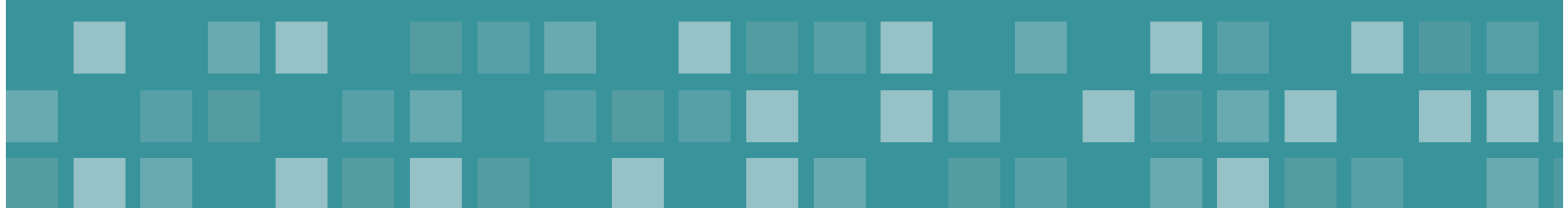


# **Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation**

Financial Report  
June 30, 2011



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## Independent Auditor's Report

To the Board of Directors  
Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation  
New York, New York

We have audited the accompanying balance sheet of the Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation (the "Foundation") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Foundation's 2010 financial statements and, in our report dated December 8, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

New York, New York  
November 29, 2011

**Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation**

**Balance Sheet**

**June 30, 2011**

**(with summarized financial information as of June 30, 2010)**

	2011	2010
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,780,784	\$ 5,420,009
Accounts Receivable	44,971	103,988
Interest and Dividends Receivable	169,271	238,860
Prepaid Expenses and Other Assets	168,534	165,262
Contributions and Bequests Receivable	9,847,729	10,685,047
Investments, at fair value	78,983,048	65,547,500
Amounts Held in Trust by Others	11,356,634	9,887,898
Fixed Assets	<u>136,234</u>	<u>208,809</u>
<b>Total assets</b>	<b><u>\$ 106,487,205</u></b>	<b><u>\$ 92,257,373</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 469,914	\$ 346,765
Deferred revenue	320,810	161,617
Deposits for theater tickets	882,511	880,377
Fellowships and awards payable	<u>15,541,688</u>	<u>14,124,846</u>
<b>Total liabilities</b>	<b><u>17,214,923</u></b>	<b><u>15,513,605</u></b>
Net Assets:		
Unrestricted	51,102,680	41,402,955
Temporarily restricted	32,470,670	30,351,903
Permanently restricted	<u>5,698,932</u>	<u>4,988,910</u>
<b>Total net assets</b>	<b><u>89,272,282</u></b>	<b><u>76,743,768</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 106,487,205</u></b>	<b><u>\$ 92,257,373</u></b>

See Notes to Financial Statements.

Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

Statement of Activities

Year Ended June 30, 2011

(with summarized financial information for the year ended June 30, 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Activities:					
Revenue:					
Contributions, net of donor benefit expense	\$ -	\$ 9,891,764	\$ -	\$ 9,891,764	\$ 13,930,064
Theater ticket revenue, net of donor benefit expense	341,827	-	-	341,827	430,877
Donated services	664,108	-	-	664,108	722,693
Bequests, net of related legal fees	-	1,662,163	-	1,662,163	285,640
Income from amounts held in trust by others	122,811	-	-	122,811	157,576
Miscellaneous income	47,404	-	-	47,404	106,368
Allocation of endowment (Note 3)	2,380,687	-	-	2,380,687	1,885,966
	3,556,837	11,553,927	-	15,110,764	17,519,184
Net Assets Released From Restrictions	10,193,874	(10,193,874)	-	-	-
<b>Total operating revenue</b>	<b>13,750,711</b>	<b>1,360,053</b>	<b>-</b>	<b>15,110,764</b>	<b>17,519,184</b>
Operating Expenses:					
Fellowships	4,243,128	-	-	4,243,128	4,319,418
Dale Frey awards	200,000	-	-	200,000	-
Clinical investigator awards	3,507,373	-	-	3,507,373	2,803,178
Rachleff innovation awards	2,243,373	-	-	2,243,373	1,342,739
<b>Total scientific awards</b>	<b>10,193,874</b>	<b>-</b>	<b>-</b>	<b>10,193,874</b>	<b>8,465,335</b>
Other Program Expense	1,313,134	-	-	1,313,134	1,207,005
<b>Total program services</b>	<b>11,507,008</b>	<b>-</b>	<b>-</b>	<b>11,507,008</b>	<b>9,672,340</b>
Supporting Services:					
Management and general	672,207	-	-	672,207	632,525
Fund-raising	1,571,496	-	-	1,571,496	1,463,950
<b>Total supporting services</b>	<b>2,243,703</b>	<b>-</b>	<b>-</b>	<b>2,243,703</b>	<b>2,096,475</b>
<b>Total operating expenses</b>	<b>13,750,711</b>	<b>-</b>	<b>-</b>	<b>13,750,711</b>	<b>11,768,815</b>
<b>Increase in net assets from operations</b>	<b>-</b>	<b>1,360,053</b>	<b>-</b>	<b>1,360,053</b>	<b>5,750,369</b>
Nonoperating Activities:					
Bad debt loss	-	-	-	-	(110,000)
Investment return greater than amount appropriated for operations (Note 3)	9,699,725	-	-	9,699,725	3,344,655
Change in value of charitable remainder trusts	-	758,714	-	758,714	417,461
Change in value of perpetual trusts	-	-	710,022	710,022	367,185
<b>Total nonoperating activities</b>	<b>9,699,725</b>	<b>758,714</b>	<b>710,022</b>	<b>11,168,461</b>	<b>4,019,301</b>
<b>Increase in net assets</b>	<b>9,699,725</b>	<b>2,118,767</b>	<b>710,022</b>	<b>12,528,514</b>	<b>9,769,670</b>
Net Assets:					
Beginning	41,402,955	30,351,903	4,988,910	76,743,768	66,974,098
Ending	<u>\$ 51,102,680</u>	<u>\$ 32,470,670</u>	<u>\$ 5,698,932</u>	<u>\$ 89,272,282</u>	<u>\$ 76,743,768</u>

See Notes to Financial Statements.

Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

Statement of Functional Expenses

Year Ended June 30, 2011

(with summarized financial information for the year ended June 30, 2010)

	2011				2010	
	<u>Supporting Services</u>					
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Supporting Services</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$ 406,922	\$ 324,069	\$ 757,617	\$ 1,081,686	\$ 1,488,608	\$ 1,367,383
Employee benefits	77,047	61,360	143,448	204,808	281,855	271,914
Payroll taxes	24,934	19,858	46,423	66,281	91,215	86,958
	508,903	405,287	947,488	1,352,775	1,861,678	1,726,255
Fellowships	4,243,128	-	-	-	4,243,128	4,319,418
Dale Frey awards	200,000	-	-	-	200,000	-
Clinical investigator awards	3,507,373	-	-	-	3,507,373	2,803,178
Rachleff innovation awards	2,243,373	-	-	-	2,243,373	1,342,739
Advisory committee and award panel services including donated services of \$216,000 as of June 30, 2011 and 2010	439,456	-	-	-	439,456	357,795
Fellows retreat	74,062	-	-	-	74,062	66,280
Professional fees	87,958	70,048	163,762	233,810	321,768	300,685
Stationery and supplies	27,293	21,736	50,815	72,551	99,844	79,933
Telephone	12,545	9,992	23,357	33,349	45,894	44,908
Postage	7,513	5,984	13,988	19,972	27,485	26,062
Occupancy	101,433	80,780	188,850	269,630	371,063	371,802
Insurance	10,145	8,079	18,888	26,967	37,112	32,312
Printing and publications	-	35,399	82,757	118,156	118,156	123,916
Depreciation	19,839	15,799	36,937	52,736	72,575	74,499
Tax expense	130	103	242	345	475	550
Miscellaneous	23,857	19,000	44,412	63,412	87,269	98,483
<b>Total operating expenses</b>	<b>11,507,008</b>	<b>672,207</b>	<b>1,571,496</b>	<b>2,243,703</b>	<b>13,750,711</b>	<b>11,768,815</b>
Donated investment services	-	374,573	-	374,573	374,573	398,482
Legal fees related to bequests	-	-	73,800	73,800	73,800	29,285
Donor benefit expenses:						
Theater tickets	-	-	468,788	468,788	468,788	554,498
Special events	-	-	209,937	209,937	209,937	241,708
<b>Total expenses</b>	<b>\$ 11,507,008</b>	<b>\$ 1,046,780</b>	<b>\$ 2,324,021</b>	<b>\$ 3,370,801</b>	<b>\$ 14,877,809</b>	<b>\$ 12,992,788</b>

