - | 75,454 | 23,438 |
| Miscellaneous | 23,964 | 18,108 | 23,013 | 65,085 | 48,274 |
| Occupancy expenses | 21,591 | 16,315 | 20,735 | 58,641 | 147,247 |
| Postage and shipping | 21,176 | 16,001 | 20,336 | 57,513 | 73,561 |
| Office supplies | 7,694 | 5,814 | 7,388 | 20,896 | 28,738 |
| Insurance | 7,309 | 5,524 | 7,020 | 19,853 | 20,612 |
| Scientific advisory board expenses | 13,523 | - | - | 13,523 | 23,002 |
| Sales tax | 3,653 | 2,761 | 3,508 | 9,922 | 9,485 |
| Board expenses | 924 | 698 | 887 | 2,509 | 2,440 |
| | $ 24,940,972 | $ 1,149,072 | $ 1,435,487 | $ 27,525,531 | $ 25,311,114 |

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