

THE SAMUEL WAXMAN CANCER RESEARCH  
FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

YEARS ENDED JUNE 30, 2008 AND 2007  
WITH INDEPENDENT AUDITORS' REPORT

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THE SAMUEL WAXMAN CANCER  
RESEARCH FOUNDATION, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Financial Statements	
Comparative Statement of Financial Position	2-3
Statement of Activities (With Comparative Totals for 2007)	4
Comparative Statement of Cash Flows	5
Notes to Comparative Financial Statements	6-14
Additional Information	
Schedule A – Schedule of Functional Expenses (With Comparative Totals for 2007)	15

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Samuel Waxman Cancer Research Foundation, Inc.

We have audited the accompanying comparative statement of financial position of The Samuel Waxman Cancer Research Foundation, Inc. (a nonprofit organization) (the "Foundation") as of June 30, 2008 and 2007, and the related comparative statements of activities and cash flows for the years 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.

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 Samuel Waxman Cancer Research Foundation, Inc. as of June 30, 2008 and 2007, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New York, New York  
September 19, 2008

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.  
 COMPARATIVE STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2008 AND 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents:		
Checking account	\$ 287	\$ 55,078
Money market accounts	2,556,959	1,175,065
Cash held at broker	<u>3,020</u>	<u>3,020</u>
Total cash and cash equivalents	<u>2,560,266</u>	<u>1,233,163</u>
Receivables:		
Unrestricted pledges	60,809	38,450
Accrued interest	-	337
Temporarily restricted pledges (Note 2):	<u>330,625</u>	<u>132,625</u>
Total receivables	<u>391,434</u>	<u>171,412</u>
Prepaid expenses	<u>396,483</u>	<u>337,816</u>
Total current assets	<u>3,348,183</u>	<u>1,742,391</u>
Temporarily restricted long-term pledges receivable (Note 2)	<u>900,000</u>	<u>30,000</u>
Investments:		
Equities (cost: 2008 - \$1,136)	1,055	-
U.S. Treasury and Agency obligations, at market (cost: 2007 - \$3,502,433)	-	3,556,590
Municipal bonds, at market (cost: 2007 - \$100,004)	-	100,000
Investments in hedge fund entities (Note 3)	<u>5,383,781</u>	<u>4,686,112</u>
Total investments	<u>5,384,836</u>	<u>8,342,702</u>
Reserve for research grants (Notes 3 and 6)	<u>-</u>	<u>1,610,000</u>
Charitable gift annuities (Note 4)	<u>95,966</u>	<u>102,165</u>
Equipment and improvements, net (Note 5)	<u>52,531</u>	<u>63,970</u>
Total assets	<u>\$ 9,781,516</u>	<u>\$11,891,228</u>

The accompanying notes are an integral part of these financial statements.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.  
 COMPARATIVE STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2008 AND 2007  
 (continued)

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,200	\$ 102,193
Research grants payable (Note 6)	-	1,610,000
Deferred income	<u>114,625</u>	<u>92,575</u>
Total current liabilities	<u>115,825</u>	<u>1,804,768</u>
Net assets:		
Unrestricted	7,358,060	9,027,604
Restricted (Note 8):		
Temporarily	1,943,437	706,162
Permanently	<u>364,194</u>	<u>352,694</u>
Total net assets	<u>9,665,691</u>	<u>10,086,460</u>
Total liabilities and net assets	<u>\$ 9,781,516</u>	<u>\$ 11,891,228</u>

The accompanying notes are an integral part of these financial statements.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.  
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)

