



CANCER CARE, INC.

Consolidated Financial Statements and Schedules

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Cancer Care, Inc.:

We have audited the accompanying consolidated balance sheets of Cancer Care, Inc. (the Organization) as of June 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cancer Care, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 5 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the balance sheets, changes in net assets, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

January 17, 2011

CANCER CARE, INC.
Consolidated Balance Sheets
June 30, 2010 and 2009

Assets	2010	2009
Cash and cash equivalents	\$ 2,520,755	762,947
Short-term investments (note 2)	29,716,984	25,940,358
Grants and contributions receivable	2,255,903	4,270,509
Prepaid expenses and other assets	351,447	152,150
Investments (note 2)	13,168,351	9,704,701
Property and equipment, net (note 3)	906,147	1,093,815
Total assets	\$ 48,919,587	41,924,480
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,299,341	1,200,090
Refundable advances	81,862	149,059
Co-payment assistance obligations	8,429,475	7,067,077
Deferred rent (note 5)	647,305	732,362
Accrued postretirement benefit cost (note 4)	333,008	367,013
Annuities payable	228,126	244,649
Total liabilities	11,019,117	9,760,250
Commitments (note 5)		
Net assets:		
Unrestricted:		
Board designated (notes 2 and 6)	10,119,991	9,074,153
Undesignated	4,085,041	3,830,416
Total unrestricted	14,205,032	12,904,569
Temporarily restricted (note 6)	23,695,438	19,259,661
Total net assets	37,900,470	32,164,230
Total liabilities and net assets	\$ 48,919,587	41,924,480

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statements of Activities
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	\$ 2,985,576	3,349,206
Government grants	165,045	110,000
Special events, net	1,920,422	1,818,702
Donated goods and services	1,648,185	1,659,908
Legacies and bequests	3,429,755	3,896,417
Direct marketing	556,749	712,454
Contributions from individuals	667,928	737,281
Sponsorships and cause-related marketing	351,474	311,418
United way	87,598	109,025
Thrift shop sales, net	336,590	443,824
Total contributions	<u>12,149,322</u>	<u>13,148,235</u>
Revenues:		
Interest and dividends	50,033	126,927
Other income	15,041	19,955
Total revenues	<u>65,074</u>	<u>146,882</u>
Total contributions and revenues before net assets released from restrictions	12,214,396	13,295,117
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>16,757,248</u>	<u>18,363,825</u>
Total contributions and revenues	<u>28,971,644</u>	<u>31,658,942</u>
Expenses (note 7):		
Program services:		
Counseling and support	5,376,755	5,433,765
Financial assistance	5,095,496	5,218,890
Co-payment assistance	10,023,318	11,177,467
Education	1,152,744	1,101,180
Information and publications	3,695,730	4,092,020
Total program services	<u>25,344,043</u>	<u>27,023,322</u>
Supporting services:		
Fund-raising	2,483,589	2,408,096
Management and general	833,199	855,554
Total supporting services	<u>3,316,788</u>	<u>3,263,650</u>
Total expenses	<u>28,660,831</u>	<u>30,286,972</u>
Increase in unrestricted net assets before net appreciation (depreciation) on long-term investments	310,813	1,371,970
Net appreciation (depreciation) on long-term investments, net	<u>989,650</u>	<u>(2,444,398)</u>
Increase (decrease) in unrestricted net assets	<u>1,300,463</u>	<u>(1,072,428)</u>
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	21,155,008	21,614,557
Contributions from individuals	38,017	29,500
Net assets released from restrictions	<u>(16,757,248)</u>	<u>(18,363,825)</u>
Increase in temporarily restricted net assets	<u>4,435,777</u>	<u>3,280,232</u>
Increase in net assets	5,736,240	2,207,804
Net assets at beginning of year	<u>32,164,230</u>	<u>29,956,426</u>
Net assets at end of year	<u>\$ 37,900,470</u>	<u>32,164,230</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2010

