

JOHN KANZIUS CANCER RESEARCH FOUNDATION

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**KANZIUS CANCER
RESEARCH FOUNDATION**

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AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

JOHN KANZIUS CANCER RESEARCH FOUNDATION

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report	Page 1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expense	5
Statements of Cash Flows	7
Notes to Financial Statements	8

AUDITED FINANCIAL STATEMENTS



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Independent Auditor's Report

To the Board of Directors
John Kanzius Cancer Research Foundation

We have audited the accompanying statements of financial position of the John Kanzius Cancer Research Foundation (Foundation) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Foundation as of December 31, 2009 and 2008, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP
Erie, Pennsylvania
October 14, 2010

JOHN KANZIUS CANCER RESEARCH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,073,160	\$ 749,727
Promises to Give <i>(Note B)</i>	<u>11,375</u>	<u>250,000</u>
TOTAL CURRENT ASSETS	1,084,535	999,727
LONG-TERM ASSETS		
Fixed Assets - Net <i>(Note C)</i>	9,783	2,294
Loan Receivable <i>(Note D)</i>	<u>10,000</u>	<u>-</u>
TOTAL LONG-TERM ASSETS	19,783	2,294
	<u>\$ 1,104,318</u>	<u>\$ 1,002,021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Trade Accounts Payable	\$ -	\$ 1,240
Accrued Payroll and Payroll Tax	<u>1,097</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	1,097	1,240
NET ASSETS - UNRESTRICTED	1,091,846	750,781
NET ASSETS - TEMPORARILY RESTRICTED	<u>11,375</u>	<u>250,000</u>
TOTAL NET ASSETS	1,103,221	1,000,781
	<u>\$ 1,104,318</u>	<u>\$ 1,002,021</u>

See accompanying notes and auditor's report.

JOHN KANZIUS CANCER RESEARCH FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 679,902	\$ 11,375	\$ 691,277
Government Grants	400,000	-	400,000
Interest Earned	9,328	-	9,328
Gain on Sale of Investments	-	-	-
Net Assets Released from Restrictions	250,000	(250,000)	-
TOTAL SUPPORT AND REVENUE	1,339,230	(238,625)	1,100,605
EXPENSES			
PROGRAM SERVICES			
Kanzius Radiowave Treatment Research	870,000	-	870,000
Education and Awareness	29,315	-	29,315
TOTAL PROGRAM SERVICES	899,315	-	899,315
SUPPORTIVE SERVICES			
Management and General	68,263	-	68,263
Fund Raising	30,587	-	30,587
TOTAL SUPPORTIVE SERVICES	98,850	-	98,850
TOTAL EXPENSES	998,165	-	998,165
INCREASE (DECREASE) IN NET ASSETS	341,065	(238,625)	102,440
NET ASSETS AT BEGINNING OF YEAR	750,781	250,000	1,000,781
NET ASSETS AT END OF YEAR	\$ 1,091,846	\$ 11,375	\$ 1,103,221

See accompanying notes and auditor's report.

JOHN KANZIUS CANCER RESEARCH FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,313,270	\$ 250,000	\$ 1,563,270
Government Grants	-	-	-
Interest Earned	4,769	-	4,769
Gain on Sale of Investments	502	-	502
Net Assets Released from Restrictions	-	-	-
TOTAL SUPPORT AND REVENUE	<u>1,318,541</u>	<u>250,000</u>	<u>1,568,541</u>
EXPENSES			
PROGRAM SERVICES			
Kanzius Radiowave Treatment Research	492,932	-	492,932
Education and Awareness	2,024	-	2,024
TOTAL PROGRAM SERVICES	<u>494,956</u>	<u>-</u>	<u>494,956</u>
SUPPORTIVE SERVICES			
Management and General	19,743	-	19,743
Fund Raising	53,061	-	53,061
TOTAL SUPPORTIVE SERVICES	<u>72,804</u>	<u>-</u>	<u>72,804</u>
TOTAL EXPENSES	<u>567,760</u>	<u>-</u>	<u>567,760</u>
INCREASE IN NET ASSETS	750,781	250,000	1,000,781
NET ASSETS AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 750,781</u>	<u>\$ 250,000</u>	<u>\$ 1,000,781</u>

See accompanying notes and auditor's report.

