

DON'T EVER GIVE UP, INC.

Cary, North Carolina

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2016**



CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	2-3
Exhibits:	
"A" Statement of Financial Position	4
"B" Statement of Activities and Changes in Net Assets	5
"C" Statement of Cash Flows	6
Notes to Financial Statements	7-10
Additional Information	11
Schedule:	
"1" Schedule of Functional Expenses	12

Carla G. Daniel, EA
Andrea W. Eason, CPA, CGMA
Robin H. McDuffie, CPA, CGMA
M. Neely McLaughlin, CPA, MBA, CGMA
Joan C. Pharr, CPA, CGMA
Deetra B. Watson, CPA, CGMA



MEMBERS:
American Institute of
Certified Public Accountants

North Carolina Association of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Page 1 of 2

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, 2016, 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.

BLACKMAN & SLOOP, CPAS, P.A.

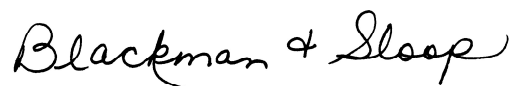
Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530
The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517
www.blackmansloop.com • email: cpa@blackmansloop.com

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, 2016, 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.

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 12 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.

A handwritten signature in cursive script that reads "Blackman & Sloop".

Chapel Hill, North Carolina
February 10, 2017

DON'T EVER GIVE UP, INC.**STATEMENT OF FINANCIAL POSITION****EXHIBIT A****September 30, 2016****ASSETS****CURRENT ASSETS:**

Cash	\$ 302,031
Contributions and gifts receivable	352,158
Special events receivable	587,391
Prepaid expenses	41,647

TOTAL ASSETS	\$ 1,283,227
---------------------	---------------------

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES:**

Accounts payable	\$ 192,006
Accrued payroll and related liabilities	62,622
Grant payable to The V Foundation	795,186

TOTAL LIABILITIES	1,049,814
--------------------------	------------------

NET ASSETS:

Unrestricted	(118,745)
Temporarily restricted	352,158

TOTAL NET ASSETS	233,413
-------------------------	----------------

TOTAL LIABILITIES AND NET ASSETS	\$ 1,283,227
---	---------------------

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUE:			
Contributions and gifts	\$ 7,266,742	\$ 4,026,596	\$ 11,293,338
Special events income	1,019,306	-	1,019,306
Interest	116	-	116
	<u>8,286,164</u>	<u>4,026,596</u>	<u>12,312,760</u>
Net assets released from restrictions	<u>3,674,438</u>	<u>(3,674,438)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>11,960,602</u>	<u>352,158</u>	<u>12,312,760</u>
EXPENSES:			
Program services	6,078,048	-	6,078,048
Management and general	1,144,501	-	1,144,501
Fundraising expenses:			
Direct benefits to donors	3,972,844	-	3,972,844
Other fundraising expenses	883,954	-	883,954
Total fundraising expenses	<u>4,856,798</u>	<u>-</u>	<u>4,856,798</u>
TOTAL EXPENSES	<u>12,079,347</u>	<u>-</u>	<u>12,079,347</u>
CHANGES IN NET ASSETS	(118,745)	352,158	233,413
NET ASSETS - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ (118,745)</u>	<u>\$ 352,158</u>	<u>\$ 233,413</u>

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

DON'T EVER GIVE UP, INC.**STATEMENT OF CASH FLOWS****EXHIBIT C****For the Year Ended September 30, 2016****CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in net assets	\$ 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	(352,158)
Special events receivables	(587,391)
Prepaid expenses	(41,647)
Accounts payable	192,006
Accrued payroll and related liabilities	62,622
Grants payable	795,186

NET CASH PROVIDED BY OPERATING ACTIVITIES	302,031
--	----------------

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-
--	----------

CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 302,031
--	-------------------

SUPPLEMENTAL DISCLOSURE:

Noncash contribution:	
Donated securities	\$ 225,902
Donated services and facilities	\$ 312,150

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

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

Page 1 of 4

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 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.

Cash consist 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. As of September 30, 2016, all contributions, gifts, and special events receivable were deemed collectible by management.

DON'T EVER GIVE UP, INC.

NOTES TO FINANCIAL STATEMENTS

Page 2 of 4

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

E. Outreach and Public Relations.

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

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 that 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, 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**

Page 3 of 4

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 \$12,856 for the year ended September 30, 2016.

OPERATING LEASES

The Organization has a non-cancelable operating lease agreement for the office space in St. Helena, California, which expires 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 \$25,815 and \$6,525, for the years ended September 30, 2017 and 2018, respectively. Total rent expense for the year ended September 30, 2016, totaled \$16,640.

RELATED PARTY TRANSACTIONS

The managing and coordinating of all special events of the Foundation were transferred to the Organization during the year. Monies raised by the Organization are granted to the Foundation. The Organization granted \$5,850,000 to the Foundation for the year ended September 30, 2016. The Organization reimbursed the Foundation for shared costs including facilities, personnel, and administrative expenses totaling \$1,786,625 for the year ended September 30, 2016. The Organization owed the Foundation \$795,186 at September 30, 2016.

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

CONCENTRATIONS

At September 30, 2016, approximately 57% of contributions receivable are from two donors. Additionally, two sponsors represent approximately 44% of gross sponsorships receivable. Four special events provided approximately 98% of the Organization's total gross special events income for the year ended September 30, 2016.

TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2016, temporarily restricted net assets consist solely of time restricted contributions receivable, all expected to be received within the next year. Time restricted contributions receivable totaled \$352,158 at September 30, 2016.

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. During the year ended September 30, 2016, \$8,600 for cancer research, \$2,206,280 for pediatric cancer research, and \$1,459,558 for prostate cancer research were released from restriction.

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

Page 4 of 4

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 \$230,950 of donated services 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. Accordingly, certain indirect costs have been allocated between the programs and supporting services benefited based on management's estimates.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through February 10, 2017, 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

For the Year Ended September 30, 2016

DON'T EVER GIVE UP, INC.**SCHEDULE OF FUNCTIONAL EXPENSES****SCHEDULE 1****For the Year Ended September 30, 2016**

	Program Services	Management and General	Fundraising	2016 Totals
Grant expense	\$ 5,850,000	\$ -	\$ -	\$ 5,850,000
Direct benefit to donors	-	-	3,972,844	3,972,844
Salaries	69,119	529,919	454,469	1,053,507
Professional fees	2,370	117,700	81,416	201,486
Employee benefits	12,869	87,387	84,614	184,870
Bank service charges	-	145,592	-	145,592
Travel related expenses	10,547	54,406	69,360	134,313
Other grant	110,000	-	-	110,000
Outreach and public relations	-	-	111,830	111,830
Payroll taxes	5,495	38,403	36,133	80,031
Technology	-	67,205	-	67,205
Occupancy expenses	-	65,001	-	65,001
Printing and copying	-	1,365	41,309	42,674
Forums and meetings	17,648	4,452	-	22,100
Office supplies	-	14,648	-	14,648
Postage and shipping	-	4,958	4,823	9,781
Insurance	-	6,871	-	6,871
Miscellaneous	-	6,594	-	6,594
	<u>\$ 6,078,048</u>	<u>\$ 1,144,501</u>	<u>\$ 4,856,798</u>	<u>\$ 12,079,347</u>

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