VASCULAR CURES
AND
PACIFIC VASCULAR RESEARCH INSTITUTE

COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

VASCULAR CURES
AND
PACIFIC VASCULAR RESEARCH INSTITUTE

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vascular Cures and Pacific Vascular Research Institute

We have audited the accompanying combined statements of financial position of Vascular Cures (a not-for-profit organization) (the "Corporation") and the Pacific Vascular Research Institute (a not-for-profit organization) (the "Institute") as of June 30, 2013 and 2012, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements. These combined financial statements are the responsibility of the Corporation's and the Institute's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MARCUMGROUP
MEMBER

Marcum LLP ■ 101 Montgomery Street ■ Suite 1900 ■ San Francisco, California 94104 ■ **Phone** 415.432.6200 ■ **Fax** 415.432.6201 ■ **marcumllp.com**

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Vascular Cures and the Pacific Vascular Research Institute as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Marcum LLP

San Francisco, CA
December 3, 2013

VASCULAR CURES
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COMBINED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 175,725	$ 138,964
Restricted cash and cash equivalents	94,266	1,511
Investments	1,496,118	306,217
Contributions receivable	29,350	20,113
Prepaid expenses	9,205	8,749
Total Current Assets	$ 1,804,664	$ 475,554
Long-Term Assets		
Investments	669,242	703,036
Property and equipment, net of accumulated depreciation	1,477	2,627
Deposits	2,447	2,447
Total Long-Term Assets	673,166	708,110
Total Assets	$ 2,477,830	$ 1,183,664

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

VASCULAR CURES
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COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2013 AND 2012

	2013	2012
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 36,524	$ 32,593
Net Assets		
Unrestricted	262,450	85,759
Temporarily restricted	495,518	411,974
Permanently restricted	1,683,338	653,338
Total Net Assets	2,441,306	1,151,071
Total Liabilities and Net Assets	$ 2,477,830	$ 1,183,664

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

VASCULAR CURES
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COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
Revenues, Gains, and Other Support					
Contributions	$ 547,068	$ 264,746	$ 1,030,000	$ 1,841,814	$ 215,925
In-kind revenue	68,801	--	--	68,801	173,273
Event income, net	189,160	--	--	189,160	152,510
Total Revenues, Gains and Other Support	805,029	264,746	1,030,000	2,099,775	541,708
Investment Income					
Dividends	33	20,380	--	20,413	19,784
Interest Income	190	--	--	190	239
Realized and unrealized gain(loss)	2,796	53,307	--	56,103	(188)
Total Investment Income	3,019	73,687	--	76,706	19,835
Net Assets Released From Restrictions	248,661	(248,661)	--	--	--
Total Revenue and Support	1,056,709	89,772	1,030,000	2,176,481	561,543
Operating Expenses					
Program Services					
Vascular Cure Research Network	314,144	--	--	314,144	352,960
Wylie Scholar Program	155,140	--	--	155,140	105,824
Education and Community Awareness	101,651	--	--	101,651	153,409
Binkley Visiting Professor Program	13,328	--	--	13,328	12,809
Total Program Services	584,263	--	--	584,263	625,002
Supporting Services					
Development	210,002	--	--	210,002	183,646
General and administrative	85,753	6,228	--	91,981	98,476
Total Supporting Services	295,755	6,228	--	301,983	282,122
Total Operating Expenses	880,018	6,228	--	886,246	907,124
Increase (Decrease) in Net Assets	176,691	83,544	1,030,000	1,290,235	(345,581)
Net Assets - Beginning	85,759	411,974	653,338	1,151,071	1,496,652
Net Assets - Ending	$ 262,450	$ 495,518	$ 1,683,338	$ 2,441,306	$ 1,151,071

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

VASCULAR CURES
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COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013 (WITH COMPARATIVE TOTALS FOR 2012)