See Notes to Financial Statements.

**Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation**

**Statement of Cash Flows**

**Year Ended June 30, 2011**

**(with summarized financial information for the year ended June 30, 2010)**

	2011	2010
<b>Cash Flows From Operating Activities:</b>		
Increase in net assets	\$ 12,528,514	\$ 9,769,670
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	72,575	74,499
Deferred rent obligation	25,063	32,706
Net appreciation in fair value of investments	(11,084,394)	(4,356,736)
Change in value of perpetual and charitable remainder trusts	(1,468,736)	(784,646)
Contributed investments	(266,665)	(241,077)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	59,017	(39,581)
Decrease in interest and dividends receivable	69,589	105,241
Increase in prepaid expenses and other assets	(3,272)	(44,436)
Decrease (increase) in contributions and bequests receivable	837,318	(1,828,493)
Increase in accounts payable and accrued expenses	98,086	23,039
Increase in deferred revenue	159,193	161,617
Increase (decrease) in deposits for theater tickets	2,134	(1,077)
Increase in fellowships and awards payable	1,416,842	48,014
<b>Net cash provided by operating activities</b>	<b>2,445,264</b>	<b>2,918,740</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(58,173,179)	(57,032,104)
Proceeds from sale of investments	56,088,690	56,959,467
Purchase of fixed assets	-	(15,980)
<b>Net cash used in investing activities</b>	<b>(2,084,489)</b>	<b>(88,617)</b>
<b>Increase in cash and cash equivalents</b>	<b>360,775</b>	<b>2,830,123</b>
<b>Cash and Cash Equivalents:</b>		
Beginning	5,420,009	2,589,886
Ending	\$ 5,780,784	\$ 5,420,009

See Notes to Financial Statements.

## Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

### Notes to Financial Statements

(with summarized comparative information as of and for the year ended June 30, 2010)

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#### Note 1. Organization and Summary of Significant Accounting Policies

The Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation, d/b/a Damon Runyon Cancer Research Foundation (the "Foundation"), a not-for-profit organization, was incorporated in 1947 to further the advancement of cancer research by awarding grants to scientific investigators working in universities, hospitals and research institutions.

Accounting Presentation: The accompanying financial statements have been prepared on the accrual basis.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Net Asset Classifications: Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation or the passage of time.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation or, in the case of perpetual trusts, by third parties. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for program purposes.

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid investments with a maturity of three months or less at time of purchase, except for those held by investment managers as part of their long-term investment strategy. The Foundation maintains cash in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Investments: Investments in marketable equity securities, marketable debt securities, and U.S. government debt obligations are measured at fair value in the accompanying balance sheets based upon quoted market prices. The limited partnership investments, which are less liquid than the Foundation's other investments, are reported at the fair value provided by the general partner. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur, and investment income is recognized as revenue in the period earned.

