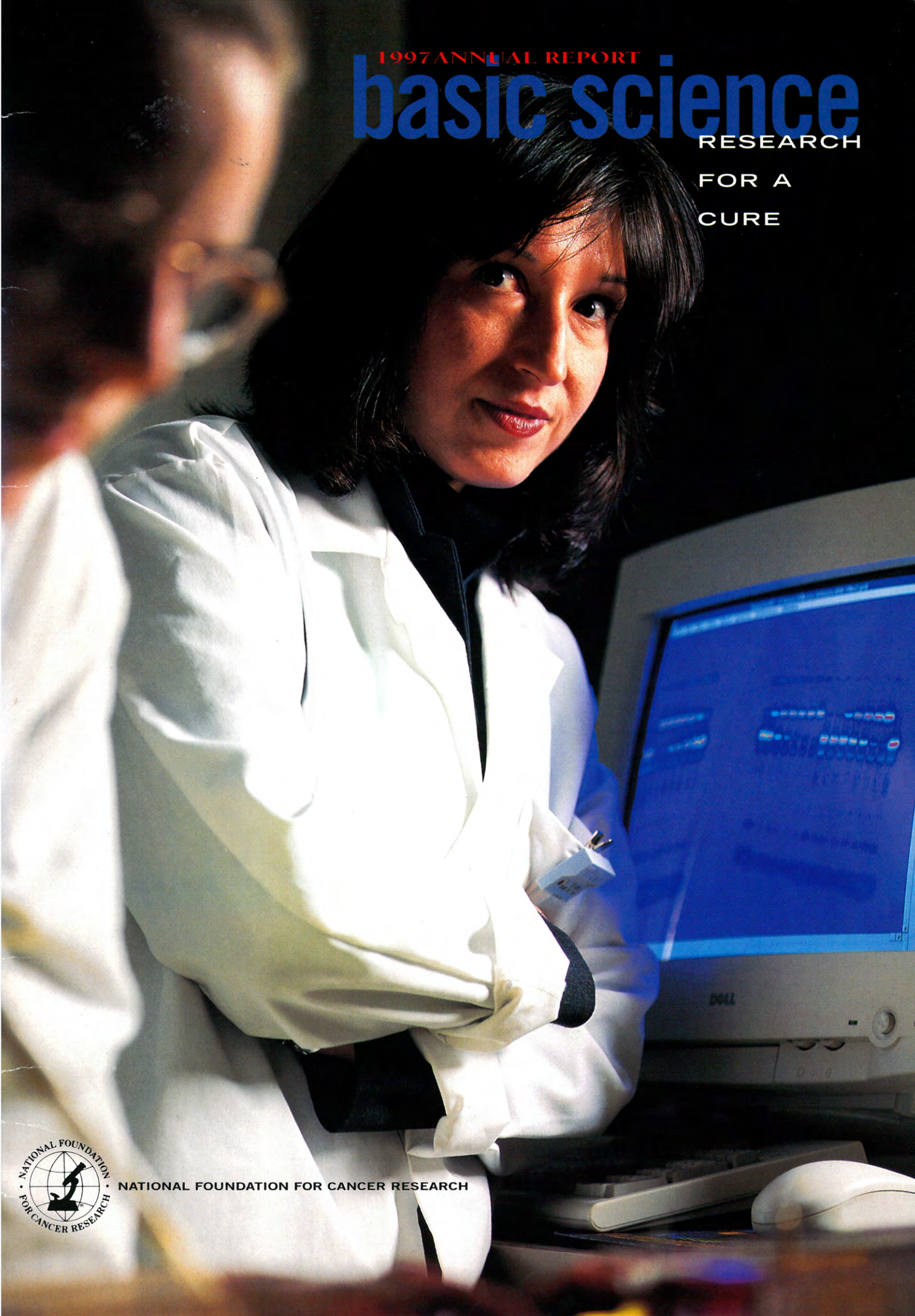

1997 ANNUAL REPORT
basic science
RESEARCH
FOR A
CURE
DELL
NATIONAL FOUNDATION FOR CANCER RESEARCH

NFCR is dedicated to stopping

Cover: Alanna Schepartz, PhD with research assistant, Alexis Kays, a graduate student in chemistry at Yale University.

mission statement

THE NATIONAL FOUNDATION FOR CANCER RESEARCH WAS FOUNDED IN 1973 TO SUPPORT BASIC SCIENCE CANCER RESEARCH AT THE MOLECULAR AND SUBMOLECULAR LEVELS. WE BELIEVE THE SOLUTION TO THE CANCER PROBLEM LIES IN SUPPORTING THE BEST IDEAS OF THE BEST MINDS, USING THE SKILLS OF MANY SCIENTIFIC DISCIPLINES. BY ENCOURAGING AND FACILITATING COLLABORATION AND THE SHARING OF IDEAS AND RESULTS AMONG OUR PROJECT DIRECTORS, ADVANCES IN ONE FIELD CONTRIBUTE TO PROGRESS IN ANOTHER. WE CALL THIS OUR "LABORATORY WITHOUT WALLS."

CONTENTS

cancer in our lifetime by finding the cure for and prevention of cancer.

Don Engelman, PhD (left), NFCR Project Director and Eugene Higgins Professor of Molecular Biophysics and Biochemistry at Yale University, explains the significance of the 600 Megahertz Nuclear Magnetic Resonance Spectrometer in his research to NFCR President, Franklin Salisbury, Jr.

I am pleased to present you with the National Foundation for Cancer Research 1997 Annual Report.

Within these pages, you will see how your support of the National Foundation for Cancer Research (NFCR) sustains the innovative basic science cancer research of our project directors.

Working in NFCR's laboratory without walls — a laboratory limited only by our resolve to seek new discoveries — NFCR supports scientists from fields as diverse as oncology and molecular biology to probe cancer at the cellular and molecular levels.

To find a cure, our scientists search for a greater understanding of what causes cells to become cancerous — instead of focusing on stopgap remedies that only treat the symptoms of cancer.

While this work may not be glamorous or headline-grabbing, it is absolutely critical if we are to solve the mysteries of cancer — because it is our belief that we cannot stop this dreaded disease until we understand what causes it at the most fundamental level.