	2008			2007	
	Unrestricted	Restricted		Total	Total
		Temporarily	Permanently		
Support and revenue					
Support:					
Contributions and grants (Note 1)	\$ 483,803	\$ 1,869,500	\$ -	\$ 2,353,303	\$ 1,109,447
Special events – net of direct costs (Note 7)	<u>1,757,882</u>	<u>-</u>	<u>-</u>	<u>1,757,882</u>	<u>3,185,957</u>
Total support	<u>2,241,685</u>	<u>1,869,500</u>	<u>-</u>	<u>4,111,185</u>	<u>4,295,404</u>
Revenue:					
Interest and dividend income	59,612	3,310	13,601	76,523	468,126
Realized gain (loss) on investments and annuities	(8,769)	-	-	(8,769)	-
Unrealized gain (loss) on investments and annuities	1,794	-	-	1,794	-
Realized gain (loss) on sale of hedge fund entities	351,702	-	-	351,702	656,947
Unrealized gain (loss) on investments in hedge fund entities	<u>(352,861)</u>	<u>-</u>	<u>-</u>	<u>(352,861)</u>	<u>266,336</u>
Total revenue	<u>51,478</u>	<u>3,310</u>	<u>13,601</u>	<u>68,389</u>	<u>1,391,409</u>
Assets released from restrictions	<u>637,636</u>	<u>(635,535)</u>	<u>(2,101)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,930,799</u>	<u>1,237,275</u>	<u>11,500</u>	<u>4,179,574</u>	<u>5,686,813</u>
Functional expenses (Schedule A):					
Program services	3,852,986	-	-	3,852,986	2,000,836
General and administrative	593,895	-	-	593,895	441,025
Fund-raising	<u>153,462</u>	<u>-</u>	<u>-</u>	<u>153,462</u>	<u>153,421</u>
Total expenses	<u>4,600,343</u>	<u>-</u>	<u>-</u>	<u>4,600,343</u>	<u>2,595,282</u>
Increase (decrease) in net assets	(1,669,544)	1,237,275	11,500	(420,769)	3,091,531
Net assets:					
June 30, 2007	<u>\$ 9,027,604</u>	<u>\$ 706,162</u>	<u>\$ 352,694</u>	<u>\$10,086,460</u>	<u>\$ 6,994,929</u>
June 30, 2008	<u>\$ 7,358,060</u>	<u>\$ 1,943,437</u>	<u>\$ 364,194</u>	<u>\$ 9,665,691</u>	<u>\$ 10,086,460</u>

The accompanying notes are an integral part of these financial statements.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.  
 COMPARATIVE STATEMENT OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (420,769)	\$ 3,091,531
Adjustments to reconcile increase/(decrease) in net assets to net cash provided by/(used in) operating activities:		
Depreciation	31,346	29,497
Loss (gain) on sale of hedge fund entities and securities	13,999	(656,947)
Share of net income from investments in hedge fund entities	68,332	(4,923,460)
Net unrealized loss (gain) on investments and annuities	(781)	(139,349)
Changes in operating assets and liabilities:		
(Increase)/decrease in assets:		
Unrestricted pledges	(22,359)	(6,700)
Accrued interest	337	-
Other receivables	-	350
Temporarily restricted pledges	(198,000)	41,175
Prepaid expenses	(58,667)	(262,160)
Temporarily restricted long-term pledges receivable	(870,000)	119,000
Reserve for research grants	-	3,048,125
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(100,993)	(60,756)
Research grants payable	(1,610,000)	(1,438,125)
Deferred income	22,050	(149,255)
Total adjustments	<u>(2,724,736)</u>	<u>(4,398,605)</u>
Net cash provided by/(used in) operating activities	<u>(3,145,505)</u>	<u>(1,307,074)</u>
Cash flows from investing activities:		
Purchase of equipment	(19,907)	-
Donation of equities	(1,136)	-
Purchase of U.S. treasuries	-	(12,626,150)
Sale/Maturity of U.S. treasuries	3,656,590	10,657,000
Withdrawal from hedge fund entities	830,000	1,656,947
Withdrawal from annuity programs	<u>7,061</u>	<u>7,061</u>
Net cash provided by/(used in) investing activities	<u>4,472,608</u>	<u>(305,142)</u>
Net increase/(decrease) in cash	1,327,103	(1,612,216)
Cash and cash equivalents:		
Beginning of period	<u>1,233,163</u>	<u>2,845,379</u>
End of period	<u>\$ 2,560,266</u>	<u>\$ 1,233,163</u>

The accompanying notes are an integral part of these financial statements.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.  
NOTES TO COMPARATIVE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Samuel Waxman Cancer Research Foundation, Inc. (the "Foundation") have been prepared on the accrual basis of accounting. The significant accounting policies are summarized below.