	Wylie Scholar Program	Vascular Cure Research Network	Binkley Visiting Professor Program	Education and Community Awareness	Total Program Services	Development	General and Administrative	Total Supporting Services	Total Expenses 2013	Total Expenses 2012
Expenses										
Salaries	$ 3,008	$ 154,971	$ 337	$ 37,959	$ 196,275	$ 47,823	$ 30,615	$ 78,438	$ 274,713	$ 315,975
Wylie Scholarships	150,000			--	150,000		--	--	150,000	100,000
In-kind services and goods	--	61,921	--		61,921		6,880	6,880	68,801	173,273
Accounting	--	--	--	--	--	--	28,534	28,534	28,534	27,319
Consulting	--	3,751	--	2,351	6,102	69,354	--	69,354	75,456	6,625
Health Insurance	593	30,828	65	7,451	38,937	9,441	6,260	15,701	54,638	45,311
Rent	310	16,218	34	3,882	20,444	4,973	1,160	6,133	26,577	25,675
Payroll taxes	344	9,914	16	2,107	12,381	2,828	2,405	5,233	17,614	19,950
Events/activities	--	--	--	19,732	19,732	36,644	--	36,644	56,376	38,512
Marketing and communication	--	--	--	24,967	24,967	25,084	--	25,084	50,051	98,045
IT infrastructure	32	1,492	4	422	1,950	501	1,712	2,213	4,163	20,248
Office expenses	52	1,479	5	668	2,204	8,445	3,220	11,665	13,869	12,510
Investment management fee	--	--	2,195	--	2,195	--	4,034	4,034	6,229	6,205
Insurance	22	1,418	2	253	1,695	370	2,484	2,854	4,549	3,041
Postage and delivery	--	--	--	1,485	1,485	2,212	425	2,637	4,122	4,836
Telephone/internet	30	1,642	3	374	2,049	488	327	815	2,864	3,467
Research database	--	12,000	--	--	12,000	--	--	--	12,000	--
Research support	714	18,510	10,667	--	29,891	--	--	--	29,891	2,525
Depreciation	--	--	--	--	--	--	1,150	1,150	1,150	1,150
Travel, meals, and meetings	35	--	--	--	35	1,839	2,775	4,614	4,649	2,457
Total Expenses	$ 155,140	$ 314,144	$ 13,328	$ 101,651	$ 584,263	$ 210,002	$ 91,981	$ 301,983	$ 886,246	$ 907,124

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

VASCULAR CURES
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COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows Provided by (Used in) Operating Activities		
Change in net assets	$ 1,290,235	$ (345,581)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,150	1,150
Permanently restricted contributions	(1,030,000)	(85,000)
Net realized and unrealized (gain) loss on investments	(56,103)	188
Dividends, net of fees from investments	--	(13,575)
Changes in assets and liabilities:		
Restricted cash and cash equivalents	(92,755)	99,997
Contributions receivable	(9,237)	7,650
Prepaid expenses	(456)	(5,641)
Deposits	--	1,500
Accounts payable and accrued expenses	3,931	16,820
Net Cash Provided by (Used in) Operating Activities	106,765	(322,492)
Cash Flows From Investing Activities		
Proceeds from sale of investments	24,093	375,000
Purchases of investments	(1,124,097)	(60,000)
Net Cash (Used in) Provided by Investing Activities	(1,100,004)	315,000
Cash Flows Provided by Financing Activities		
Receipt of permanently restricted contributions	1,030,000	85,000
Net Increase in Cash and Cash Equivalents	36,761	77,508
Cash and Cash Equivalents - Beginning	138,964	61,456
Cash and Cash Equivalents - Ending	$ 175,725	$ 138,964

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

VASCULAR CURES
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NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 - NATURE OF THE ORGANIZATIONS

Vascular Cures ("VC" or the "Corporation"), formerly the Pacific Vascular Research Foundation, is a nonprofit public benefit corporation that was incorporated in the state of California on March 29, 1982. The Corporation changed its name in April 2008 to The Foundation for Accelerated Vascular Research; and on November 13, 2009 to Vascular Cures – The Foundation for Accelerated Vascular Research and again on April 1, 2010 to Vascular Cures.

