



SAMUEL WAXMAN CANCER
RESEARCH FOUNDATION

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.

Financial Statements
(Together with Independent Auditors' Report)

For the Year Ended June 30, 2010
(With Comparative Totals for June 30, 2009)

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report

FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

CONTENTS

Page

Independent Auditors' Report.....	1
Basic Financial Statements:	
Statements of Financial Position	2
Statements of Activities.....	3
Statement of Functional Expenses	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-15

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Samuel Waxman Cancer Research Foundation, Inc. (the "Foundation") as of June 30, 2010, 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 June 30, 2009 financial statements which were audited by other auditors whose report dated September 24, 2009 expressed an unqualified opinion on those 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 Samuel Waxman Cancer Research Foundation, Inc. as of June 30, 2010, 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.

Marks Paneth & Shron LLP

New York, NY
May 13, 2011

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2010
(With Comparative Totals as of June 30, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents (Notes 2B and 9)	\$ 3,498,659	\$ 2,705,628
Pledges and grants receivable (Notes 2E, 2F, and 3)	1,951,465	1,275,000
Other receivables (Note 2F)	204,837	36,673
Prepaid expenses and other assets	132,759	372,731
Investments, at fair value (Notes 2D, 2L, 4 and 10)	1,939,594	2,712,964
Charitable gift annuity investments (Notes 2H, 5 and 10)	78,135	100,000
Property and equipment, net (Notes 2G and 6)	<u>16,574</u>	<u>31,975</u>
TOTAL ASSETS	\$ 7,822,023	\$ 7,234,971
LIABILITIES		
Accounts payable and accrued expenses	\$ 217,822	\$ 15,230
Research grants payable (Note 2K)	232,393	191,797
Charitable gift annuities payable (Notes 2H and 5)	32,623	-
Deferred revenue	<u>12,300</u>	<u>110,790</u>
TOTAL LIABILITIES	495,138	317,817
NET ASSETS (Note 2C)		
Unrestricted	4,180,076	4,358,391
Temporarily restricted (Note 8)	<u>3,146,809</u>	<u>2,558,763</u>
TOTAL NET ASSETS	7,326,885	6,917,154
TOTAL LIABILITIES AND NET ASSETS	\$ 7,822,023	\$ 7,234,971

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS:		
SUPPORT AND REVENUE:		
Contributions and grants (Note 2E)	\$ 560,770	\$ 744,628
Special events, net of costs of direct benefits to donors (Note 2I)	2,312,896	1,003,007
Investment activity (Notes 2D and 4)	514,059	(904,056)
Net assets released from restrictions (Note 8)	<u>1,017,573</u>	<u>949,905</u>
TOTAL SUPPORT AND REVENUE	<u>4,405,298</u>	<u>1,793,484</u>
EXPENSES (Note 2J):		
Program services	3,187,504	3,956,387
Management and general	435,619	548,016
Fundraising	<u>960,490</u>	<u>284,716</u>
TOTAL EXPENSES	<u>4,583,613</u>	<u>4,789,119</u>
CHANGE IN UNRESTRICTED NET ASSETS	(178,315)	(2,995,635)
Unrestricted net assets, beginning of year	<u>4,358,391</u>	<u>7,354,026</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>4,180,076</u>	<u>4,358,391</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants (Note 2E)	1,625,000	1,197,003
Investment activity (Notes 2D and 4)	(13,370)	-
Change in value of split-interest agreements (Note 2H)	(6,011)	-
Net assets released from restrictions (Note 8)	<u>(1,017,573)</u>	<u>(585,711)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	588,046	611,292
Temporarily restricted net assets, beginning of year	<u>2,558,763</u>	<u>1,947,471</u>
TEMPORARILY RESTRICTED NET ASSETS - END OF YEAR	<u>3,146,809</u>	<u>2,558,763</u>
PERMANENTLY RESTRICTED NET ASSETS:		
Net assets released from restrictions (Note 8)	<u>-</u>	<u>(364,194)</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	(364,194)
Permanently restricted net assets, beginning of year	<u>-</u>	<u>364,194</u>
PERMANENTLY RESTRICTED NET ASSETS - END OF YEAR	<u>-</u>	<u>-</u>
NET ASSETS, BEGINNING OF YEAR	6,917,154	9,665,691
CHANGE IN NET ASSETS	<u>409,731</u>	<u>(2,748,537)</u>
NET ASSETS - END OF YEAR	<u>\$ 7,326,885</u>	<u>\$ 6,917,154</u>