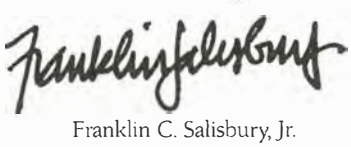
As you will see in this report, two NFCR Project Directors, Dr. Curt Civin at Johns Hopkins University and Dr. Alanna Schepartz at Yale University, have made promising discoveries that could soon alleviate the pain and suffering of millions of cancer patients and their families.

NFCR's commitment to scientists like Dr. Civin and Dr. Schepartz — and to finding a cure for cancer — is surpassed only by the kindness of friends like you who support our efforts.

Quite simply, without the National Foundation for Cancer Research and its supporters, many scientists would not have the critical seed money needed to begin their research ... labs around the world would go empty ... and the cure for cancer could go undiscovered.

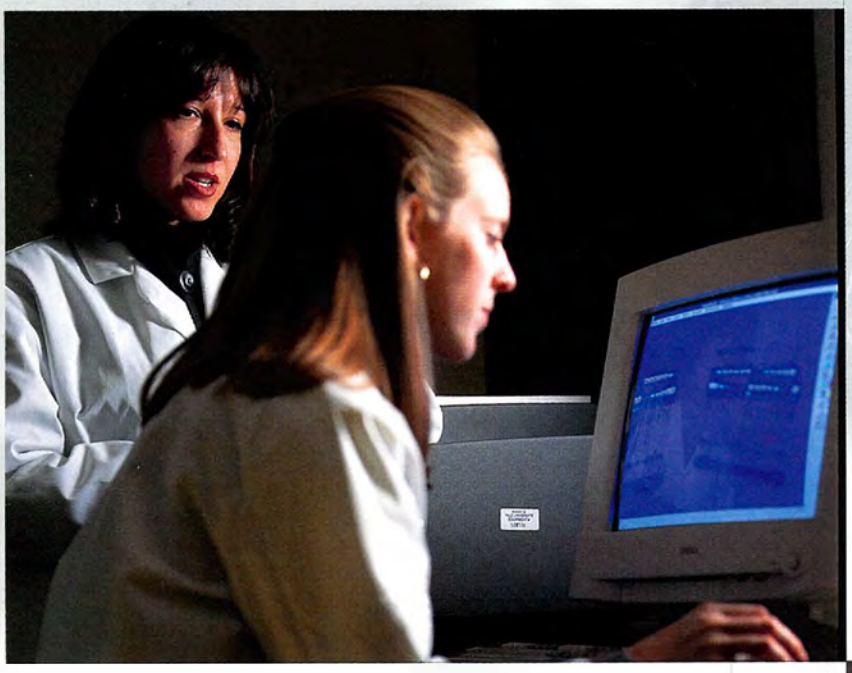
So, as NFCR prepares to celebrate its 25th anniversary, we must recommit ourselves to achieving the goal my late father envisioned when he founded NFCR in 1973 — to support dynamic, innovative basic science research to cure cancer in our lifetime.

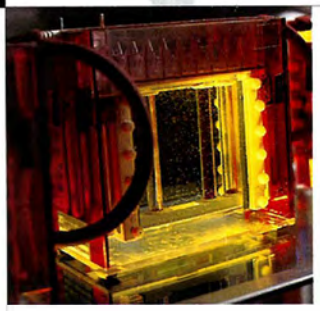
With my gratitude,



Franklin C. Salisbury, Jr.
President

DNA research





Alanna Schepartz, PhD

In her lab in Yale's Kline Chemistry Laboratories, NFCR Project Director Dr. Alanna Schepartz is looking deep into the double helix of human DNA to develop new drug treatments that may soon deliver the gift of a long, healthy life to people stricken with leukemia and liver cancer.

With the support of the National Foundation for Cancer Research, Dr. Schepartz has studied key proteins found in the viruses that cause leukemia and hepatitis B — which is a precursor to liver cancer.

These critical proteins help the cancer-causing viruses reproduce, and most tellingly, disrupt the normal cellular machinery. When these proteins act on the body's cells in this way, the cells become cancerous.

Now that Dr. Schepartz has identified the two proteins that lead to leukemia and cancer of the liver, she is moving her research forward to develop a clinical drug treatment that will stop the production of these lethal proteins.

Thanks to support from the National Foundation for Cancer Research, Dr. Schepartz is using cutting-edge computer technology to model and study the molecular structure of the proteins in the leukemia and hepatitis B viruses.

With this knowledge, Dr. Schepartz hopes to soon develop an "inhibitor" that will improve drug treatments for leukemia and liver cancer, as well as a variety of other deadly cancers.

research for a cure

Since 1973, the National Foundation for Cancer Research has provided over 150 million dollars for basic science research to distinguished scientists representing 135 research projects in twenty countries. We are proud that seven NFCR supported scientists have been awarded Nobel Prizes, including the 1989 Nobel Prize in Chemistry. The groundbreaking research has been possible because of the support from individual donors for our scientific program.

Our current scientific program is unsurpassed. Working in NFCR's Laboratory Without Walls, NFCR Project Directors listed here are at the forefront of the research world. We are confident that the cure for cancer will be found in these laboratories.

JACQUELINE BARTON, Ph.D.
California Institute of Technology
Pasadena, California
"Recognition of DNA Sites with Metal Complexes"
Regulation of gene expression by designing peptides to recognize and interact with specific segments of DNA.

FREDERICK F. BECKER, M.D.
University of Texas
M.D. Anderson Cancer Center
Houston, Texas
"Cell surface alterations in cancer control"
Identification of electrical charge differences in the membranes of cancer and normal cells may result in new and more effective cancer therapies.

STEPHEN J. BENKOVIC, Ph.D.
Pennsylvania State University
University Park, Pennsylvania
"Enzymes in Nucleotide Biosynthesis and DNA Replication"
Studying the role of specific enzymes in the production of DNA and RNA.

ESTHER H. CHANG, Ph.D.
Georgetown University
Washington, DC
"Modulation of the radiation-resistant phenotype of tumor cells by sequence-specific antisense oligonucleotides"
Investigating the molecular basis of tumors being resistant to radiation therapy.