VC supports innovative research aimed at developing new ways to treat vascular disease and the effects of vascular injury. It has provided funding to 15 surgeon-scientists across North America and is also creating the Vascular Cures Research Network ("VCRN"). VCRN will be a national consortium that is expected to ultimately include world-class vascular surgeon-scientists from 10 medical centers across the United States. The plan is for the medical centers to collaborate on research and create the first vascular bio-bank, and associated database, of clinical outcomes. The goal of VCRN is to accelerate the development of treatments that reflect an individual's biology. VC receives financial support from the general public and grant giving institutions and foundations, and supports medical research in the area of vascular disease by the use of grants and contributions

In July 1999, VC formed the Pacific Vascular Research Institute (the "Institute"), a nonprofit public benefit corporation. The Institute provided funds to a vascular research laboratory, known as the Laboratory for Accelerated Vascular Research ("LAVR"), within the Parnassus facilities of the University of California, San Francisco ("UCSF"). The Institute has not had operations since 2008.

The accompanying combined financial statements include the accounts of VC and the Institute. All material intercompany transactions and accounts have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The net assets, revenues, gains and losses, expenses, and other charges in the accompanying combined financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of VC and changes therein are classified as follows:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Unrestricted Net Assets
Represent net assets that are not subject to donor-imposed stipulations and are available to support VC's operations.

Temporarily Restricted Net Assets
Represent contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Contributions restricted for a purpose that are met within the year are considered unrestricted.

Permanently Restricted Net Assets
Represent contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organization. Contributions are to be held as investments in perpetuity, but VC is permitted to expend the income (or the economic benefits) derived from the donated assets as directed by the original donor.

USE OF ESTIMATES

The preparation of combined 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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

VC places their cash and money market accounts with high quality institutions. Cash and cash equivalents include highly liquid investments with original maturities of three months or less at time of purchase. The balances in these accounts may at times exceed federally insured limits or may not be federally insured. Management of VC believes these funds are not exposed to significant credit risk.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESTRICTED CASH

VC holds a separate cash account for the tracking and recording of the Wylie Scholar Program, a temporarily restricted account. All deposits are maintained in money market accounts, which mature in three months or less.

INVESTMENTS

Investments are carried at the quoted market value of the securities and are subject to market fluctuations. VC classifies securities with maturity dates of 12 months or less as current assets and securities with maturity dates of over 12 months as long-term assets on the statement of net assets. Generally, gains and losses are reflected as increases or decreases in the unrestricted net assets unless the donor or relevant laws place temporary or permanent restrictions on the gains and losses. Currently, VC classifies, in accordance with the donor's stipulation, investment returns on restricted donations as temporarily restricted net assets until VC approves the use of these funds.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Per ASC 820-10, "Fair Value Measurements and Disclosures," VC has used a three-tiered fair value hierarchy of valuation techniques, which prioritizes the inputs used in the valuation methodologies, as follows:

- Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

- Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

- Level 3 - Valuations based on unobservable inputs reflecting the entity's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table represents VC's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30, 2013. There were no changes in classification between June 30, 2013 and June 30, 2012:

	June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	$ 615,876	$ 615,876	$ --	$ --
Bond mutual funds	201,817	201,817	--	--
Money market mutual funds	1347,667	1,347,667	--	--
Total	$2,165,360	$2,165,360	$ --	$ --

In accordance with ASC 820-10, the following table represents VC's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30, 2012:

	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	$ 411,566	$ 411,566	$ --	$ --
Bond mutual funds	368,528	368,528	--	--
Money market mutual funds	229,159	229,159	--	--
Total	$1,009,253	$1,009,253	$ --	$ --

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give and are recognized as contribution revenue when the promise is received. Contributions receivable are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected beyond one year. VC uses the present value of future cash flows, which is an income valuation technique, for measuring the fair value of unconditional contributions receivable. In determining this fair value, VC may consider when the promise is expected to be collected, the credit worthiness of the donor, the past collections experience, collection enforcement policies, and uncertainties inherent in estimating future cash flows (i.e. variation in timing and amounts).

Bad debts are provided on the allowance method based on aging of the receivable and management's evaluation of outstanding receivables and past due balances. There were no allowances for uncollectible amounts as of June 30, 2013 and 2012.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to seven years for furniture and three years for software. VC capitalizes assets over $1,000 and assigns a depreciable life based on management's subjective determination.