See accompanying notes to the financial statements.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Research grants (Note 2K)				
Mount Sinai Medical Center	\$ 796,472	-	-	\$ 796,472
Institute Without Walls	1,818,181	-	-	1,818,181
Total research grants	2,614,653	-	-	2,614,653
Foundation staff salaries	73,355	102,697	68,464	244,516
Scientific directors	382,398	-	-	382,398
Consultants	-	4,840	305,462	310,302
Accounting fees	-	96,629	-	96,629
Legal fees	3,941	865	-	4,806
Printing and publications (Note 11)	21,056	2,340	402,149	425,545
Travel	25,523	5,154	26,107	56,784
Depreciation and amortization (Note 6)	20,387	12,495	-	32,882
Insurance	-	14,910	-	14,910
Office, printing and stationery	-	20,767	2,409	23,176
Taxes and licenses	-	67,001	-	67,001
Occupancy (Note 7)	21,760	65,279	-	87,039
Meetings and conferences	24,431	-	1,018	25,449
Equipment rental and maintenance	-	7,248	129,877	137,125
Miscellaneous expenses	-	35,394	25,004	60,398
Costs of direct benefits to donors (Note 21)	-	-	835,981	835,981
Subtotal	3,187,504	435,619	1,796,471	5,419,594
Less: expenses deducted directly from revenues on the statement of activities	-	-	(835,981)	(835,981)
TOTAL EXPENSES	\$ 3,187,504	\$ 435,619	\$ 960,490	\$ 4,583,613

See accompanying notes to financial statements.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 409,731	\$ (2,748,537)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	32,882	21,288
Realized/unrealized (gains) losses on investments	(498,618)	929,128
Donated securities	(56,921)	-
Change in discount on pledges receivable	48,535	-
Change in value of split-interest agreements	6,011	-
Changes in operating assets and liabilities:		
Pledges and grants receivable	(725,000)	(44,375)
Other receivables	(168,164)	24,136
Prepaid expenses and other assets	239,972	23,752
Accounts payable and accrued expenses	202,592	9,996
Research grants payable	40,596	191,797
Deferred revenue	(98,490)	(3,835)
Net Cash Used by Operating Activities	<u>(566,874)</u>	<u>(1,596,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,419,581	1,742,744
Purchases of investments	(1,077,302)	-
Acquisitions of property and equipment	(17,481)	(732)
Net Cash Provided by Investing Activities	<u>1,324,798</u>	<u>1,742,012</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in charitable gift annuities payable	35,107	-
Net Cash Provided by Financing Activities	<u>35,107</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	793,031	145,362
Cash and cash equivalents - beginning of year	<u>2,705,628</u>	<u>2,560,266</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,498,659</u>	<u>\$ 2,705,628</u>
Supplemental Disclosure of Cash Flow Information:		
Noncash investing and financing transactions:		
Dispositions of fully depreciated property and equipment	<u>\$ 231,124</u>	<u>\$ -</u>

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

The Samuel Waxman Cancer Research Foundation, Inc. (the "Foundation") is organized under the Not-for-Profit Corporation Law of the State of New York. The Foundation has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. 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's support and revenue is predominantly generated from contributions and other public support.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting and Use of Estimates*** – The Foundation's financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
- B. ***Cash and Cash Equivalents*** –The Foundation considers all cash not intended for investment purposes and all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.
- C. ***Basis of Presentation*** – The Foundation maintains its net assets under the following three classes:
- Unrestricted – includes the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
 - Temporarily Restricted – includes gifts of cash and other assets received with donor stipulations that limit the use of donated assets to a specific time period or purpose. When a donor restriction expires or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.
 - Permanently Restricted – includes funds that have been designated by the donor to be held and invested in perpetuity.
- D. ***Investments*** – The Foundation reflects investments at fair value in the accompanying statements of financial position. Interest, dividends and gains and losses on investments are reflected in the statements of activities as increases and decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income and gains restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are stated at fair value. The fair values of alternative investments that are not readily marketable are based on the fair values of the underlying investments provided by the investment managers, which are reviewed for reasonableness by management. Because of the inherent uncertainty of valuation of the Foundation's alternative investments, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed.