DONALD M. ENGELMAN, Ph.D.
Yale University
New Haven, Connecticut
"Receptor interactions within membrane bilayers"
This study of cancer cell membrane functions will lead to new and more effective anticancer therapies.


Jacqueline Barton, PhD


Esther H. Chang, PhD


Harold F. Dvorak, MD


Kathryn Horwitz, PhD

YUNG-CHI CHENG, Ph.D.
Yale University
New Haven, Connecticut
"Pleiotropic Drug Resistance-DNA Exonuclease"
The recent discovery of a new DNA (genetic) repair enzyme may result in new treatments to prevent resistance of cancer cells to anticancer drugs.

HECTOR F. DELUCA, Ph.D.
University of Wisconsin-Madison
Madison, Wisconsin
"Vitamin D analogs as anti-leukemia agents/biochemical basis of chemical carcinogenesis"
Creating non-toxic forms of Vitamin D for treatment of leukemia and other cancers.

PETER B. DERVAN, Ph.D.
California Institute of Technology
Pasadena, California
"Studies on protein-DNA recognition"
Investigation of the chemical basis for the specificity of protein binding to DNA.

HAROLD F. DVORAK, M.D.
Beth Israel Deaconess Medical Center
Boston, Massachusetts
"Tumor secreted mediators and the tumor microenvironment"
Demonstrated that solid tumors need a grid (collagen, blood, fibrin) to spread and grow.

IVAR GIAEVER, Ph.D., NOBEL LAUREATE
Rensselaer Polytechnic Institute
Troy, New York
"Cell Substrate Interaction"
Studying the interaction of normal and cancer cells and why cancer cells spread and move about the body. Developed an "electrified petri dish" which lets researchers monitor the slightest motions.

CSABA HORVATH, Ph.D.
Yale University
New Haven, Connecticut
"High-resolution separation of glycoconjugates"
High performance liquid chromatography is a new and novel technology which may result in new laboratory tests of earlier detection and therefore higher cure rates for many cancers.

KATHRYN HORWITZ, Ph.D.
University of Colorado
Denver, Colorado
"The molecular biology of progesterone action in breast cancer"
Learning how female hormones influence the growth of some cancers will result in new laboratory tests for earlier detection and higher cure rates for breast cancer.

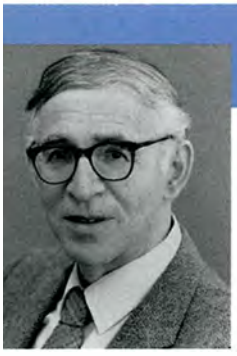
laboratory Without walls

KEITH U. INGOLD, Ph.D.
Steacie Institute for Molecular Sciences
Ottawa, Canada
"Antioxidants in normal and in tumor tissues"

Understanding how the antioxidant vitamins C,E, and betacarotene are used by the body will advance knowledge of how some cancers may be prevented.

THOMAS C. MERIGAN, M.D.
Stanford University School of Medicine
Stanford, California
"Studies of the immuno-pathogenesis of AIDS related lymphoma"

Analyzing immunologic changes at different stages of the disease which may determine which AIDS patients may also get lymphoma.


Sir Aaron Klug, PhD


Wayne Marasco, MD, PhD


Cesar Milstein, PhD


Hector DeLuca, PhD

SIR AARON KLUG, Ph.D., NOBEL LAUREATE
MRC Laboratory of Molecular Biology
Cambridge, England
"The role of chromosome translocations in development of human leukemia"

Examining how oncogene activation causes tumor development and ways to inhibit their action.

JANOS LADIK, Ph.D.
Universitat Erlangen-Nurnberg
Erlangen, Germany
"Quantum mechanical investigation of the electronic structure of proteins and DNA and their interactions, the effect of chemical carcinogens on the activation of oncogenes"

WAYNE A. MARASCO, M.D., Ph.D.
Dana-Farber Cancer Institute
Boston, Massachusetts
"Mechanism of transformation of human lymphocytes by the HTLV-1 Virus"

Studying the mechanism by which the human T-cell leukemia virus (a retrovirus) transforms human lymphocytes. If successful this work may lead to the first gene therapy to treat adult T-cell leukemia.

CESAR MILSTEIN, Ph.D. NOBEL LAUREATE
Medical Research Council
Cambridge, England
"Site-directed modification of genes of the immune system"

Using gene targeting techniques to develop transgenic mice with genetic mutations suspected of causing human T-cell leukemia.

GARTH L. NICOLSON, Ph.D.
Institute for Molecular Medicine
Irvine, CA
"Cancer invasion and metastasis-associated heparanase"

This project is developing tumor specific chemical markers which will result in new laboratory tests for early identification of tumors which are prone to spread.

RONALD PETHIG, D.SC.
University of Wales
Bangor, Gwynedd, Wales
"Dielectric and electrochemical properties of cell membranes"

A newly developed optical technique makes it possible to measure and compare the electrical charge differences between cancer and normal cells, which could result in more effective strategies for new cancer therapies.

ILYA PRIGOGINE, D.E.S., NOBEL LAUREATE
University of Texas
Austin, Texas
Instituts Internationaux de Physique et de Chimie Solvay
Brussels, Belgium
"Theoretical and experimental study of tissue growth and immune system regulation"

Studies on how the surface of tumors affects the cellular immune response to cancer cells.

MANFRED F. RAJEWSKY, M.D.
University of Essen
Essen, Germany
"Chemically-induced tumorigenic conversion of cells in the developing nervous system; structural DNA modifications and repair, and early cell lineage-specific gene alterations"

The detection of specific gene mutations in brain tumors offers new hope for the development of more effective therapies for these difficult to treat cancers.

W. GRAHAM RICHARDS, D.SC.
Oxford University
Oxford, England
"Design of anticancer drugs"

Computer graphics now permit the molecular modeling and design of powerful new anticancer drugs which will destroy tumor cells without harming other normal tissue cells.

ROBERT D. ROSENBERG, M.D., Ph.D.
Beth Israel Deaconess Medical Center
Boston, Massachusetts
"The role of heparin markers in the regulation of cell growth"

The recent discovery of specialized tissue cells which produce heparin-like substances which inhibit or slow tumor cell growth may result in new strategies for treating cancers.