JOHN KANZIUS CANCER RESEARCH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Services			Supportive Services			Total Expense
	Education and Awareness	Kanzius Radiowave Treatment Research	Total Program Services	Management and General	Fundraising	Total Supportive Services	
PERSONNEL SERVICES							
Salaries	\$ 28,817	\$ -	\$ 28,817	\$ 9,606	\$ 9,606	\$ 19,211	\$ 48,028
Employee Benefits	499	-	499	166	166	332	831
Other Personnel and Staff Expense	-	-	-	-	-	-	-
TOTAL PERSONNEL SERVICES	<u>29,315</u>	<u>-</u>	<u>29,315</u>	<u>9,772</u>	<u>9,772</u>	<u>19,544</u>	<u>48,859</u>
OPERATING EXPENSES							
Advertising and Printing	-	-	-	-	6,914	6,914	6,914
Contract Labor	-	-	-	-	12,308	12,308	12,308
Employee Search	-	-	-	4,511	-	4,511	4,511
Fundraising	-	-	-	-	1,593	1,593	1,593
Insurance	-	-	-	7,019	-	7,019	7,019
Legal and Accounting	-	-	-	17,653	-	17,653	17,653
Meetings and Travel	-	-	-	5,826	-	5,826	5,826
Miscellaneous	-	-	-	777	-	777	777
Office and Postage	-	-	-	8,373	-	8,373	8,373
PayPal Fees	-	-	-	5,106	-	5,106	5,106
Rent	-	-	-	7,317	-	7,317	7,317
Research and Equipment Grants	-	870,000	870,000	-	-	-	870,000
Symposium	-	-	-	-	-	-	-
Depreciation Expense	-	-	-	926	-	926	926
Amortization Expense	-	-	-	983	-	983	983
TOTAL OPERATING EXPENSES	<u>-</u>	<u>870,000</u>	<u>870,000</u>	<u>58,491</u>	<u>20,815</u>	<u>79,306</u>	<u>949,306</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 29,315</u>	<u>\$ 870,000</u>	<u>\$ 899,315</u>	<u>\$ 68,263</u>	<u>\$ 30,587</u>	<u>\$ 98,850</u>	<u>\$ 998,165</u>

See accompanying notes and auditor's report.

JOHN KANZIUS CANCER RESEARCH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services			Supportive Services			Total Expense
	Education and Awareness	Kanzius Radiowave Treatment Research	Total Program Services	Management and General	Fundraising	Total Supportive Services	
PERSONNEL SERVICES							
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Benefits	-	-	-	-	-	-	-
Other Personnel and Staff Expense	-	-	-	-	-	-	-
TOTAL PERSONNEL SERVICES	-	-	-	-	-	-	-
OPERATING EXPENSES							
Advertising and Printing	-	-	-	-	-	-	-
Contract Labor	-	-	-	-	4,513	4,513	4,513
Employee Search	-	-	-	-	-	-	-
Fundraising	-	-	-	-	48,548	48,548	48,548
Insurance	-	-	-	-	-	-	-
Legal and Accounting	-	-	-	6,188	-	6,188	6,188
Meetings and Travel	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Office and Postage	-	-	-	9,015	-	9,015	9,015
PayPal Fees	-	-	-	1,924	-	1,924	1,924
Rent	-	-	-	1,960	-	1,960	1,960
Research and Equipment Grants	-	492,932	492,932	-	-	-	492,932
Symposium	2,024	-	2,024	-	-	-	2,024
Depreciation Expense	-	-	-	-	-	-	-
Amortization Expense	-	-	-	656	-	656	656
TOTAL OPERATING EXPENSES	<u>2,024</u>	<u>492,932</u>	<u>494,956</u>	<u>19,743</u>	<u>53,061</u>	<u>72,804</u>	<u>567,760</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,024</u>	<u>\$ 492,932</u>	<u>\$ 494,956</u>	<u>\$ 19,743</u>	<u>\$ 53,061</u>	<u>\$ 72,804</u>	<u>\$ 567,760</u>

See accompanying notes and auditor's report.