- E. ***Pledges Receivable and Contributions*** – Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional contributions and promises to give are not recognized until they become unconditional, that is when the future and uncertain event on which they depend has occurred. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Pledges receivable due after one year are discounted to net present value using the risk-free interest rate in effect on the date of the gifts.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Many volunteers, including the Board of Directors, have made significant contributions of time in furtherance of the Foundation's policies and programs. The value of this contributed time does not meet the criteria of recognition and therefore is not reflected in the accompanying financial statements.

- F. ***Allowance for Uncollectible Receivables*** – The Foundation determines whether an allowance for uncollectible should be provided for pledges and other receivables. Such estimates are based on management's assessment of the likelihood of collection, including consideration of how long the receivable has been outstanding, creditworthiness of the debtor, current economic conditions, management's analysis of specific pledges made and historical information. As of June 30, 2010 and 2009, the Foundation determined that no allowance for uncollectible receivables was necessary.
- G. ***Property and Equipment*** – Purchases of property and equipment are recorded at cost. The Foundation capitalizes property and equipment having a cost of \$1,000 or more and a useful life of greater than one year. Depreciation and amortization is recognized using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease.
- H. ***Split-Interest Agreements*** – The Foundation's split-interest agreements with donors consist of charitable gift annuities. The Foundation recognizes assets and temporarily restricted contribution revenue for its split-interest agreements at the date the agreements are established, net of the liability recorded for the present value of the estimated future payments to be made to the donors and other beneficiaries based upon their life expectancies using IRS mortality tables and the appropriate discount rates. The carrying value of the split-interest agreement assets is adjusted to fair value at the end of the year. The adjustment to fair value of the split-interest agreements is reflected as change in value of split-interest agreements in the accompanying statements of activities.
- I. ***Costs of Direct Benefits to Donors*** – The direct costs of fundraising events include expenses for the benefit of the donor. For example, meals and facilities rental are considered costs of direct benefits to donors.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. **Functional Allocation of Expenses** – The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. Certain costs have been allocated among the program and supporting services benefited.
- K. **Research Grants Payable** – Research grants are awarded for a one-year period. Grants authorized but unpaid at year-end are reported as liabilities. As of June 30, 2010 and 2009, research grants payable consisted of amounts owed to the Mount Sinai School of Medicine which are payable within one year.
- L. **Fair Value Measurements** – Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 10.
- M. **Income Taxes** – The Foundation adopted the provisions of Financial Accounting Standards Board (“FASB”) Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainties in Income Taxes – an Interpretation of FASB Statement No. 109,” now codified in FASB Accounting Standards Codification (“ASC”) 740 (“Income Taxes”), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The adoption of FIN 48 did not have an effect on the Foundation’s financial position as of July 1, 2009 or the Foundation’s results of operations and cash flows for the year ended June 30, 2010. The Foundation is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2007 and prior years.
- N. **Subsequent Events** – The Foundation has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through May 13, 2011, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through May 13, 2011 that would require adjustment to or disclosure in the financial statements.
- O. **Summarized Comparative Information** – The financial statements include certain prior-year summarized comparative information in total, but not by natural classification of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2009, from which the summarized information was derived.

NOTE 3 – PLEDGES AND GRANTS RECEIVABLE

Pledges receivable are scheduled to be collected as follows as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 775,000	\$ 425,000
One to four years	<u>1,225,000</u>	<u>850,000</u>
	2,000,000	1,275,000
Less: Discount to net present value	<u>(48,535)</u>	<u>-</u>
Total pledges receivable, net	<u>\$ 1,951,465</u>	<u>\$ 1,275,000</u>

Pledges receivable due after one year are discounted to net present value using the risk-free interest rate in effect on the date of the gifts. Interest rates used to discount the unconditional promises ranged from 0.9% to 4.1% as of June 30, 2010.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	
Alternative investments:			
Drawbridge Special Opportunity, Ltd.	\$ 1,082,093	\$ 1,144,232	(A)
Hocky Capital L.P.	-	527,332	(B)
Intrepid Capital Fund (Offshore) Ltd.	6,231	286,686	(C)
Seminole Offshore Fund, Ltd., Class A	758,815	643,340	(D)
Seneca Capital International, L.P.	22,855	15,524	(E)
Seneca Capital International SLV, Ltd.	69,600	95,850	(F)
	<u>\$ 1,939,594</u>	<u>\$ 2,712,964</u>	

