

PREVENT CANCER FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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

We have audited the accompanying statements of financial position of the **Prevent Cancer Foundation** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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.

Opinion

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of the **Prevent Cancer Foundation**, as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

September 18, 2013
Alexandria, Virginia

Prevent Cancer Foundation

Statements of Financial Position

June 30,

2013

2012

Assets

Current assets

Cash and cash equivalents	\$ 1,052,930	\$ 606,145
Grants, pledges, and bequests receivable	488,324	589,712
Investments - general	2,671,725	2,493,670
Prepaid expenses	23,415	27,089
	<u>4,236,394</u>	<u>3,716,616</u>

Property and equipment, net of accumulated depreciation	18,405	5,315
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Other assets

Investments - Donor restricted and Board designated funds	5,062,664	4,736,663
Deposits	24,736	23,636
Charitable gift annuities	202,574	110,218
Interests in remainder trusts	378,675	299,831
Deferred compensation plan	117,316	86,337
	<u>5,785,965</u>	<u>5,256,685</u>

Total assets	\$ 10,040,764	\$ 8,978,616
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Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 98,615	\$ 82,144
Grants payable	388,440	195,887
	<u>487,055</u>	<u>278,031</u>

Long-term liabilities

Charitable gift annuities	79,170	49,993
Deferred compensation plan	117,316	86,337
	<u>196,486</u>	<u>136,330</u>

Total liabilities	683,541	414,361
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Net assets

Unrestricted	7,059,257	6,596,069
Temporarily restricted	2,019,553	1,689,773
Permanently restricted	278,413	278,413
	<u>9,357,223</u>	<u>8,564,255</u>

Total liabilities and net assets	\$ 10,040,764	\$ 8,978,616
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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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	\$ 1,974,603	\$ 931,951	\$ -	\$ 2,906,554
Bequests and other income	325,159	-	-	325,159
Colorectal tour	113,000	-	-	113,000
In-kind contributions	365,150	-	-	365,150
Special events	1,572,469	67,694	-	1,640,163
Less: Costs of direct benefits to donors	(297,905)	-	-	(297,905)
Net assets released from restrictions	709,230	(709,230)	-	-
Total support and revenue	<u>4,761,706</u>	<u>290,415</u>	<u>-</u>	<u>5,052,121</u>
Expenses				
Program				
Research	991,333	-	-	991,333
Education and public awareness	1,918,850	-	-	1,918,850
Community outreach	893,497	-	-	893,497
Management and general	424,073	-	-	424,073
Fundraising	618,756	-	-	618,756
Total expenses	<u>4,846,509</u>	<u>-</u>	<u>-</u>	<u>4,846,509</u>
Change in net assets before investment income	(84,803)	290,415	-	205,612
Investment income	547,991	39,365	-	587,356
Change in net assets	463,188	329,780	-	792,968
Net assets, beginning of year	<u>6,596,069</u>	<u>1,689,773</u>	<u>278,413</u>	<u>8,564,255</u>
Net assets, end of year	<u>\$ 7,059,257</u>	<u>\$ 2,019,553</u>	<u>\$ 278,413</u>	<u>\$ 9,357,223</u>

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 Functional Expenses for the year ended June 30, 2013