JOHN KANZIUS CANCER RESEARCH FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 102,440	\$ 1,000,781
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization	983	656
Depreciation	926	-
In-Kind Contribution of Fixed Assets	(8,100)	(2,950)
Changes in Assets:		
(Increase) Decrease in Promises to Give	238,625	(250,000)
Increase in Loan Receivable	(10,000)	-
Changes in Liabilities:		
Increase (Decrease) in Accounts Payable	(1,240)	1,240
Increase in Accrued Payroll and Tax	1,097	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>324,731</u>	<u>749,727</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	<u>(1,298)</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	(1,298)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	323,433	749,727
CASH AND CASH EQUIVALENTS - BEGINNING	<u>749,727</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,073,160</u>	<u>\$ 749,727</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:

Donated Equipment	<u>\$ 8,100</u>	<u>\$ -</u>
Donated Website Development	<u>\$ -</u>	<u>\$ 2,950</u>
Contributed Securities	<u>\$ -</u>	<u>\$ 102,420</u>

See accompanying notes and auditor's report.

JOHN KANZIUS CANCER RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the John Kanzius Cancer Research Foundation (Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Foundation

The John Kanzius Cancer Research Foundation is a Pennsylvania nonprofit corporation. The mission of the Foundation is to solicit public contributions for cancer research, particularly as it relates to the Kanzius Radiowave Treatment and to create national and global awareness of this potential cure in an effort to accelerate the research timeframe.

Basis of Accounting

Assets, liabilities, revenues, and expenses are recognized on the accrual method of accounting for financial statement presentation purposes.

Financial Statement Presentation

The FASB Accounting Standards Codification ("FASB ASC") requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments, with an initial maturity of three months or less, to be cash equivalents. Cash is comprised solely of deposits in financial institutions. The Foundation had no cash equivalents at December 31, 2009 and 2008.

Concentration of Credit Risk

The Foundation maintains cash balances at financial institutions. Cash balances at qualifying financial institutions are insured by the FDIC for up to \$250,000. The balances, at times, may exceed federally insured limits. Cash not insured by the FDIC totaled \$823,160 and \$499,727 as of December 31, 2009 and 2008, respectively.

JOHN KANZIUS CANCER RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

The Foundation follows the practice of capitalizing all expenditures for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Restricted Net Assets

Net assets whose use by the Foundation are subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions, or that expire by the passage of time, are classified as temporarily restricted net assets. However, if restrictions on contributions are met in the same reporting period as the contributions are received, the revenues are reported as increases in unrestricted net assets. All other net assets of the Foundation are classified as unrestricted net assets. As of December 31, 2009 and 2008, \$11,375 and \$250,000 were classified as temporarily restricted, respectively. All other net assets are classified as unrestricted.

Advertising Expenditures

The Foundation has adopted the policy of expensing all advertising costs as incurred. Advertising costs of \$1,593 and \$27,400 were included in fundraising expenses for the years ended December 31, 2009 and 2008, respectively.

In-Kind Contributions

The Foundation recognized revenue and expense for in-kind contributions. The values of the services that are included in the statement of activities for the years ended December 31, 2009 and 2008 are \$8,784 and \$63,000, respectively (Note E). In addition, over 2,600 and 3,000 volunteer hours were provided to the Foundation during 2009 and 2008 that are not reflected in the financial statements, since they do not meet the criteria for recognition as defined in the FASB ASC.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code. Interest and penalties related to tax reporting are recognized when incurred and are included as Administrative Expenses in the Statements of Activities. There were no interest or penalties incurred related to tax reporting for the years ended December 31, 2009 and 2008. The Foundation's tax returns are subject to audit by various taxing authorities. The open audit periods for the Foundation are the calendar years ending in 2006, 2007, 2008, and 2009. The Foundation follows the topic of Income Taxes from the FASB ASC with regard to the accounting and recognition of income tax positions taken or expected to be taken in the Foundation's tax returns.

Reclassification

Certain 2008 amounts have been reclassified in the financial statements in order for them to provide comparable presentation between years.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 14, 2010, the date the financial statements were available to be issued.