- (A) The investment objective of the Fund is to achieve superior risk-adjusted returns by opportunistically acquiring a diversified portfolio of undervalued and distressed investments. The Fund also acquires or participates in senior and mezzanine corporate and real estate debt obligations. The Foundation can redeem its investment in the Fund on an annual basis with 90 days' notice of redemption.
- (B) The Fund was liquidated and the Foundation's capital returned during the year ended June 30, 2010.
- (C) The Fund was liquidated and capital returned to investors as of May 31, 2010 except for a 2% holdback amount that was returned to the investors after the finalization of the fund's final audit. The Foundation's investment in the fund as of June 30, 2010 consisted of the 2% holdback which was returned to the Foundation subsequent to June 30, 2010.
- (D) The Fund's investment objective is to achieve favorable returns by investing in well-researched equity securities traded primarily in the U.S. market. The Fund also invests in corporate bonds and U.S. Treasury securities.
- (E) Seneca Capital International, Ltd (the "Feeder Fund") has invested substantially all of its assets in the Seneca Capital International Master Fund, L.P. (the "Master Fund") in exchange for limited partnership interests in the Master Fund. Beginning in 2010, there will no longer be a lock-up period associated with the redemptions of shares in the Feeder Fund and redemptions can be made as of any calendar quarter.
- (F) Seneca Capital International SLV, Ltd. ("SLV") represents a special liquidating vehicle that is managing and selling interests in less liquid assets that were previously held by the Feeder Fund. As the investments are liquidated, the SLV periodically distributes the pro rata portion of the proceeds (net of expenses and reserves) to the limited partners.

The underlying investments of the hedge funds may be invested in loans, including loans issued by or related to companies that are experiencing various forms of financial, operational, legal and/or other distress and impairment. Any underlying investment in high-yield loans may involve special risks. For example (and without limitation), the underlying investments may be non-interest bearing, unsecured and/or subordinated to other claimants. Until investments are sold or mature, the underlying investments are exposed to credit risk relating to whether the obligor will meet its obligation when it comes due.

The underlying investments of the hedge funds may also utilize derivative instruments including, swaps, forwards, interest rate caps, warrants and swaptions as part of their investment and hedging strategy. Derivative transactions give rise to both market risk and credit risk.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 4 – INVESTMENTS (Continued)

Securities sold, not yet purchased, represent obligations of the hedge funds to purchase the securities at prevailing market prices. As such, the future satisfaction of these obligations may be at amounts that are greater or less than that recorded in the underlying investments.

Investments, in general, are exposed to various risks, such as credit, market and liquidity risk. As such, it is reasonably possible that changes in the fair values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Credit risk is the risk of default of loans, securities or derivatives, as applicable, which result from a borrower's or derivative counterparty's inability or unwillingness to make required or expected payments.

Market risk reflects adverse changes in the value of investments in loans, securities or derivatives, as applicable, due to changes in interest rates, prevailing credit spreads, foreign currency exchange rates, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors on the underlying assets.

Liquidity risk is the risk that the hedge funds may not be able to sell assets when it desires to do so or to realize what it estimates to be their fair value in the event of a sale. The sale of illiquid assets and restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or on over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

As of June 30, 2010, the Foundation had no unfunded commitments to invest in its alternative investments.

Investment activity includes the following for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 2,071	\$ 25,072
Realized and unrealized gains (losses)	<u>498,618</u>	<u>(929,128)</u>
Total investment activity	<u>\$ 500,689</u>	<u>\$ (904,056)</u>

NOTE 5 – CHARITABLE GIFT ANNUITIES

Over the past six years, the Foundation received donations through split-interest agreements aggregating \$129,285 from two donors. The terms of the agreements require the Foundation to pay \$8,495 each year to the annuitants' beneficiary for the remainder of her life. Upon the death of the second beneficiary, the Foundation may use the balance of the annuity for cancer research. To service these programs, the Foundation established an institutional servicing agreement with Merrill Lynch for the maintenance of this agreement. The servicing account requires a minimum balance of \$100,000 as required by the State of New York. At June 30, 2010, the minimum balance requirement was not met. The fair value of funds deposited by the Foundation to meet this minimum at year end was \$78,135.