LEONARD ROSENTHAL, Ph.D.
Georgetown University
Washington, D.C.
"Herpesviruses (HCMV and HHV-6) and their association with AIDS and malignant disease"

Defining the role of herpesviruses HCMV and HHV-6 as co-factors in the progression of AIDS and its association with Kaposi's sarcoma.

LEO SACHS, Ph.D.
Weizmann Institute of Science
Rehovot, Israel
"The reversibility of malignant cell transformation"

The laboratory's discovery that natural proteins called colony stimulating and maturation factors regulate the growth of white blood cells and can cause blood cancer cells to become normal suggests new approaches to cancer treatment.

RAMASWAMY SARMA, Ph.D.
State University of New York at Albany
Albany, New York
"Structure and Dynamics DNA-Drug Complexes"

Using innovative magnetic resonance imaging technology to study the shape of DNA (genetic) molecules will enhance the development of new and more effective anticancer drugs.

ALANNA SCHEPARTZ, Ph.D.
Yale University
New Haven, Connecticut
"Non-natural metalloregulated, AP-1 site-specific DNA binding peptides"

Developing a new class of anti-sense molecules to control gene expression and inhibit genes that cause cancer.

HAROLD A. SCHERAGA, Ph.D.
Cornell University
Ithaca, New York
"Molecular recognition"

Investigating the structure and function of growth factors using molecular modeling and NMR analysis. Has solved the 3-D structure of epidermal growth factor.

PAUL SCHIMMEL, Ph.D.
Massachusetts Institute of Technology
Cambridge, Massachusetts
"Peptide Motifs for RNA Interactions"

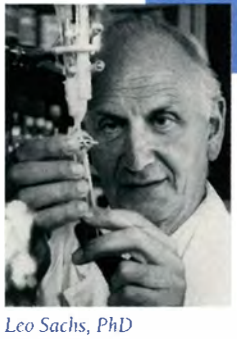
This project is focused on the investigation of peptide elements which interact with RNA motifs used in decoding of genetic information.

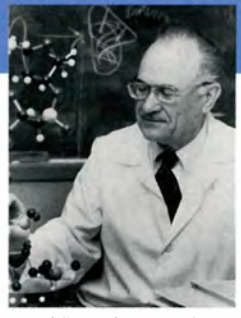
PRAVINKUMAR SEHGAL, M.D., PH.D.
New York Medical College
Valhalla, NY
"Interleukin-6 in cancer"

Showed Interleukin-6 and Interferon B-2 to be the same and is conducting a small clinical trial of Interleukin-6 that is showing promise.

DANIEL D. VON HOFF, M.D.
University of Texas Health Science Center
San Antonio, Texas
"Intermediates in gene amplification"

Discovered that extra chromosomal genetic material (episomes) can make tumors drug resistant and that hydroxyurea can destroy the episomes.


Leo Sachs, PhD


Harold A. Scheraga, PhD


Yung-Chi Cheng, PhD


Daniel D. Von Hoff, MD


I. Bernard Weinstein, MD

HELMUT SIES, M.D.
Heinrich-Heine-Universitat
Dusseldorf, Germany
"Biological significance of peroxidation reactions"

From this study additional information will be obtained on how certain antioxidant nutrients (Vitamin E, betacarotene) may prevent certain cancers.

JEFFREY L. SKLAR, M.D., Ph.D.
Brigham and Women's Hospital
Boston, Massachusetts
"Molecular genetic analysis of tumor spread in malignant gliomas of the brain"

Determining pattern of spread in brain tumors by tracing genetic mutations from the primary tumor.

MARTYN SMITH, Ph.D.
University of California, Berkeley
Berkeley, California
"Anti-sense manipulation of genes involved in leukemia and other cancers"

Like a guided missile of smart bombs, anti-sense drugs can be designated to home in and destroy specific cancer causing genes. This concept could introduce revolutionary new cancer treatments.

I. BERNARD WEINSTEIN, M.D.
Columbia University
New York, New York
"Carcinogens, oncogenes, and human cancer causation"

Studying the cellular and molecular mechanisms by which chemicals in the environment and our diet cause cancer.

DANNY R. WELCH, Ph.D.
Pennsylvania State University College of Medicine
Hershey, Pennsylvania
"Hormonal regulation of breast cancer metastasis"

Identified the presence of genes that suppress the ability of breast cancer cells to metastasize. Evaluating how these genes are regulated by hormones and how these genes work.

laboratory without walls

As the head of Pediatric Oncology at Johns Hopkins University Medical Center in Baltimore, Maryland, NFCR Project Director Dr. Curt Civin is investigating new ways to harness the body's immune system to fight cancer.

Instead of relying on conventional and often ineffective bone marrow transplants, Dr. Civin is exploring how human stem cells (which are the building blocks of our bone marrow, blood and immune systems) can be isolated, altered, then returned to the body to attack cancer.

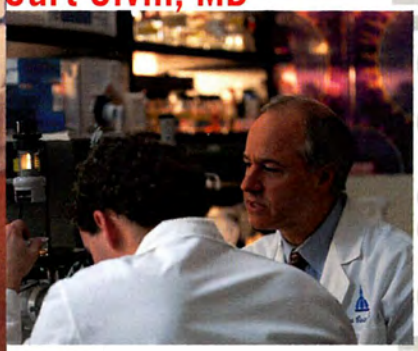
The stem cell transplants that Dr. Civin is pioneering hold great promise for treating cancer and several hereditary blood disorders. Because they are less likely to cause rejection by the immune system, stem cell grafts from one person to another are safer and frequently more effective than standard bone marrow transplants.

Not only do stem cell transplant recipients have to take fewer toxic drugs to combat rejection, but donors and recipients do not need to be a perfect match, increasing the pool of available donors.

In addition, stem cell grafts following radiation or chemotherapy greatly minimize the risk of reintroducing cancerous tumor cells that have "metastasized" or spread to the bone marrow. This is often the case with solid tumors in children, breast cancer, small cell lung cancer, lymphoma, and ovarian cancer.

Today, Dr. Civin is taking the next step with his groundbreaking research. With the support of the National Foundation for Cancer Research, Dr. Civin hopes to "program" stem cells to reproduce and attack a patient's cancer cells — essentially using a cancer sufferer's own immune system to destroy malignant tumors and cure cancer.