Fixed Assets: Fixed assets are recorded at cost, if purchased, or fair value at date of gift, if donated. The Foundation capitalizes all purchases of fixed assets in excess of \$1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets or, in the case of leasehold improvements, over the life of the lease if shorter. Computer equipment and software and furniture and fixtures are depreciated over a five-year estimated useful life.

Revenue and Support: Revenue is reported as increases in unrestricted net assets unless its use is limited by donor-imposed restrictions. Consistent with the Foundation's commitment in its solicitation materials and other publications, all bequests and contributions (net of donor benefit) with the exception of contributions received in connection with the sale of theater tickets and donated services, are restricted for scientific awards. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

## Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

### Notes to Financial Statements

(with summarized comparative information as of and for the year ended June 30, 2010)

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#### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Operations include all revenue earned and expenses incurred, including the amount of investment return required to equalize operating revenue and expenses. Investment return in excess of or less than such amount allocated to operations is reported as nonoperating activity.

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Bequests are recorded as revenue at the time that an unassailable right to the gift has been established by the probate court and the proceeds are measurable in amount.

Contributions and bequests receivable are reported at their outstanding balances discounted to their net present value based on an interest-free rate when the contribution is initially received, prior to the adoption of Accounting Standards Codification ("ASC") 820, and using a borrowing rate that the Foundation could secure. The Foundation estimates an allowance for bad debts based on historical bad debt factors related to the donor's ability to pay and current economic trends. As of June 30, 2011 and 2010, there is no allowance set up but, during the year ended June 30, 2010, the Foundation recognized a bad debt loss of \$110,000.

The Foundation recognizes as income donated services that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if they had not been contributed.

Deferred Revenue: Deferred revenue represents monies received in advance of income not earned from special events expected to incur in the future, which will be recognized in the statements of activities when the events occur.

Expenses: Expenses are reported as decreases in unrestricted net assets. The cost of providing the various program and supporting services of the Foundation have been summarized on a functional basis in the accompanying financial statements. Certain costs and expenses have been allocated between program services and supporting services on a reasonable basis as determined by management.

Fair Value Measurements: The Foundation follows Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are being measured and reported on a fair value basis. FASB ASC 820 sets out a fair value hierarchy and 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. The fair value hierarchy is defined as follows:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. The types of investments in Level 1 generally include listed equities.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Investments in this category generally include corporate debt, U.S. government debt, and less liquid securities such as securities traded on certain foreign exchanges. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

## Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

### Notes to Financial Statements

(with summarized comparative information as of and for the year ended June 30, 2010)

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#### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates. Investments in this category generally include equity and debt positions in private companies.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no significant transfers among Levels 1, 2 and 3 during the year.

The Foundation also applies the following amendments to FASB ASC 820:

Accounting Standards Update ("ASU") No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments that do not have readily determinable fair values. This guidance amends FASB ASC 820 and allows for the estimation of the fair value of certain investments in investment companies using the reported net asset value per share and classifying those investments within the fair value hierarchy.

ASU 2010-06, *Fair Value Measurements and Disclosures - Improving Disclosures about Fair Value Measurements*, which requires new disclosures concerning the reasons for transferring financial assets and liabilities between Levels 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances and settlements instead of netting these changes.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board ("IASB") on fair value measurement. The amendments in ASU 2011-04 are effective to the Foundation's financial statements for annual periods beginning after December 15, 2011.

Income Taxes: The Foundation has been determined by the Internal Revenue Service to be a Section 501(c)(3) charitable organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the "IRC"). The Foundation has been classified as a publicly supported organization and not as a private foundation under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction by donors. As a not-for-profit organization, the Foundation is subject to taxes on unrelated business income.

The Foundation follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes.

## Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

### Notes to Financial Statements

(with summarized comparative information as of and for the year ended June 30, 2010)

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#### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2008, which is the standard statute of limitations look-back period.