The present value of the estimated future interest is calculated using a discount rate of 9.5%, as of June 30, 2010 and applicable life expectancy tables. The majority of the underlying assets of the split-interest agreements are held in equities and fixed income securities.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2010 and 2009:

	2010	2009	Estimated Useful Lives
Computer and office equipment	\$ 9,708	\$ 38,450	5 Years
Furniture and fixtures	7,773	28,836	5 Years
Laboratory equipment	-	148,963	5 Years
Leasehold improvements	-	14,875	39 Years
Total cost	17,481	231,124	
Less: Accumulated depreciation and amortization	(907)	(199,149)	
Net book value	\$ 16,574	\$ 31,975	

Depreciation and amortization expense amounted to \$32,882 and \$21,288 for the years ended June 30, 2010 and 2009, respectively.

During the year ended June 30, 2010, the Foundation disposed of fully depreciated property and equipment with an original cost of \$231,124.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Foundation subleased its office facilities under an operating sublease which expired on August 31, 2009. Effective September 1, 2009, the Foundation paid rent on a month-to-month basis through May 2010.

The Foundation entered into a new operating lease for its office facilities in May 2010. The lease is for a five-year term expiring in July 2015. The lease agreement provides for scheduled increases in the base rent and also includes a free rent period of two months. Rent expense related to the required minimum rentals is recognized on a straight-line basis over the term of the lease. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent. Included in accounts payable and accrued expenses in the accompanying statement of financial position is a liability of \$11,745 as of June 30, 2010 related to the deferred rent under the straight-line method of accounting.

Future minimum lease payments under operating leases as of June 30, 2010 approximate the following:

2011	\$	89,000
2012		95,000
2013		98,000
2014		100,000
2015		103,000
Thereafter		4,000
		\$ 489,000

Rental expense under both lease agreements amounted to \$87,039 and \$75,060 for the years ended June 30, 2010 and 2009, respectively.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 8 – RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2010 and 2009:

		<u>2010</u>	<u>2009</u>
Restricted to Future Periods and Programs:			
Abner & Mildred Levine Family Foundation	(A)	\$ 440,000	\$ 495,000
Rose M. Badgeley Residuary Charitable Trust	(B)	250,000	375,000
Skirball Foundation and matching funds	(C)	800,000	1,200,000
The Mark Family Fund	(D)	750,000	-
David Workman Memorial Endowment Fund	(E)	336,297	361,297
Emerald Foundation, Inc. – Restricted for Shanghai Institute		125,000	-
Future interest in charitable remainder trust		45,512	100,000
Time-restricted multi-year pledges		400,000	-
Other		<u>-</u>	<u>27,466</u>
		<u>\$ 3,146,809</u>	<u>\$ 2,558,763</u>

- (A) In October 2008, the Foundation received a \$550,000 contribution from the Abner & Mildred Levine Family Foundation. The donor has stipulated that \$55,000 per year can be released and used for general operations.
- (B) In June 2009, the Rose M. Badgeley Residuary Charitable Trust approved a \$375,000 grant that is payable over three years to support the Foundation's collaboration with the Shanghai Institute of Hematology. As of June 30, 2010 and 2009, the outstanding receivable associated with this grant was \$250,000 and \$375,000, respectively.
- (C) In June 2007, the Skirball Foundation approved a \$1,000,000 challenge grant to continue support of the Foundation's programs in hematological malignancies and tumor dormancy. The grant is payable in five installments of \$200,000 over a five-year period. The Foundation has received matching pledges totaling \$1,000,000 to date, of which portions will be received over a five-year period. As of June 30, 2010 and 2009, the outstanding receivable relating to the challenge grant and the matching pledges, was \$600,000 and \$900,000, respectively.
- (D) In October 2009, the Mark Family Fund in The New York Community Trust approved a \$1,000,000 grant that is payable over five years for general support of the Institute Without Walls. As of June 30, 2010, the outstanding receivable was \$750,000.
- (E) The David Workman Memorial Endowment Fund (the "Fund") is designated as a permanent endowment fund per the stipulations of the donor. The agreement also specifies that the principal may be used if the income is insufficient to pay for the stipulated lectures memorializing David Workman. During the year ended June 30, 2009, the Fund was reclassified from permanently restricted net assets to temporarily restricted net assets as principal is now being spent for this time restricted purpose.