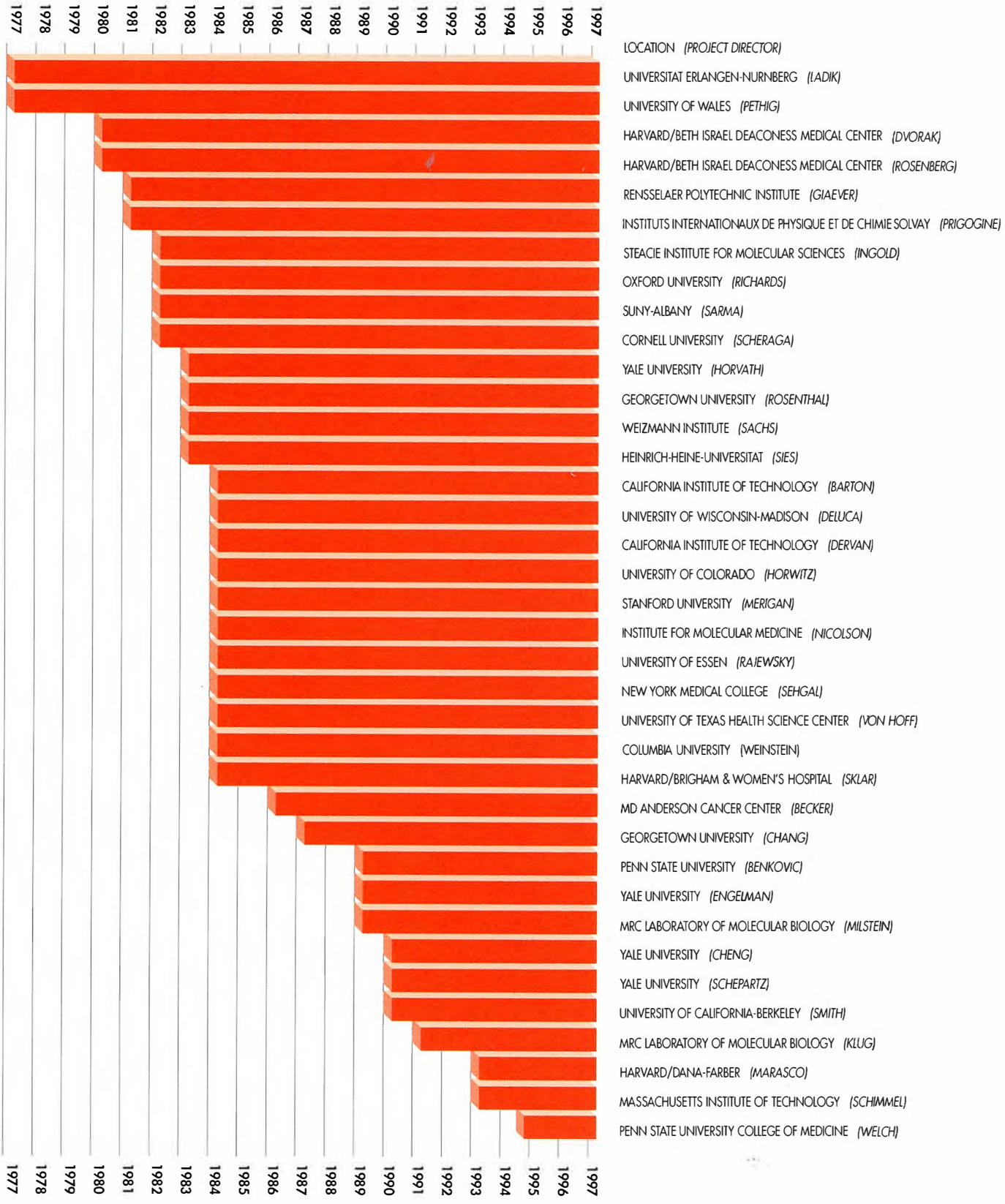
Curt Civin, MD



Dr. Curt Civin's basic research at Johns Hopkins University has made possible new ways to treat–and even cure–cancer, blood disorders, and some genetic diseases.

stem cells

projects longevity



public education

People want to be able to help steer their own course for good health. NFCR is excited about being part of this increasing trend in personal health responsibility. Gone are the days when people falsely believed that they could mistreat their bodies and then just present themselves to a doctor and expect to be fixed. NFCR welcomes this trend and believes that the benefits will be better quality of health and life for everyone. Below is a list of our publications. All of our materials are available for free. If you are interested in any of the publications, please call us at 1-800-321-CURE.

NEWSLETTER

NFCR's newsletter, "Solutions through Science," was designed to give our supporters and friends information about the latest in cancer research. Short readable pieces in laymen's language summarize scientific findings and their significance to the general public.

OUR MEMBERS ASK...

"Our Members Ask..." is our series of brochures on breast, lung, prostate, and colo-rectal cancer including diagnosis, treatment and prevention.

CANCER CHART

The NFCR Cancer Chart "Prevention, Detection and Treatment" describes the 22 most common forms of cancer. It clearly describes the symptoms, treatment options and suggested risk reduction measures for each disease.

ON YOUR HEALTH

We also publish "On Your Health," a series on diet and lifestyle changes which could help you prevent cancer. Please request any of the following titles in the "On Your Health" series:

- *Weigh Less – Live Longer*
- *Choose Crucifers*
- *Seek Shade, not Sun*
- *Find Fiber*
- *Get the Facts on Fat*
- *Walk for Fitness*
- *Track the Trace Minerals*
- *Breathe Easier – Reduce Radon*
- *Have a Healthy Happy Holiday*
- *Cancer Detection*

HEALTH FAIRS

We welcome the opportunity to send information on detection and prevention of cancer to be distributed at health fairs and other public events. Please call us in advance to discuss the appropriate materials for your event.

To request free copies of the materials described above, please call us at 1-800-321-CURE or write to National Foundation for Cancer Research, 4600 East West Highway, Suite 525, Bethesda, MD 20814.

charitable giving

Your charitable generosity can be rewarding in many ways. Your gifts may even offer you substantial tax advantages.