Endowment: The Foundation's board of directors has determined that when the Foundation receives a contribution and the donor restricts the Foundation from spending the principal, the Foundation is required to maintain the historical dollar value of the contribution received as an endowment under the New York Not-for-Profit Corporation Law. Such amount is recorded as permanently restricted and investment returns are recorded as temporarily restricted or unrestricted based on the purpose for which the endowment was created.

On September 17, 2010, the State of New York enacted the New York Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). The Foundation has interpreted NYPMIFA as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the endowment fund that is not classified as 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 NYPMIFA. There was no effect on net assets to the Foundation.

Comparative: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Foundation's 2010 financial statements from which the summarized information was derived.

Subsequent Events: The Foundation evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was November 29, 2011 for these financial statements.

Risks and Uncertainties: The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 of investments reported in the balance sheets.

#### Note 2. Contributions and Bequests Receivable

Contributions and bequests receivable at June 30, 2011 and 2010 are due to be collected as follows:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 4,369,708	\$ 4,188,446
One to five years	<u>5,767,320</u>	<u>6,912,027</u>
	10,137,028	11,100,473
Discount to present value ranging from 1.8% to 4.5%	<u>(289,299)</u>	<u>(415,426)</u>
	<u>\$ 9,847,729</u>	<u>\$ 10,685,047</u>

## Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

### Notes to Financial Statements

(with summarized comparative information as of and for the year ended June 30, 2010)

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#### Note 2. Contributions and Bequests Receivable (Continued)

For the years ended June 30, 2011 and 2010, contributions receivable were due from three donors totaling \$5,027,159 and \$5,903,022, respectively.

#### Note 3. Investments

Investments, at fair value, consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Money market funds	\$ 2,370,862	\$ 2,997,217
Marketable equity securities	47,594,912	30,178,552
Marketable debt securities	13,294,529	15,749,992
Fixed term certificates of deposit	141,583	141,583
Belize government obligations	325,000	-
U.S. government obligations	493,750	4,058,618
Limited partnerships	14,762,412	12,421,538
	<u>\$ 78,983,048</u>	<u>\$ 65,547,500</u>

Income generated from the Foundation's investments and allocated to operations for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 1,372,653	\$ 1,269,218
Net appreciation in fair value of investments	11,084,394	4,356,736
Investment (expenses) income	(2,062)	3,149
Donated investment services	(374,573)	(398,482)
	12,080,412	5,230,621
Investment return allocated to operations	<u>(2,380,687)</u>	<u>(1,885,966)</u>
	<u>\$ 9,699,725</u>	<u>\$ 3,344,655</u>

#### Note 4. Fair Value of Financial Instruments

Fair Value of Financial Instruments: The estimated fair values of the Foundation's financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts. The following methods and assumptions were used in estimating the fair values of significant financial instruments at June 30, 2011 and 2010:

Cash and cash equivalents - The carrying amount approximates fair value because the instruments are liquid in nature and have short-term maturities.

Contributions and bequests receivable - The carrying amount is based on estimated present values and approximates fair value.

**Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended June 30, 2010)**

**Note 4. Fair Value of Financial Instruments (Continued)**

Accounts receivable - The carrying amounts are based on estimated present values and approximate fair value.

Investments - The fair value is determined as described below.

Amounts held in trust by others - The carrying amount is based on estimated present values of the anticipated cash inflows and approximates fair value.

Accounts payable and accrued expenses - The carrying amounts approximate fair values because of the short-term nature of the instruments.

Fellowships and awards payable - The carrying amount approximates fair value based on estimated present values of the anticipated cash outflows.