	Program Services				Support Services			Total Expenses
	Research	Education and Public Awareness	Community Outreach	Total	Management and General	Fundraising	Total	
Accounting and auditing	\$ 5,661	\$ 12,987	\$ 6,660	\$ 25,308	\$ 3,330	\$ 4,662	\$ 7,992	\$ 33,300
Audio/Staging	-	20,441	-	20,441	-	33,897	33,897	54,338
Advertising	-	-	-	-	2,618	3,047	5,665	5,665
Awards	-	1,413	-	1,413	-	8,577	8,577	9,990
Bank charges	-	-	-	-	20,884	-	20,884	20,884
Bad debt	-	-	-	-	66,134	-	66,134	66,134
Catering	180	73,882	-	74,062	-	64	64	74,126
Computer services	911	6,944	982	8,837	492	2,626	3,118	11,955
Consultant fees	-	42,643	17,872	60,515	-	-	-	60,515
Contributions	1,500	-	-	1,500	-	-	-	1,500
Copying	-	2,475	-	2,475	-	97	97	2,572
Credit card discount expense	-	-	-	-	15,996	-	15,996	15,996
Decorators/Exhibitors	-	-	-	-	-	50,000	50,000	50,000
Delivery and shipping	-	2,499	425	2,924	3,214	3,520	6,734	9,658
Depreciation	700	1,605	823	3,128	412	576	988	4,116
Design and layout	-	12,471	38	12,509	262	12,524	12,786	25,295
Employee relations	-	177	-	177	1,430	134	1,564	1,741
Entertainment	-	-	-	-	-	-	-	-
Equipment lease	3,380	10,524	4,312	18,216	1,988	2,782	4,770	22,986
Furniture and equipment	-	-	-	-	370	-	370	370
Gifts	351	1,838	1,563	3,752	206	11,296	11,502	15,254
Grants	518,283	30,000	328,153	876,436	-	-	-	876,436
Honorariums	11,250	350	-	11,600	-	1,500	1,500	13,100
Incidentals	-	-	75	75	-	3	3	78
Insurance - general	1,648	4,780	1,938	8,366	969	1,357	2,326	10,692
Insurance - employee benefits	29,302	67,223	34,474	130,999	17,238	24,131	41,369	172,368
Legal	-	-	-	-	14,614	-	14,614	14,614
Lettershop	-	7,967	-	7,967	-	3,576	3,576	11,543
Lodging	3,537	28,254	842	32,633	-	1,015	1,015	33,648

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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, 2013

	Program Services				Support Services			Total Expenses
	Research	Education and Public Awareness	Community Outreach	Total	Management and General	Fundraising	Total	
Maintenance	\$ 300	\$ 688	\$ 353	\$ 1,341	\$ 176	\$ 381	\$ 557	\$ 1,898
Meals	678	6,429	674	7,781	1,497	3,256	4,753	12,534
Miscellaneous	-	-	-	-	1,060	127	1,187	1,187
Media services - in-kind	-	365,150	-	365,150	-	-	-	365,150
Meetings	-	2,000	-	2,000	-	563	563	2,563
Membership and dues	6,280	8,235	-	14,515	1,679	-	1,679	16,194
Mileage and parking	813	6,092	1,974	8,879	8,008	7,737	15,745	24,624
Photography	-	3,200	-	3,200	29	2,700	2,729	5,929
Postage	-	11,875	1,136	13,011	3,190	5,474	8,664	21,675
Premiums	-	3,660	-	3,660	32	14,481	14,513	18,173
Printing	-	46,868	974	47,842	2,917	21,209	24,126	71,968
Professional services	15,273	155,278	17,615	188,166	6,808	63,903	70,711	258,877
Rent	53,397	122,499	62,820	238,716	31,410	43,975	75,385	314,101
Salaries	275,348	631,682	323,939	1,230,969	161,969	226,758	388,727	1,619,696
Payroll taxes and processing	21,682	49,741	25,508	96,931	12,754	17,856	30,610	127,541
Registration fees	280	75	1,230	1,585	504	60	564	2,149
Retirement	10,639	24,407	12,517	47,563	6,258	8,761	15,019	62,582
Site rental	-	3,566	2,775	6,341	-	-	-	6,341
Software and support	6,012	37,786	3,544	47,342	1,772	10,190	11,962	59,304
Stipend	50	800	100	950	50	-	50	1,000
Storage	1,032	2,367	1,214	4,613	607	849	1,456	6,069
Subscriptions	-	33,801	-	33,801	3,614	3,360	6,974	40,775
Supplies	1,671	3,270	15,949	20,890	962	14,402	15,364	36,254
Taxes and licenses	-	-	-	-	7,768	45	7,813	7,813
Telephone	2,997	6,901	3,526	13,424	1,763	2,468	4,231	17,655
Temporary services	2,400	37,971	18,842	59,213	18,736	2,756	21,492	80,705
Transportation and per diem	15,778	26,036	650	42,464	353	2,061	2,414	44,878
	<u>\$ 991,333</u>	<u>\$ 1,918,850</u>	<u>\$ 893,497</u>	<u>\$ 3,803,680</u>	<u>\$ 424,073</u>	<u>\$ 618,756</u>	<u>\$ 1,042,829</u>	<u>\$ 4,846,509</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