Even though personal economic benefit may not be a primary motivation behind your gift to NFCR, you may want to consider charitable giving strategies which provide financial benefits to you as well as the causes you support. Federal tax laws encourage charitable giving by allowing you to deduct the value for such donations from your income taxes.

There are many different ways to give charitable gifts. You can contribute an outright gift, a gift that produces income for you, a bequest in your will, or a gift of life insurance — just to name a few.

The National Foundation for Cancer Research depends on contributions in all forms. We hope you will embrace our mission of supporting basic-science cancer research and contribute to NFCR in one of many ways. The following describes a variety of options for giving. For more information on any of these options, or if you have additional questions, please do not hesitate to call us at 1-800-321-CURE.

PLANNED GIVING

Planned giving simply means your plan for giving. The arrangements you make, the beneficiaries you name, and the timing you choose are the components of your plan for giving. During your life, and after you're gone, a well-conceived plan distributes what you have worked hard to accumulate, in the manner you have chosen, and with minimal delay and erosion by taxation.

WILLS AND BEQUESTS

This is the most easily understood gift. The donor includes a bequest in his/her will leaving a gift to NFCR. This can be either a fixed sum; a fixed percentage; or a specifically named gift (X shares of Y stock, or certain real estate, for example).

Sample Will Language

A will is the cornerstone of your plan for the future. With a provision in your will for NFCR, you can make a significant investment in a healthy future for your loved ones.

Here is sample language which you might use to remember NFCR in your will:

" I give, devise and bequeath to the National Foundation for Cancer Research, a charitable organization incorporated in the state of Maryland, with its principal office at 4600 East West Highway, Bethesda, MD $_____ (or _____% of the residue of my estate) to be used for NFCR's basic science cancer research program."

Although the process is simple, you should seek the advice of your attorney to see that your will or codicil is effectively drafted.

Trusts Received FY 1997

Trusts established by the following donors distributed income to NFCR during FY 1997:

Roy R. Anderson
Grace W. Densmore
Gertrude Finck Dickson
Julius & Emily Jane Honl
Leonard & Eustelle Hudson
Edward Low
Helen F. Monar
Susan Mahn
A.L. & E.R. Repecka

Bequests Received FY 1997

In FY 1997, the National Foundation for Cancer Research received Bequests from the following generous supporters:

Lois Anstine
Alice A. Ayling
Ernest Capo-Bianco
Florence Marion Cowen
Luis E. Cuevas
Bryant H. Dixon, Jr.
Miriam W. Dynan
Idella Ferens
Wilhelmina Fleming
Helene Flettner
Esther W. Foley
Nathaniel David Forman
John W. Forsythe
Gertrude Frank
Alma Gainfort
James K. Grosse
Virginia S. Harper
Willie Jones
Reed Knox, Jr.
Mabelle H. Liebman
Reta M. Ludwig
Mary Beatrice Marr
Anne Marshall
Jeanette M. McInerney
Gwen Esther Miller
Henry W. Moreland
Marie Isbell Morgan
Helen G. Nusbickel
Howard F. Nuss
Howard J. Pianta
Alice C. Post
Gertrude Emma Raesecke
James Ray
Wilbur F. Renshaw
June M. Ridinger
Marion Rosenberg
Reuben Sachs
Frank H. Sandry
Lois P. Schipul
Sylvia Small
Harry H. Smith
Mary A. Smith
Fredericka Steiner
Winifred Wheeler

MEMORIAL/HONOR GIFTS

All of us know someone special whom we have admired, respected and loved. We invite you to celebrate that special person's life with a donation made in his or her honor to the National Foundation for Cancer Research. Or perhaps you would like to send a memorial contribution instead of sending flowers at the death of a loved one. This is really a gift "so others might live"—for it goes to support lifesaving cancer research. A handsome card is sent to the honoree, or in the case of a memorial gift, an "In Memory of" card with the name of the donor is sent to the family, .

We receive so many individual gifts of this kind that space limitations do not permit listing all the honorees. But we are grateful for them all.

If you would like more information about how to contribute through NFCR's Honor/Memorial program, please call us at 1-800-321-CURE and ask for Ann Mariani.

CORPORATE MATCHING GIFTS

Many employers provide matching gift programs to their employees, retirees, and directors. To all who participate in these programs, we extend our sincere thanks. We encourage you to check with your employer to see if your company has such a program.

THE CODICIL CLUB

Many individuals have demonstrated their support to our mission by notifying us of the intention to leave a legacy to the National Foundation for Cancer Research. If you have remembered NFCR in your estate plan, please call us at 1-800-321-CURE.

statements of financial position

National Foundation for Cancer Research

Years ended September 30, 1997 and 1996

Assets	1997	1996
Cash and cash equivalents	$1,159,771	129,617
Accounts receivable, net of allowance for doubtful accounts of $6,100 in 1997 and $5,000 in 1996	195,244	149,957
Contributions receivable (note 3)	444,136	332,550
Supplies inventory	0	15,928
Prepaid expenses and other assets	371,136	145,916
Donated asset	0	29,000
Furniture and equipment (note 4)	84,669	33,815
Investments (note 5)	4,562,425	3,256,263
Amounts held in trust by others (note 6)	1,614,128	1,131,532
	$8,431,509	5,224,578
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	$1,050,639	648,811
Accrued salaries and vacation	32,610	52,784
Deferred revenue	37,345	31,790
	$1,120,594	733,385
Net assets (note 7):		
Unrestricted:		
Designated for research (note 8)	2,468,972	2,293,375
Undesignated	3,202,983	1,034,366
	$5,671,955	3,327,741
Temporarily restricted	413,040	418,955
Permanently restricted	1,225,920	744,497
Total net assets	$7,310,915	4,491,193
Commitments (notes 9 and 13)		
	$8,431,509	5,224,578

See accompanying notes to financial statements.