	Program services					Supporting services				Total
	Counseling and support	Financial assistance	Co-payment assistance	Education	Information and publications	Subtotal	Fund- raising	Management and general	Subtotal	
Salaries	\$ 3,122,206	492,052	872,125	312,101	745,503	5,543,987	1,166,465	469,416	1,635,881	7,179,868
Employee health and retirement benefits	586,042	99,893	148,795	47,428	144,751	1,026,909	209,221	39,582	248,803	1,275,712
Payroll taxes	232,616	35,448	62,383	22,017	53,654	406,118	87,388	31,261	118,649	524,767
Total salaries and related expenses	3,940,864	627,393	1,083,303	381,546	943,908	6,977,014	1,463,074	540,259	2,003,333	8,980,347
Direct disbursements to patients and families	5,660	4,170,514	8,389,027	—	69,533	12,634,734	—	—	—	12,634,734
Donated goods and services	69,950	—	—	321,000	1,346,827	1,737,777	—	—	—	1,737,777
Contract services	94,402	69,087	83,482	6,864	473,177	727,012	398,267	158,383	556,650	1,283,662
Postage and shipping	27,259	59,430	160,764	118,048	177,204	542,705	157,010	2,678	159,688	702,393
Telephone	125,089	6,447	24,612	119,128	12,780	288,056	16,261	6,811	23,072	311,128
Occupancy	694,401	96,266	155,062	46,221	166,462	1,158,412	206,153	69,794	275,947	1,434,359
Supplies	32,769	6,121	36,678	3,536	19,753	98,857	24,189	4,657	28,846	127,703
Printing and publications	16,079	9,375	29,388	133,181	340,164	528,187	61,271	3,178	64,449	592,636
Equipment repairs and maintenance	76,633	8,653	12,848	4,187	16,107	118,428	28,331	12,830	41,161	159,589
Memberships and subscriptions	6,386	902	—	1,097	5,600	13,985	3,567	2,266	5,833	19,818
Staff and volunteer training and support	12,428	1,977	1,559	975	11,940	28,879	12,038	4,187	16,225	45,104
Travel and related costs	33,248	4,738	16,080	725	35,637	90,428	23,343	2,826	26,169	116,597
Marketing and promotion	386	—	—	—	23,983	24,369	17,534	—	17,534	41,903
Interest and taxes	343	33	31	16	58	481	95	56	151	632
Insurance	46,749	8,016	12,814	3,791	11,542	82,912	16,512	5,103	21,615	104,527
Miscellaneous	63,894	6,437	8,880	3,092	10,395	92,698	13,318	4,452	17,770	110,468
Total functional expenses before depreciation and amortization	5,246,540	5,075,389	10,014,528	1,143,407	3,665,070	25,144,934	2,440,963	817,480	3,258,443	28,403,377
Depreciation and amortization	130,215	20,107	8,790	9,337	30,660	199,109	42,626	15,719	58,345	257,454
Total expenses	\$ 5,376,755	5,095,496	10,023,318	1,152,744	3,695,730	25,344,043	2,483,589	833,199	3,316,788	28,660,831
Direct benefit costs of special events									492,647	492,647
Direct cost of thrift shop									509,231	509,231
								\$	4,318,666	29,662,709

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2009

	Program services					Supporting services				Total
	Counseling and support	Financial assistance	Co-payment assistance	Education	Information and publications	Subtotal	Fund- raising	Management and general	Subtotal	
Salaries	\$ 3,138,457	434,031	747,314	291,916	664,398	5,276,116	1,049,661	453,353	1,503,014	6,779,130
Employee health and retirement benefits	523,964	72,829	104,977	39,308	111,392	852,470	159,144	63,321	222,465	1,074,935
Payroll taxes	221,111	28,409	48,951	19,375	47,163	365,009	72,997	30,767	103,764	468,773
Total salaries and related expenses	3,883,532	535,269	901,242	350,599	822,953	6,493,595	1,281,802	547,441	1,829,243	8,322,838
Direct disbursements to patients and families	24,778	4,395,092	9,972,817	—	38	14,392,725	—	—	—	14,392,725
Donated goods and services	36,569	—	—	278,000	1,602,299	1,916,868	—	—	—	1,916,868
Contract services	148,557	68,524	20,169	7,266	743,796	988,312	487,700	150,088	637,788	1,626,100
Postage and shipping	29,000	54,096	52,720	125,971	184,088	445,875	135,111	2,978	138,089	583,964
Telephone	134,797	5,452	20,236	120,841	13,075	294,401	16,019	6,414	22,433	316,834
Occupancy	741,634	91,964	139,472	50,131	163,412	1,186,613	201,851	71,695	273,546	1,460,159
Supplies	38,911	6,202	10,758	4,042	21,222	81,135	23,228	5,412	28,640	109,775
Printing and publications	14,557	8,121	16,188	129,605	377,683	546,154	85,742	3,494	89,236	635,390
Equipment repairs and maintenance	81,275	9,070	9,222	5,006	16,564	121,137	33,378	15,393	48,771	169,908
Memberships and subscriptions	6,074	1,085	499	1,120	6,413	15,191	4,287	2,182	6,469	21,660
Staff and volunteer training and support	40,725	10,837	854	10,485	23,844	86,745	26,608	23,018	49,626	136,371
Travel and related costs	30,957	2,663	8,232	2,724	51,397	95,973	21,834	2,960	24,794	120,767
Marketing and promotion	1,239	—	—	—	19,289	20,528	10,152	—	10,152	30,680
Interest and taxes	467	57	84	31	105	744	140	52	192	936
Insurance	53,333	7,451	10,987	4,012	11,396	87,179	16,098	5,223	21,321	108,500
Miscellaneous	36,415	4,409	4,312	1,614	5,465	52,215	7,088	3,585	10,673	62,888
Total functional expenses before depreciation and amortization	5,302,820	5,200,292	11,167,792	1,091,447	4,063,039	26,825,390	2,351,038	839,935	3,190,973	30,016,363
Depreciation and amortization	130,945	18,598	9,675	9,733	28,981	197,932	57,058	15,619	72,677	270,609
Total expenses	\$ 5,433,765	5,218,890	11,177,467	1,101,180	4,092,020	27,023,322	2,408,096	855,554	3,263,650	30,286,972
Direct benefit costs of special events									562,185	562,185
Direct cost of thrift shop									508,412	508,412
								\$	4,334,247	31,357,569