Statements of Cash Flows for the years ended June 30, 2013 and 2012

2013

2012

Cash flows from operating activities

Change in net assets	\$ 792,968	\$ (6,142)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,116	6,437
Investments donated	(21,517)	(6,930)
Realized and unrealized (gains) losses on investments	(456,047)	(24,397)
(Decrease) increase in allowance for doubtful accounts	(35,000)	35,000
(Increase) decrease in operating assets		
Grants, pledges, and bequests receivable	136,388	(130,681)
Prepaid expenses	3,674	(216)
Deposits	(1,100)	-
Charitable gift annuities	(92,356)	12,273
Interests in remainder trusts	(78,844)	19,029
Deferred compensation plan	(30,979)	(11,037)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	16,471	33,246
Grants payable	192,553	(11,273)
Charitable gift annuities	29,177	(11,652)
Deferred compensation plan	30,979	11,037
Net cash provided (used) by operating activities	<u>490,483</u>	<u>(85,306)</u>

Cash flows from investing activities

Purchase of property and equipment	(17,206)	(2,374)
Proceeds from sale of investments	2,727,797	5,525,810
Purchase of investments	(2,754,289)	(5,223,568)
Net cash provided (used) by investing activities	<u>(43,698)</u>	<u>299,868</u>

Net increase in cash and cash equivalents

446,785 214,562

Cash and cash equivalents, beginning of year

606,145 391,583

Cash and cash equivalents, end of year

\$ 1,052,930 \$ 606,145

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, 2013 and 2012

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. 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, 2013 and 2012

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, 2013 and 2012, estimated compensated absences of \$43,265 and \$49,494, 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.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, grants, pledges, and bequests receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses, 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.

Advertising costs

Advertising costs are expensed as incurred.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

2. Significant accounting policies (continued)

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 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.

3. Cash and cash equivalents

Cash and cash equivalents as of June 30, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Checking accounts	<u>\$ 1,052,930</u>	<u>\$ 606,145</u>
Amount covered by Federal Deposit Insurance Corporation (FDIC)	<u>\$ 250,000</u>	<u>\$ 261,406</u>

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

4. Grants, pledges, and bequests receivable

Grants and pledges receivable consisted of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Pledges - Combined Federal Campaign	\$ 179,992	\$ 335,712
Other receivables	348,332	329,000
Allowance for uncollectible amounts	(40,000)	(75,000)
	<u>\$ 488,324</u>	<u>\$ 589,712</u>

The preliminary allocation to the Foundation for the 2012-2013 CFC pledge drive was \$188,418 (net of fees), \$36,540 which was received prior to June 30, 2013. The remaining balance is expected to be received in fiscal year 2014.

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, with \$206,464 collected during fiscal year 2013. The remaining balance is expected to be received in fiscal year 2014.

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.

5. Investments

The fair market value of securities held at June 30, 2013 and 2012, was as follows:

	<u>2013</u>	<u>2012</u>
Cash and money market funds	\$ 387,853	\$ 418,188
Fixed income	2,404,598	2,475,558
Equities	4,602,941	4,025,977
Mutual funds	338,997	310,610
Fair value per statements of financial position	<u>\$ 7,734,389</u>	<u>\$ 7,230,333</u>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

5. Investments (continued)

Investment income for the years ended June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Realized and unrealized (losses) gains	\$ 456,047	\$ (24,397)
Interest and dividend income	172,394	140,331
Investment fees	(41,085)	(39,045)
	<u>\$ 587,356</u>	<u>\$ 76,889</u>

6. Property and equipment

A summary of information relative to property depreciation as of June 30, 2013 and 2012 is as follows:

	<u>2013</u>			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Office furniture and equipment	<u>\$ 169,401</u>	<u>\$ 150,996</u>	<u>\$ 4,116</u>	3-10 years
	<u>2012</u>			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Office furniture and equipment	<u>\$ 152,195</u>	<u>\$ 146,880</u>	<u>\$ 6,437</u>	3-10 years

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 \$202,574 and \$110,218 as of June 30, 2013 and June 30, 2012, respectively, and the anticipated liability to the donors was \$79,170 and \$49,993 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 \$378,675 and \$299,831 for the years ended June 30, 2013 and 2012, respectively. Discount rates of 7% - 9% have been used in the calculation of the present value of these items.