statements of activities

National Foundation for Cancer Research

Years ended September 30, 1997 and 1996

	1997	1996
Changes in unrestricted net assets:		
Support and revenue:		
Public support	$5,980,839	4,547,805
Bequests	1,740,450	914,340
University support (note 9)	1,142,845	1,761,323
Mailing list rentals	369,248	304,481
Net investment income (note 5)	786,888	166,824
Other revenue	44,774	43,228
Total support and revenue	10,065,044	7,738,001
Net assets released from restrictions (note 10)	48,399	70,000
Total revenue	10,113,443	7,808,001
Expenses:		
Program services:		
Research (notes 8 and 9)	2,802,912	3,323,153
Public education (note 12)	1,399,972	1,596,514
Total program services	4,202,884	4,919,667
Supporting services:		
Fundraising (note 12)	3,060,719	2,516,439
Management and general	505,626	412,908
Total supporting services	3,566,345	2,929,347
Total expenses	7,769,229	7,849,014
Change in unrestricted net assets	2,344,214	(41,013)
Changes in temporarily restricted net assets:		
Contributions	14,031	–
Gain on charitable remainder trusts	28,453	–
Net assets released from restrictions (note 10)	(48,399)	(70,000)
Changes in temporarily restricted net assets	(5,915)	(70,000)
Changes in permanently restricted net assets:		
Gain on beneficial interest in perpetual trusts (note 6)	268,623	52,634
Contributions	212,800	–
Changes in permanently restricted net assets	481,423	52,634
Change in net assets	2,819,722	(58,379)
Net assets, beginning of year	4,491,193	4,549,572
Net assets, end of year	$7,310,915	4,491,193

See accompanying notes to financial statements.

statements of cash flow

National Foundation for Cancer Research

Years ended September 30, 1997 and 1996

	1997	1996
Cash flows from operating activities:		
Change in net assets	$2,819,722	(58,379)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,620	9,310
Increase (decrease) in allowance for doubtful accounts	1,100	(5,918)
Unrealized loss (gain) on sale of investments	(625,291)	2,214
Realized loss (gain) on sale of investments	(17,586)	31,386
Gain on beneficial interest in perpetual trusts	(268,623)	(52,634)
Perpetual trust contribution	(212,800)	–
Decrease (increase) in assets:		
Accounts receivable	(46,387)	(13,687)
Contributions receivable	(112,759)	(17,955)
Supplies inventory	15,928	3,071
Prepaid expenses and other assets	(225,220)	(12,054)
Donated asset	29,000	–
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	401,828	149,736
Accrued salaries and vacation	(20,174)	(3,283)
Research contracts payable	–	12,127
Deferred revenue	5,555	24,274
Net cash provided by operating activities	1,759,913	68,208
Cash flows from investing activities:		
Purchase of investments	(1,924,703)	(4,315,809)
Proceeds from sales or maturities of investments	1,261,418	3,871,623
Purchase of fixed assets	(66,474)	(22,239)
Proceeds from sale of fixed assets	–	4,969
Net cash used in investing activities	(729,759)	(461,456)
Net increase (decrease) in cash	1,030,154	(393,248)
Cash and cash equivalents, beginning of year	129,617	522,865
Cash and cash equivalents, end of year	$1,159,771	129,617
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 705	535

See accompanying notes to financial statements.

National Foundation for Cancer Research

Years ended September 30, 1997 and 1996

(1) THE ORGANIZATION

The National Foundation for Cancer Research, Inc. (the Foundation) was incorporated in Massachusetts in 1973 "to support basic science cancer research projects including the theories of Dr. Albert Szent-Gyorgyi who discovered Vitamin C." The purposes of the Foundation are to conduct basic science cancer research and to provide educational information about cancer to the public. The Foundation also conducts business under the name Cancer Research Laboratories Foundation, Inc. The Cancer Research Coalition (the Coalition), a separately incorporated affiliate of the Foundation, was established on July 24, 1997. The Coalition, whose purpose is to fund a specific research project in Germany, is currently inactive.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Basis of Presentation

Net assets and revenues, 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 may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

Public support is recorded as revenue when contributions, which include unconditional promises to give (pledges), are received. The Foundation has adopted a policy of recording as unrestricted donor-restricted contributions whose restrictions are met in the same reporting period.

Bequests

The Foundation is the beneficiary under various wills and trust agreements. The Foundation records such amounts when notified that the amounts have cleared probate.

Cash and cash equivalents

Cash equivalents include amounts invested in an overnight sweep account.

Prepaid Expenses

Prepaid expenses consist primarily of unused postage, purchased prior to September 30.

Furniture and Equipment

Expenditures for furniture and equipment are capitalized at cost. Furniture and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets of 5 to 10 years. Leasehold improvements are capitalized at cost and amortized on the straight-line basis over the remaining life of the lease.

Investments

Investments which are recorded at fair value, consist of corporate stocks and bonds, government securities with maturities greater than 90 days and money market funds.

Supplies Inventory

Supplies inventory is stated at the lower of cost or market (estimated net realizable value) using the first-in, first-out method.

Functional Allocation of Expenses

The costs of providing the programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated between the programs and services benefited. Joint costs of informational materials or activities that included a fundraising appeal have been allocated between fundraising and public education expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The Foundation is also required to make estimates and assumptions that affect reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Income Taxes

The Foundation qualifies as a public charity under Section 509(a) of the Internal Revenue Code and is generally exempt from federal income tax under Section 501(c)(3), except on unrelated business income, if any.

Reclassifications

Certain reclassifications have been made to the 1996 financial statement balances to conform with the 1997 presentation.

(3) CONTRIBUTIONS RECEIVABLE

Contributions receivable at September 30, 1997 and 1996 are expected to be received as follows:

	1997	1996
Within 1 year	$442,136	332,550
Within 1 to 5 years	2,000	–
	$444,136	332,550

(4) FURNITURE AND EQUIPMENT

Furniture and equipment at years ended September 30, 1997 and 1996 consisted of the following:

	1997	1996
Computer equipment	$186,283	240,360
Office furniture and equipment	171,424	158,552
Leasehold improvements	2,651	2,651
Donated property	700	700
	$361,058	402,263
Less accumulated depreciation	(276,389)	(368,448)
	$84,669	33,815

(5) INVESTMENTS

Investments at September 30, 1997 and 1996 consisted of the following:

	1997	1996
Money market funds	$148,260	3,149,639
Corporate bonds	911,566	–
Government and agency securities	604,402	106,624
Stocks	2,898,197	–
	$4,562,425	3,256,263

Investment income for the years ended September 30, 1997 and 1996 consisted of the following:

	1997	1996
Interest and dividend income	$144,011	200,424
Net realized gains (loss) on sales of investments	17,586	(31,386)
Unrealized gain (loss)	625,291	(2,214)
	$786,888	166,824

At the end of 1996, the Foundation transferred all of its investments from United Missouri Bank to Prudential Securities. Prudential subsequently liquidated many of the investments to allocate the proceeds amongst various money managers to diversify the investment portfolio. The amount in money market funds are classified as investments because the funds are not available for operating purposes and are intended to be re-invested in investments.