Organization and Nature of Operations

The Foundation is a scientific research organization dedicated to supporting a focused research program to develop targeted cancer cell-specific therapies. The Foundation primarily supports programs for cancer related research, and develops drug therapies for cancer prevention, treatment and ultimate cure. The Foundation helps to organize conferences that share findings on differentiation therapy and helps to support and assist researchers in the publication of research papers in many major scientific journals.

The Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of section 509(a) of the Internal Revenue Code.

Financial Statement Presentation

The classification of the Foundation's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. Amounts for each of the three classes of net assets (permanently restricted, temporarily restricted, or unrestricted) are required to be displayed in the comparative statement of financial position, and the change in each class of those classes of net assets are required to be displayed in the comparative statement of activities. These classes are defined as follows:

- Permanently Restricted

Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.  
NOTES TO COMPARATIVE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Temporarily Restricted

Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the comparative statement of activities.

- Unrestricted

The part of net assets of the Foundation that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Functional Expenses

Expenses of the Foundation are reported on a functional basis among its main research program and support services provided by the Foundation. Expenses that can be identified with the research program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases used in accordance with the Foundation's cost allocation policy.

Support Services

Support services are those related to operating and managing the Foundation and its program on a day-to-day basis.

Program Services

The principal service of the Foundation is classified as a focused research program. This program involves a focused research program to develop targeted cancer cell-specific therapies. The therapy, already successful in leukemia, is based on the scientific identification and correction of the defects in growth, differentiation and death which are characteristic of cancer cells.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.  
NOTES TO COMPARATIVE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

Financial instruments that could subject the Foundation to risk of loss consist of cash deposits with financial institutions in excess of FDIC insured limits, marketable securities in excess of SIPC insured limits, and pledges and research grants receivable (see below). At June 30, 2008 and 2007 such insured deposits exceeded the FDIC and SIPC limits by approximately \$1,961,000 and \$4,289,000, respectively. The Foundation has not experienced any losses with respect to such excesses and believes it is not exposed to any significant credit risk.

Pledges and Research Grants Receivable

The Foundation considers pledges and research grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Marketable Securities

Investments in marketable securities are carried at market value, and realized and unrealized market gains and losses are reflected in the comparative statement of activities. These investments are in excess of the SIPC credit limit of \$500,000 per account including up to \$100,000 of cash.

Equipment and Improvements and Depreciation

Equipment and improvements are recorded at cost. Depreciation is provided by the straight-line method over estimated useful lives of the assets. The Foundation's policy is to capitalize purchases over \$1,000.

Contributions

Unconditional gifts and contributions are recorded as unrestricted income unless such contributions are received with donor stipulations that limit (restrict) the use of the donated assets. All donor restricted contributions are recorded as temporarily restricted or permanently restricted, depending on the restrictions. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the comparative statement of activities as "Assets released from restrictions."

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.  
NOTES TO COMPARATIVE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions(continued)

Conditional gifts are recorded when substantially all conditions have been met and the amount to be received by the Foundation is determinable.

For the years ended June 30, 2008 and 2007 the breakdown of contributions between grants and general contributions is as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted:		
Grants	\$ 200,000	\$ 180,000
General contributions	<u>283,803</u>	<u>558,347</u>
	<u>483,803</u>	<u>738,347</u>
Restricted:		
Grants	<u>1,869,500</u>	<u>371,100</u>
Total	<u>\$ 2,353,303</u>	<u>\$ 1,109,447</u>

Use of 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 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.

NOTE 2 - TEMPORARILY RESTRICTED PLEDGES RECEIVABLE

At June 30, 2008 and 2007 the temporarily restricted pledges receivable still outstanding were:

	<u>2008</u>	<u>2007</u>
1 year or less:		
Beverly Yaffe Memorial Fund	\$ 625	\$ 625
Skirball Foundation (2004)	10,000	132,000
Skirball Foundation (2007)	<u>320,000</u>	<u>-</u>
	<u>\$ 330,625</u>	<u>\$ 132,625</u>
Greater than 1 year:		
Skirball Foundation (2004)	-	30,000
Skirball Foundation (2007)	<u>900,000</u>	<u>-</u>
	<u>\$ 900,000</u>	<u>\$ 30,000</u>