JOHN KANZIUS CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B PROMISES TO GIVE

The Foundation records unconditional promises to give as revenue when the promises are made in accordance with the FASB ASC.

Promises to give, less an allowance for uncollectible amounts, are discounted to reflect the time value of money, if applicable. Contributions, upon receipt, are considered available for unrestricted use, unless specifically restricted by the donor.

At December 31, 2009 and 2008, there were promises to give totaling \$11,375 and \$250,000, respectively.

NOTE C FIXED ASSETS

The Foundation's fixed assets consist of the following at December 31,

	<u>2009</u>	<u>2008</u>
Equipment	\$ 9,398	\$ -
Donated Web Site Development	<u>2,950</u>	<u>2,950</u>
Total Fixed Assets	12,348	2,950
Less: Accumulated Depreciation and Amortization	<u>2,565</u>	<u>656</u>
Net Fixed Assets	<u>\$ 9,783</u>	<u>\$ 2,294</u>

NOTE D LOAN RECEIVABLE

The Foundation recorded a loan receivable from the Executive Director upon his hiring on July 6, 2009. This loan is to be forgiven over a period of thirty-six months starting on his date of hire. If the Executive Director leaves the Foundation for any reason other than termination or layoff initiated by the Foundation's Board within one year of the date of hire, the full amount of the loan will be reimbursed to the Foundation. If the Executive Director leaves under the same circumstance after one year, but before two years, fifty percent of the loan must be reimbursed. If the Executive Director leaves prior to three years from the date of hire, twenty-five percent of the loan must be reimbursed back to the Foundation. At December 31, 2009, the balance of the loan is \$10,000.

NOTE E IN-KIND CONTRIBUTIONS

The Foundation recognized revenue and expense for in-kind contributions. These contributions were recorded at their estimated fair value as follows for December 31,

	<u>2009</u>	<u>2008</u>
Airtime and Advertising for the Telethon	\$ -	\$ 46,900
Equipment	8,100	-
Legal Services	1,800	5,022
Office Supplies and Expense	3,334	2,623
Professional Services	1,276	-
Rental Space – Virtual Office and Meeting Rooms	2,374	2,960
Web Site Development and Maintenance	<u>-</u>	<u>5,495</u>
Total In-Kind Contributions	<u>\$ 16,884</u>	<u>\$ 63,000</u>

JOHN KANZIUS CANCER RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F STATE GRANT

The Foundation received and recognized a grant totaling \$400,000 from the state of Pennsylvania. The grant activity consists of designing and building a human-sized Kanzius radiofrequency field treatment device. To satisfy this requirement the Foundation transferred these funds to M.D. Anderson Cancer Center (Note H) who has sub-contracted the manufacturing process to Industrial Sales and Manufacturing, an Erie, Pennsylvania based manufacturing company. Finally, the grant has a contingency usage clause based on the approved grant application requiring repayment of grant proceeds plus all interest, income, accumulations and the monetary equivalent of any appreciation in value of any property purchased with the funds by either the Foundation or the Contractor who received the funds for any disbursements inconsistent with the grant application.

NOTE G RELATED PARTY

The Foundation has entered into activities with members of its board. A member of the Board is the Regional President, CEO of the sole Financial Institution used by the Foundation for its banking needs. Another member owns the office building utilized by the Foundation. Total rent expense was \$7,317 and \$1,960 for the years ending December 31, 2009 and 2008, respectively. All banking and rental activity has been approved by the Board in accordance with the Foundation's policy and procedures.

NOTE H ORGANIZATIONS RECEIVING BENEFITS

In carrying out its exempt purposes, John Kanzius Cancer Research Foundation provides funds to organizations. John Kanzius Cancer Research Foundation supports the prominent medical centers that are conducting the intensive research into the Kanzius Radiowave Treatment. It is to these centers that funds will be distributed to assist in accelerating the research timeline. The recipients of funds include the University of Texas M.D. Anderson Cancer Center (M.D. Anderson) to benefit the research of Dr. Steven Curley and the University of Pittsburgh Medical Center (UPMC) to support the research of Dr. David Geller.

The Foundation has paid \$870,000 and \$492,932 to M.D. Anderson for the years ending December 31, 2009 and 2008, respectively.