(6) AMOUNTS HELD IN TRUST BY OTHERS

The Foundation is the beneficiary of several split-interest agreements, including irrevocable perpetual trusts and charitable remainder trusts. The Foundation does not exercise control over the trusts' assets which are held and administered by third-party trustees. Under the perpetual trusts, the donors established and funded a trust whereby the Foundation is the beneficiary of the income on the trust assets as earned in perpetuity with no restrictions on its use. Under the charitable remainder trusts the donors established and funded a trust whereby the Foundation receives income distributions from the trust and will receive a percentage of trust assets at the termination of the trust. The perpetual trusts are stated at present value based on the expected future cash flows to the Foundation, which approximates the fair value of the assets of the trust. Fair value at September 30, 1997 and 1996 was $1,215,920 and $734,497, respectively. The gain on the beneficial interest in perpetual trusts for the years ended September 30, 1997 and 1996, was $268,623 and $52,634, respectively. The charitable remainder trusts are stated at the present value of the estimated income distributions to be received over the life of the trusts and the amount to be received at the termination of the trusts. The amount recorded at September 30, 1997 and 1996, was $398,208 and $397,035, respectively.

(7) NET ASSETS

Temporarily restricted net assets at September 30, 1997 and 1996, are available for the following purposes or periods:

	1997	1996
Specific research programs	$ –	21,920
Split-interest agreements	413,040	397,035
Total temporarily restricted net assets	$413,040	418,955

Investment income realized on the permanently restricted net assets balance of $1,225,920 and $744,497 as of September 30, 1997 and 1996, respectively, is unrestricted for use of the Foundation.

(8) RESEARCH CONTRACTS

The Foundation enters into agreements with universities or other institutions to conduct scientific research on their premises, in accordance with policies established by the governing board of the Foundation. Under the terms of these agreements, the Foundation provides specific funds on an annual basis subject to routine performance requirements by the recipients of the contracts. Research contracts are expensed in the year the research is conducted.
At September 30, 1997 and 1996, contract commitments to universities and institutions for research amounted to $2,468,972 and $2,293,375, respectively.

(9) UNIVERSITY SUPPORT

Research contracts with universities and institutions typically cover much of the research costs; however, most institutions agree to donate certain materials, services, and the use of facilities. These donations, provided by the institutions, become a normal part of the research program and would ordinarily be costs incurred by the Foundation. Control over these donated materials, services, and facilities is provided through on-location Project Directors, who are responsible to the Foundation for the research project at the institutions. The effect of these donations is to allow the Foundation to conduct research in excess of the amount of the contract. The institutions provide the Foundation with a measurable basis for the amount of the donated materials, services and facilities. To properly reflect the total research cost and adequately report the full scope of the operation, the Foundation has included the following donations as university support and research expense for the years ended September 30, 1997 and 1996:

	1997	1996
Salaries and staff	$309,588	431,482
Materials, chemicals, and equipment	145,373	150,198
Utilities and occupancy	109,342	153,997
Travel and services	42,945	50,083
Computer services	362,046	706,836
Hospital facilities and lab costs	173,551	268,727
	$1,142,845	1,761,323

(10) RECLASSIFICATION OF NET ASSETS

Net assets of $21,920 and $70,000 for the years ended September 30, 1997 and 1996 were released from donor restrictions as the Foundation awarded research contracts in accordance with donor stipulations. In addition, for the year ended September 30, 1997, $26,479 of net assets were released from the time restriction on the charitable remainder trusts as the interest income was received.

(11) RETIREMENT PLAN

The Foundation has a defined contribution money purchase plan which covers all full-time employees with at least 1 year of service. The Foundation contributes an amount equal to 12 percent of the participating employees' salaries to the plan each year. For the years ended September 30, 1997 and 1996, retirement expense was approximately $42,000 and $41,000, respectively.

(12) ALLOCATION OF JOINT COSTS

For the years ended September 30, 1997 and 1996, the Foundation incurred joint costs of approximately $3,552,000 and $3,523,000, respectively, for informational materials and activities that included fundraising appeals which were allocated as follows:

	1997	1996
Fundraising	$2,396,000	2,205,000
Public Education	1,156,000	1,318,000
	$3,552,000	3,523,000

(13) LEASE COMMITMENTS

The Foundation leases office space under a noncancelable operating lease. Future minimum lease payments under the operating lease as of September 30, 1997 are as follows:

1998	$146,616
1999	66,728
2000	68,393
2001	70,207
2002	71,856
Thereafter	18,074
	$441,874

Rent expense for the years ended September 30, 1997 and 1996, was $164,983 and $168,038, respectively.

independent auditors' report

BOARD OF DIRECTORS

National Foundation for Cancer Research, Inc.:

We have audited the accompanying statements of financial position of the National Foundation for Cancer Research, Inc. (the Foundation) as of September 30, 1997 and 1996, and the related 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide 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 National Foundation for Cancer Research, Inc. at September 30, 1997 and 1996, and its changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedule 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.

KPMG Peat Marwick LLP

December 16, 1997

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Treasurer

The National Foundation for Cancer Research was founded in 1973 and incorporated under the laws of the State of Massachusetts. This Foundation is organized pursuant to section 501(c)(3) of the Internal Revenue Code and is registered with and complies with the regulations of the charity divisions in all states in which it solicits donations, including the New York Department of State, Office of Charities Registration, Albany, New York 12231. A copy of our Annual Report is always available from that agency or from the Foundation. Our research program is supported entirely by voluntary, private contributions that are tax deductible.

4600 EAST WEST HIGHWAY, SUITE 525

BETHESDA, MARYLAND 20814

1-800-321-CURE