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

9. Grants awarded

The Foundation recorded grants during 2013 and 2012 totaling \$876,436 and \$721,165, 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 \$388,440 and \$195,887 as of June 30, 2013 and 2012, 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 \$240,000 and \$160,000 at June 30, 2013 and 2012, respectively.

10. In-kind contributions

The Foundation received donated goods and services during the years ended June 30, 2013 and 2012. 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, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Public service announcements	\$ 365,150	\$ 869,631
Contributions for special events	<u>135,054</u>	<u>120,852</u>
	<u>\$ 500,204</u>	<u>\$ 990,483</u>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

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, 2013 and 2012 is as follows:

	2013			
	Revenue	Direct Benefit Expenses	Other Expenses	Net
Gala	\$ 1,432,404	\$ 259,400	\$ 140,314	\$ 1,032,690
Sarah Howard	62,194	25,242	23,276	13,676
5K Race	145,065	13,263	9,315	122,487
	<u>\$ 1,639,663</u>	<u>\$ 297,905</u>	<u>\$ 172,905</u>	<u>\$ 1,168,853</u>

	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>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

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:

	2013	
	<u>Fundraising</u>	<u>Education</u>
Direct mailings	<u>\$ 13,350</u>	<u>\$ 38,076</u>

	2012	
	<u>Fundraising</u>	<u>Education</u>
Direct mailings	<u>\$ 16,072</u>	<u>\$ 38,357</u>

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,

2014	\$ 320,830
2015	330,455
2016	340,368
2017	<u>290,696</u>
	<u>\$ 1,282,349</u>

Rent expense for the years ended June 30, 2013 and 2012 was \$314,101 and \$312,599, respectively.

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

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 \$45,582 and \$48,172 were made for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, the President was the only participant in the plan. Contributions in the amount of \$17,000 and \$16,500 were made on her behalf for the years ended June 30, 2013 and 2012, respectively. Fair market value of the plan was \$117,316 and \$86,337 as of June 30, 2013 and 2012, respectively.

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, 2013 and 2012 were as follows:

	<u>2012</u>	<u>Additions</u>	<u>Releases</u>	<u>2013</u>
Restricted to future periods				
Contributions receivable for the Combined Federal campaign	\$ 335,712	\$ 179,992	\$ 335,712	\$ 179,992
Contributions receivable and other	200,000	35,000	200,000	35,000
Charitable gift annuities	60,225	63,180	-	123,405
Interest in remainder trusts	299,831	78,843	-	378,674
	<u>895,768</u>	<u>357,015</u>	<u>535,712</u>	<u>717,071</u>
Restricted for specific activities or purpose				
State fairs- health awareness booth	-	11,500	-	11,500
Partnership grants	85,000	238,382	85,000	238,382
Scientific research for colorectal and prostate cancer	-	325,054	40,000	285,054
Sarah Howard fund	531,860	62,694	48,518	546,036
5K Run	-	5,000	-	5,000
	<u>616,860</u>	<u>642,630</u>	<u>173,518</u>	<u>1,085,972</u>
Portion of donor-restricted endowment subject to a time restriction under UPMIFA for research grants	<u>177,145</u>	<u>39,365</u>	<u>-</u>	<u>216,510</u>
	<u>\$ 1,689,773</u>	<u>\$ 1,039,010</u>	<u>\$ 709,230</u>	<u>\$ 2,019,553</u>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

15. Temporarily restricted net assets (continued)

	<u>2011</u>	<u>Additions</u>	<u>Releases</u>	<u>2012</u>
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	<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>

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 Director's 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.

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

17. Endowment and Board designated funds (continued)

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.