During the years ended June 30, 2010 and 2009, the Foundation released temporarily restricted net assets by incurring expenses or the passage of time, thus satisfying the restrictions.

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 9 – CONCENTRATION OF CREDIT RISK

Effective October 14, 2008, the basic limit on federal deposit insurance coverage was increased from \$100,000 to \$250,000 for interest-bearing accounts until December 31, 2013. Such coverage was unlimited for non-interest-bearing accounts until June 30, 2010 for participating banks through the Transaction Account Guarantee Program (“TAGP”). Effective January 1, 2010, the financial institutions opted out of the TAGP and as such the FDIC insurance limit for the Foundation’s cash accounts was \$250,000 as of June 30, 2010. In July 2010, the FDIC insurance limit was permanently increased to \$250,000 and, beginning December 31, 2010 through December 31, 2012, deposits held in non-interest bearing accounts will be fully insured, regardless of the amount in the account, at all FDIC-insured institutions. As of June 30, 2010, the Foundation had cash accounts that exceeded the FDIC insurance limits by approximately \$3,223,000.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Financial assets and liabilities carried at fair value at June 30, 2010 are classified in the table below in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets Carried at Fair Value:				
Investments:				
Alternative investments	\$ -	\$ -	\$ 1,939,594	\$ 1,939,594
Charitable gift annuity investments	<u>-</u>	<u>78,135</u>	<u>-</u>	<u>78,135</u>
Total Assets Carried at Fair Value	<u>\$ -</u>	<u>\$ 78,135</u>	<u>\$ 1,939,594</u>	<u>\$ 2,017,729</u>

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial assets and liabilities carried at fair value at June 30, 2009 are classified in the table below in one of the three levels as follows:

	Level 1	Level 2	Level 3	Total
Assets Carried at Fair Value:				
Investments:				
Alternative investments	\$ -	\$ -	\$ 2,712,964	\$ 2,712,964
Charitable gift annuity investments	-	100,000	-	100,000
Total Assets Carried at Fair Value	\$ -	\$ 100,000	\$ 2,712,964	\$ 2,812,964

The changes in assets measured at fair value for which the Foundation has used Level 3 inputs to determine fair value was as follows for the year ended June 30, 2010 and 2009:

	2010	2009
Balance, beginning of the year	\$ 2,712,964	\$ 5,383,781
Purchases (redemptions)	(1,271,988)	(1,741,488)
Realized/unrealized gains (losses)	498,618	(929,329)
Balance, end of the year	\$ 1,939,594	\$ 2,712,964

Following is a description of the valuation methodologies used for assets measured at fair value.

Alternative Investments:

Alternative investments in hedge funds are designated as Level 3 as indicative of the investment manager's classification of the Foundation's investment in the funds. It is not meant to be indicative of the classification of the investments in the underlying portfolio of the investment into the fair value hierarchy.

The fair value of alternative investments is provided by the investment manager, and is based on the fair values of the underlying investments and may be based on historical cost, appraisals and obtainable prices for similar assets or other estimates. When price quotations for the underlying investments are not available from unaffiliated market makers or other financial institutions that regularly trade similar investments, independent valuation agents determine, in consultation with the investment managers, the value of the investments by reviewing information prepared or provided by the investment managers and/or by using their proprietary valuation models.

Charitable Gift Annuity Investments:

The underlying assets of the charitable gift annuities are held in equities and fixed income securities which are valued using market prices in active markets (Level 1).

THE SAMUEL WAXMAN CANCER RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

NOTE 11 – RELATED PARTY TRANSACTIONS

The Foundation transacts business with or contracts services with, companies or individuals that employ certain members of the Board of Directors or are relatives of certain employees or members of the Board of Directors. The certain directors or employees are not involved in the transaction process and all such transactions are reported to and approved by the Board of Directors.

Related party transactions are as follows for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Printing and publications	\$ <u>32,418</u>	\$ <u>31,871</u>

NOTE 12 – RECLASSIFICATIONS

Certain line items in the comparative totals for June 30, 2009 have been reclassified to conform to the June 30, 2010 presentation. The reclassifications do not affect net assets.