The following tables present the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2011 and 2010:

Description	2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Marketable equity securities	\$ 47,594,912	\$ 47,594,912	\$ -	\$ -
Marketable debt securities	13,294,529	-	13,294,529	-
Belize government debt	325,000	-	-	325,000
U.S. government debt	493,750	-	493,750	-
Total investments in securities, at fair value	61,708,191	47,594,912	13,788,279	325,000
Money market funds and fixed term certificates of deposit	2,512,445	2,512,445	-	-
Limited partnerships	14,762,412	-	531,423	14,230,989
Total investments	78,983,048	50,107,357	14,319,702	14,555,989
Amounts held in trust by others	11,356,634	-	-	11,356,634
	<u>\$ 90,339,682</u>	<u>\$ 50,107,357</u>	<u>\$ 14,319,702</u>	<u>\$ 25,912,623</u>

**Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended June 30, 2010)**

**Note 4. Fair Value of Financial Instruments (Continued)**

Description	2010			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Marketable equity securities	\$ 30,178,552	\$ 30,178,552	\$ -	\$ -
Marketable debt securities	15,749,992	-	15,749,992	-
U.S. government debt	4,058,618	-	4,058,618	-
Total investments in securities, at fair value	49,987,162	30,178,552	19,808,610	-
Money market funds and fixed term certificates of deposit	3,138,800	3,138,800	-	-
Limited partnerships	12,421,538	-	2,981,483	9,440,055
Total investments	65,547,500	33,317,352	22,790,093	9,440,055
Amounts held in trust by others	9,887,898	-	-	9,887,898
	<u>\$ 75,435,398</u>	<u>\$ 33,317,352</u>	<u>\$ 22,790,093</u>	<u>\$ 19,327,953</u>

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Below are the valuation techniques used by the Foundation to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of the valuation. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. Corporate and governmental debt securities are valued based on the last reported bid price provided by broker-dealers. Investments in limited partnerships are stated at the net asset value provided by the general partners. In accordance with ASU 2009-12, the Foundation categorizes one of its limited partnership investments as a Level 2 fair value measurement because the Foundation had the ability to redeem the investment as of June 30.

## Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

### Notes to Financial Statements

(with summarized comparative information as of and for the year ended June 30, 2010)

#### Note 4. Fair Value of Financial Instruments (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which the Foundation has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments for the years ended June 30, 2011 and 2010:

	2011				2010
	Limited Partnership	Amounts Held in Trust by Others	Other	Total	
Beginning balance, July 1	\$ 9,440,055	\$ 9,887,898	\$ -	\$ 19,327,953	\$ 19,924,266
Subscription in investment partnership	2,716,650	-	-	2,716,650	-
Investment in Belize government obligation	-	-	325,000	325,000	-
Change in unrealized appreciation	2,074,284	1,468,736	-	3,543,020	2,283,912
Adjustment due to change in accounting treatment (due to application of ASU 2009-12)	-	-	-	-	(2,880,225)
Ending balance, June 30	<u>\$ 14,230,989</u>	<u>\$ 11,356,634</u>	<u>\$ 325,000</u>	<u>\$ 25,912,623</u>	<u>\$ 19,327,953</u>

The following table provides additional information on the limited partnership investments as of June 30, 2011 and 2010:

Investment Objective	2011	Redemption Frequency	Redemption Notice Period	2010
Equity long/short funds (a)	\$ 14,230,989	Annually	60 days	\$ 9,440,055
Multi-strategy (b)	<u>531,423</u>	Semiannually	90 days	<u>2,981,483</u>
	<u>\$ 14,762,412</u>			<u>\$ 12,421,538</u>

(a) This category follows a long/short investment style based on the discretion of the portfolio managers of the limited partnerships.

(b) This category seeks attractive risk-adjusted rates of return with lower volatility than the broad equity markets.

In fiscal year 2011, the Foundation provided notice to one of its alternative investments that it wants to redeem its interest in the partnership. As of June 30, 2011, the remaining amount in the partnership represents the holdback portion of its investment, which is in accordance with the subscription agreement of the alternative investment.

#### Note 5. Amounts Held in Trust by Others

The Foundation is named as beneficiary of several perpetual trusts and charitable remainder trusts. The Foundation does not exercise control over the trusts' assets, which are administered by third parties. In some of the charitable remainder trusts, the Foundation is currently receiving income as one of the named beneficiaries.