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.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

17. Endowment and Board designated funds (continued)

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:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds	\$ -	\$ 216,510	\$ 278,413	\$ 494,923
Board designated funds (not subject to UPMIFA)	<u>4,567,741</u>	<u>-</u>	<u>-</u>	<u>4,567,741</u>
Total	<u>\$ 4,567,741</u>	<u>\$ 216,510</u>	<u>\$ 278,413</u>	<u>\$ 5,062,664</u>
	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 177,145	\$ 278,413	\$ 455,558
Board designated funds (not subject to UPMIFA)	<u>4,281,105</u>	<u>-</u>	<u>-</u>	<u>4,281,105</u>
Total	<u>\$ 4,281,105</u>	<u>\$ 177,145</u>	<u>\$ 278,413</u>	<u>\$ 4,736,663</u>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

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, 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	(23,009)	(2,369)	-	(25,378)
Total investment return	<u>44,975</u>	<u>6,801</u>	<u>-</u>	<u>51,776</u>
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, 2012	<u>\$ 4,281,105</u>	<u>\$ 177,145</u>	<u>\$ 278,413</u>	<u>\$ 4,736,663</u>
Investment return				
Investment income	\$ 101,777	\$ 11,140	\$ -	\$ 112,917
Net appreciation	270,948	30,769	-	301,717
Investment fees	(23,691)	(2,544)	-	(26,235)
Total investment return	<u>349,034</u>	<u>39,365</u>	<u>-</u>	<u>388,399</u>
Contributions to perpetual endowment	-	-	-	-
Amounts appropriated for expenditure	<u>(62,398)</u>	<u>-</u>	<u>-</u>	<u>(62,398)</u>
Donor restricted endowment and Board designated funds as of June 30, 2013	<u>\$ 4,567,741</u>	<u>\$ 216,510</u>	<u>\$ 278,413</u>	<u>\$ 5,062,664</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, 2013 and 2012.

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

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.

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Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

18. Fair Value of financial instruments (continued)

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 388,505	\$ -	\$ -	\$ 388,505
Fixed income				
ETF - fixed income				
iShares Barclays AGG Bond Fund	575,886	-	-	575,886
iShares Barclays 1-3 YR Treasury Index Fund	627,607	-	-	627,607
Mutual funds - fixed income				
PIMCO FDS Total Return Bond Fund	635,299	-	-	635,299
PNC Total Return Advantage Fund Class Fund	642,781	-	-	642,781
Equities				
ETF - equity				
Vanguard Emerging Markets	111,768	-	-	111,768
Vanguard Small Cap	179,923	-	-	179,923
iShares Russell 1000 Growth Index Fund	874,116	-	-	874,116
Mutual funds - equity				
Artisan Mid Cap Value Fund	168,900	-	-	168,900
Federated Strategic Value Dividend Fund	800,177	-	-	800,177
Goldman Sachs Growth Opportunity Fund	170,954	-	-	170,954
Harbor International Fund	652,814	-	-	652,814
T Rowe Price Growth Stock	909,251	-	-	909,251
Blackrock Funds Equity Dividend Institutional	859,986	-	-	859,986
Mutual Funds				
Blackrock Global Allocation	229,356	-	-	229,356
Blackrock Strategic Inc Opp A	109,641	-	-	109,641
Long term trust receivables				
Cash and equivalents	-	-	5,193	5,193
Accrued income	-	-	298	298
Fixed Income				
ETF - fixed income	-	-	51,505	51,505
Mutual funds - fixed income	-	-	29,740	29,740
Other fixed income	-	-	35,829	35,829
Equities				
US Large Cap	-	-	87,571	87,571
US Mid Cap	-	-	17,306	17,306
US Small cap	-	-	8,628	8,628
Developed international	-	-	12,920	12,920
Emerging markets	-	-	21,953	21,953
Equity reits	-	-	4,451	4,451
Mutual funds - equity	-	-	57,707	57,707
Other equities	-	-	39,214	39,214
Alternative investments	-	-	6,359	6,359
Deferred compensation plan	117,316	-	-	117,316
Total assets, at fair value	\$ 8,054,280	\$ -	\$ 378,674	\$ 8,432,954

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements June 30, 2013 and 2012

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, 2013 and 2012

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>2013</u>	<u>2012</u>
Beginning balance	\$ 299,831	\$ 318,860
Total gains or losses (realized/unrealized) included in changes in net assets	78,843	(19,029)
Purchases, issuances, and settlements	-	-
Transfers in and/or out of Level 3	-	-
Ending balance	<u>\$ 378,674</u>	<u>\$ 299,831</u>

19. 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, 2013 and 2012.

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 fiscal years 2010 through 2013.

20. Subsequent events

The Organization assessed events occurring subsequent to June 30, 2013 through September 18, 2013, 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.