REVENUE RECOGNITION

A contribution is recognized when actually received by VC or the Institute. Promises to give are recognized when any condition upon which they depend are substantially met. Cash from conditional gifts that is received prior to the condition being met is classified as deferred revenue.

Contributions received are recorded either as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Two donors contributed $1,255,000, on temporarily and permanently restricted bases, which is 56% of the total contributions for the fiscal year ended June 30, 2013. There were no major donors for the fiscal year ended June 30, 2012.

CONTRIBUTIONS AND VOLUNTEER HOURS

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Board of VC and other individuals have made significant contributions of their time and materials to support the programs of VC. However, the value of this contributed time is not reflected in these combined financial statements as revenue and operating expense, since it is not susceptible to objective measurement or valuation, under Accounting Standards Codification Topic 958-605-25 "Not-for-Profit Entities Revenue Recognition".

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing VC's various programs and other activities have been summarized on a functional basis in the statement of functional expenses.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function (i.e. salaries, wages, payroll taxes, benefits, rent, etc.) are charged to programs and supporting services on the basis of periodic time and expense analyses. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of VC.

INCOME TAXES

VC and the Institute are nonprofit organizations as described in Section 501(3)(c) of the Internal Revenue Code and Section 23701(d) of the California Tax Code and have obtained determination letters from the Internal Revenue Service and the California Franchise Tax Board to that effect. Accordingly, the primary operations of VC and the Institute are currently considered exempt from federal income and state franchise taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

VC applies ASC 740 regarding the accounting for uncertainty in income taxes. Under ASC 740, VC utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. For the years ended June 30, 2013 and 2012, there were no additional liabilities recorded for unrecognized tax benefits related to tax positions taken in the current year. VC considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

In accordance with ASC 740, VC has elected to include interest and penalties related to its tax contingencies in income tax expense. There were no accruals for interest and penalties related to uncertain tax positions at the inception date or for the years ended June 30, 2013 and 2012.

VC files a Federal and State annual information returns. VC has determined that its major tax jurisdictions are the United States and California. The tax years 2010 through 2012 remain open and subject to examination by the appropriate governmental agencies in the United States and California.

RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at June 30 is summarized as follows:

	2013	2012
Office furniture and equipment	$ 18,811	$ 18,811
Software	9,302	9,302
	28,113	28,113
Less: accumulated depreciation	(26,636)	(25,486)
Total	$ 1,477	$ 2,627

NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended June 30, 2013 and 2012, were both $1,150.

NOTE 4 - IN-KIND REVENUE

VC received donated services and goods totaling $68,801 and $173,273 during the fiscal years ended June 30, 2013 and 2012, respectively, which are recorded as in-kind revenue in the combined statements of activities and changes in net assets and as in-kind services and goods in the combined statements of functional expenses. These donated services and goods consisted of the following for the years ended June 30:

	2013	2012
Legal services	$ 67,860	$162,698
Consulting	941	10,575
Total	$68,801	$173,273

NOTE 5 - RETIREMENT PLAN

VC maintains a 403(b) retirement plan for its full time employees. VC does not make any matching contributions to the participating employee's salary deferrals.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS AND ENDOWMENTS

VC's Binkley and Madden Endowments include only donor-restricted funds for various purposes. The Madden Endowment includes funds from other donors who have similar restrictions to the Madden Endowment. As discussed in Note 2 - Basis of Presentation, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are subject to donor imposed stipulations that will be met either by actions of VC and/or the passage of time – temporarily restricted net assets are allocated as follows as of June 30:

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

	2013	2012
Binkley Endowment (Visiting Professor Program)	$357,054	$339,524
Madden Endowment	103,193	61,912
Wylie Scholar Program	35,271	8,771
Bancroft-Clair Foundation	--	1,767
Total	$495,518	$411,974

Net assets were released from donor restrictions during the years ended June 30, 2013 and 2012 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

	2013	2012
Wylie Scholar Program	$150,000	$105,824
Vascular Cure Research Network	64,700	80,972
Bancroft-Clair Foundation	25,319	41,383
Binkley Endowment (Visiting Professor Program)	8,642	9,925
Total	$248,661	$238,104