The perpetual trusts are reported in the permanently restricted net asset class because the Foundation has an irrevocable right to all or, in cases where other beneficiaries participate, a portion of the income earned on the trusts' assets in perpetuity, but will never receive the assets held in trust.

## Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

### Notes to Financial Statements

(with summarized comparative information as of and for the year ended June 30, 2010)

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#### Note 5. Amounts Held in Trust by Others (Continued)

For those trusts in which the Foundation has a remainder interest (i.e., upon termination of the trusts), the Foundation will receive the assets remaining in the trusts (or a portion thereof in those cases where other beneficiaries participate), which are reported in the temporarily restricted net asset class at the present value of the estimated future benefit to be received when the trusts are distributed. The amounts held in trust by others are adjusted annually to reflect changes in the life expectancy of the beneficiaries, the value of the assets held in the trusts and other changes in estimates of future payments. Such adjustments are reported as change in value of charitable remainder trusts. The reported value is measured by the fair value of the trusts' assets. The discount rate ranges from 6.50% to 8.00%.

The Foundation has also been named as beneficiary of several other trusts that have not been included in these financial statements because they have very broad power to invade, which causes uncertainty in determining the value to the Foundation in the future, or the future benefit to the Foundation is deemed to be minimal because of the ages of the life beneficiaries.

#### Note 6. Fixed Assets

Fixed assets at June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 125,874	\$ 125,874
Computer equipment and software	312,265	312,265
Furniture and fixtures	<u>182,736</u>	<u>182,736</u>
	620,875	620,875
Less accumulated depreciation	<u>(484,641)</u>	<u>(412,066)</u>
	<u>\$ 136,234</u>	<u>\$ 208,809</u>

#### Note 7. Fellowships and Awards Payable

All awards are made after review by award selection committees comprised of leading scientists and upon the approval of the board of directors. Awards payable as of June 30, 2011 and 2010 are expected to be paid as follows:

<u>Year ending June 30,</u>	<u>2011</u>	<u>2010</u>
2011	\$ -	\$ 7,628,264
2012	8,354,075	4,777,325
2013	5,422,995	1,961,498
2014	1,987,000	25,000
2015	<u>37,500</u>	<u>-</u>
	15,801,570	14,392,087
Discount to present value ranging from 1.8% to 4.5%	<u>(259,882)</u>	<u>(267,241)</u>
	<u>\$ 15,541,688</u>	<u>\$ 14,124,846</u>

## Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

### Notes to Financial Statements

(with summarized comparative information as of and for the year ended June 30, 2010)

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#### Note 8. Pension Plan

The Foundation has a defined contribution plan covering substantially all of its employees. The Foundation's policy is to contribute 10% of employees' base compensation after two full years of full-time employment. Total pension expense for fiscal years 2011 and 2010 was approximately \$96,000 and \$80,000, respectively.

#### Note 9. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Charitable remainder trusts	\$ 5,941,763	\$ 5,183,049
Dale Frey Award for Breakthrough Scientists	7,099,450	6,930,450
Contributions and bequests receivable restricted for program services	<u>19,429,457</u>	<u>18,238,404</u>
	<u>\$ 32,470,670</u>	<u>\$ 30,351,903</u>

Permanently restricted net assets consist almost entirely of perpetual trusts held by third-party trustees (see Note 5).

#### Note 10. Lease Commitment

The Foundation leases office space under a noncancelable operating lease agreement expiring in February 2018. As of June 30, 2011, the future minimum lease payments under this lease are as follows:

##### Year ending June 30,

2012	\$ 321,223
2013	346,037
2014	366,634
2015	375,769
2016	385,163
Thereafter	<u>663,182</u>
	<u>\$ 2,458,008</u>

The lease is subject to escalations for the Foundation's pro rata share of the increase in real estate taxes and operating expenses.

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required by the lease. As of June 30, 2011 and 2010, there was \$201,665 and \$176,602, respectively, of deferred rent included in accounts payable and accrued expenses.