ENDOWMENTS - PERMANENTLY RESTRICTED NET ASSETS

Included in permanently restricted net assets are net assets subject to donor-imposed stipulations that they be maintained permanently by VC. Generally, the donors of these assets permit VC to use all or part of the income earned on related investments for general or specific purposes. Permanently restricted net assets are allocated as follows as of June 30:

	2013	2012
Madden Endowment	$ 683,338	$653,338
Margaret N. Stiegele Endowment	1,000,000	--
Total	$1,683,338	$653,338

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or The Uniform Prudent

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

Management of Institutional Funds Act ("UPMIFA") requirement for VC to retain as a fund of perpetual duration. Deficiencies of this nature are reported as unrestricted net assets and were $0 and $56,058 as of June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations occurring in 2012.

During 2009, the Organization adopted FASB ASC 958-205, "Not-for-Profit Entities Presentation of Financial Statements Reporting Endowment Funds".

In accordance with FASB ASC 958-205, the following table represents the Corporation's Endowment Net Asset Composition:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2013				
Donor-restricted endowment funds	$ --	$495,518	$1,683,338	$2,178,856
June 30, 2012				
Donor-restricted endowment funds	$(56,058)	$411,974	$ 653,338	$1,009,254

Changes in restricted net assets during the fiscal year ended June 30, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Beginning	$ 411,974	$ 653,338	$1,065,312
Donations	264,752	1,030,000	1,294,752
Investment income	20,374	--	20,374
Investment net appreciation	47,079	--	47,079
Expenditures	(248,661)	--	(248,661)
Ending	$ 495,518	$1,683,338	$2,178,856

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

Changes in restricted net assets during the fiscal year ended June 30, 2012:

	Temporarily Restricted	Permanently Restricted	Total
Beginning	$ 543,775	$568,338	$1,112,113
Donations	92,950	85,000	177,950
Investment income	19,745	--	19,745
Investment net depreciation	(188)	--	(188)
Expenditures	(244,308)	--	(244,308)
Ending	$ 411,974	$ 653,338	$1,065,312

VC is subject to UPMIFA, as enacted by California in 2008 as SB 1329, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted Madden and Margaret N. Stiegele Endowment absent explicit donor stipulations to the contrary. VC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent Madden and Margaret N. Stiegele Endowment and (b) the original value of subsequent gifts to the permanent Madden and Margaret N. Stiegele Endowment. The remaining portion of the donor-restricted Madden and Margaret N. Stiegele Endowment not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, VC considers the following factors in marking a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization.
7. The investment policies of the organization

INVESTMENT RETURN OBJECTIVES AND RISK PARAMETERS

VC has adopted an investment policy with the objective of capital preservation and long-term growth. Under this policy, the Madden and Margaret N. Stiegele endowment assets are currently allocated 60% in stocks and 40% in fixed income securities.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

VC's investment strategy involves under and over weighting various asset classes based on an assessment of the risk and return potential specific to each asset class at any point in time.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

VC has a policy such that a distribution each year of up to 5% of the average closing market value of the Madden and Margaret N. Stiegele Endowment investments may be considered for use for general operating expenses. This percentage may be adjusted up or down in the future in order to maintain a fiscally prudent program for distribution consistent with VC's objective to grow and conserve principal in the Madden Endowment with interest and dividend income to be used to help meet the operating expenses. The approval of such distribution is at the discretion of the board.

NOTE 8 - COMMITMENTS

VC entered into an operating lease on August 13, 2010 for its office facility under a non-cancellable operating lease expiring on August 31, 2013. The lease was renewed in August 2013, and will expire on August 31, 2016.

The following is a schedule by years of future minimum rental payments required under this lease in excess of one year as of June 30, 2013:

For the Years Ending June 30,	Amount
2014	$ 32,790
2015	34,871
2016	35,917
Total	$ 103,578

Rental expense was $26,577 and $25,675 during the years ended June 30, 2013 and 2012, respectively.

NOTE 9 - SUBSEQUENT EVENTS

VC has evaluated all events and transactions that occurred after June 30, 2013, and through December, 3 2013, the date the combined financial statements were available to be issued. During this period, no events or transactions occurred that would require adjustment to, or disclosure in the combined financial statements, except for the matter disclosed in Note 8.