Rent expense was approximately \$371,000 and \$372,000 for the years ended June 30, 2011 and 2010, respectively.

As part of the Foundation's lease agreement, the Foundation obtained an active letter of credit which is collateralized by a 12-month certificate of deposit amounting to \$105,953 that is included in investments, in lieu of a cash security deposit.

## **Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation**

### **Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended June 30, 2010)**

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#### **Note 11. Taxes**

The Foundation paid federal and state unrelated business income taxes of approximately \$500 and \$600 for the years ended June 30, 2011 and 2010, respectively, which were generated from certain investment partnership activities. The taxes were calculated using applicable corporate tax rates.

#### **Note 12. Related Party Transaction**

A member of the board of directors of the Foundation is also a general partner in one of the alternative investments that the Foundation invests in. The Foundation's board has a conflict-of-interest policy in place that requires board members to disclose all conflicts and potential conflicts. The relationship of this board member was disclosed prior to the Foundation's initial investment into the alternative investment. The value of the alternative investment as of June 30, 2011 and 2010 was \$14,230,989 and \$9,440,055, respectively. The board member donates back to the Foundation his portion of the investment fees that are earned from the Foundation.

#### **Note 13. Endowment Fund**

The Foundation has implemented policies for its investment portfolio that attempt to provide a predictable stream of funding while seeking to maintain its purchasing power. Investment portfolio assets include both unrestricted and restricted funds. Under the oversight of the board's Investments Committee, portfolio assets are invested in a manner that is intended to produce results that provide a high total return (income and capital gains) over the long term, consistent with the preservation of principal. The Foundation expects that earnings growth will match or exceed inflation and that the real (i.e., inflation-adjusted) value of the investment portfolio will be maintained. Actual returns in any given year may vary.

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 prepares an annual budget that is reviewed and approved by the board of directors. Projected revenues are compared to projected expenditures. When projected expenditures exceed projected revenues, the board of directors authorizes a drawdown from the endowment to balance the budget. As a rule, the authorized drawdown does not exceed the expected, long-term rate of return on the endowment. The current benchmark used is 5.5% on a three-year rolling average. In any given year, the actual drawdown may be more or less than the 5.5% depending on operational considerations.

On the statements of activities, approximately \$2,400,000 and \$1,900,000 for the years ended June 30, 2011 and 2010, respectively, are reflected as an allocation of endowment. This amount represents the funds needed to balance unrestricted revenues and expenses on an accrual basis of accounting.

Endowment assets represent available funds allocated by the Foundation for long-term investment. Endowment assets include funds received from donors for funding of scientific awards that are included in temporarily restricted net assets.

**Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation**

**Notes to Financial Statements**

**(with summarized comparative information as of and for the year ended June 30, 2010)**

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**Note 13. Endowment Fund (Continued)**

	<u>2011</u>	<u>2010</u>
Endowment assets, beginning of year	<u>\$ 65,547,500</u>	<u>\$ 60,877,051</u>
Investment return:		
Investment income	<u>996,018</u>	873,885
Net appreciation	<u>11,084,394</u>	<u>4,356,736</u>
Total investment return	<u>12,080,412</u>	<u>5,230,621</u>
Contributions	<u>266,665</u>	<u>241,077</u>
Allocation of endowment assets for income (expenditure)	<u>1,088,471</u>	<u>(801,249)</u>
Endowment net assets and cash, end of year	<u><u>\$ 78,983,048</u></u>	<u><u>\$ 65,547,500</u></u>

**Note 14. Donated Services**

The Foundation received donated services for the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Investment management services	<u>\$ 374,573</u>	<u>\$ 398,482</u>
Marketing services	<u>73,535</u>	<u>108,211</u>
Members of scientific selection committee	<u>216,000</u>	<u>216,000</u>
	<u><u>\$ 664,108</u></u>	<u><u>\$ 722,693</u></u>