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 5,736,240	2,207,804
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	257,454	270,609
Net (appreciation) depreciation on investments	(999,190)	2,771,708
Changes in operating assets and liabilities:		
Grants and contributions receivable	2,014,606	(502,644)
Prepaid expenses and other assets	(199,297)	105,191
Accounts payable and accrued liabilities	99,251	73,046
Refundable advances	(67,197)	(35,327)
Co-payment assistance obligations	1,362,398	6,297,101
Deferred rent	(85,057)	(5,483)
Accrued postretirement benefit cost	(34,005)	(21,185)
Annuities payable	(16,523)	6,297
Net cash provided by operating activities	<u>8,068,680</u>	<u>11,167,117</u>
Cash flows from investing activities:		
Proceeds from sales of investments	45,042,077	23,495,016
Purchases of investments	(51,283,163)	(34,007,450)
Purchase of property and equipment	(69,786)	(425,015)
Net cash used in investing activities	<u>(6,310,872)</u>	<u>(10,937,449)</u>
Net increase in cash and cash equivalents	1,757,808	229,668
Cash and cash equivalents at beginning of year	<u>762,947</u>	<u>533,279</u>
Cash and cash equivalents at end of year	<u>\$ 2,520,755</u>	<u>762,947</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(1) Organization and Summary of Significant Accounting Policies

Organization

Cancer Care, Inc. (Cancer Care) is a national not-for-profit voluntary health organization that provides free professional support services to anyone affected by cancer: people with cancer, caregivers, children, loved ones, and the bereaved. Cancer Care's programs – including counseling, education, financial assistance, and practical help – are provided by trained oncology social workers and are completely free of charge. Founded in 1944, Cancer Care provides individual and group counseling in three modalities: face-to-face, over the telephone and on-line. Individuals affected by cancer and their loved ones seek information and resources from its comprehensive website, its Connect^R Education Workshops via the telephone or podcast in addition to a comprehensive selection of print publications.

On July 23, 2007, Cancer Care incorporated the Cancer Care Co-Payment Assistance Foundation, Inc. (Co-Pay Foundation) as a Type B corporation as defined in Section 201 of the Not-for-Profit Corporation Law in the State of New York. The primary function of the Co-Pay Foundation is to provide financial assistance to individuals with cancer in the form of co-payment assistance for both prescribed treatment and supporting medications, premium assistance, or other direct financial assistance in order to ensure access to care, treatment, and prescribed medications.

The accompanying consolidated financial statements include the financial position and changes in net assets of Cancer Care and the Co-Pay Foundation (collectively, the Organization).

The Organization has five main program areas:

Counseling and support – provides group and individual counseling in three different ways: face-to-face, on the telephone, or online. All support services are offered by professional oncology social workers.

Financial assistance – offers assistance by providing funds for treatment-related costs, such as pain medication, transportation, homecare, and childcare.

Co-Payment assistance (Co-Pay Foundation) – provides financial assistance to individuals with cancer in the form of co-payment assistance for both prescribed treatment and supporting medications, premium assistance, or other direct financial assistance in order to ensure access to care, treatment, and prescribed medications.

Education – Connect^R Education Workshops provide cancer patients and caregivers with the opportunity to listen to, and ask questions, of top cancer experts from around the country on a variety of cancer-related topics in a telephone conference format.

Information and publications – offer practical help, including education materials and information, and referrals to other sources of help. The Organization's Web site, www.cancercare.org, is a comprehensive resource where visitors can communicate with a social worker, join a support group, listen to an archived Connect^R Education Workshop, and learn about topics ranging from managing careers to talking to your families during a time of crisis.

Cancer Care is a Section 501(c)(3) organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) and has been classified as a publicly supported organization as

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

defined in Section 509(a)(1) of the Code. In addition, Cancer Care has been classified as nonprofit in character for state and local income tax purposes.

The Co-Pay Foundation is a Section 501(c)(3) organization exempt from federal income taxes under Section 501(a) of the Code and has been classified as a Type I supporting organization to Cancer Care. In addition, the Co-Pay Foundation has been classified as nonprofit in character for state and local income tax purposes.

Summary of Significant Accounting Policies

The Organization's significant accounting policies follow:

(a) *Basis of Presentation*

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. All intercompany transactions have been eliminated in consolidation. Net assets and the changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. As reflected in the accompanying consolidated statements of financial position, the Organization's board of trustees has designated a portion of the unrestricted net assets of the Organization for long-term investment purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that stipulate that the corpus be maintained permanently by the Organization, but permit the Organization to expend part or all of the income derived therefrom. The Organization has no permanently restricted net assets.

(b) *Recently Issued Accounting Standards*

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) No. 105-10 (formerly referred to as SFAS No. 168), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC 105-10). The codification brings together and organizes all Generally Accepted Accounting Principles (GAAP) previously in Levels A through D of the GAAP hierarchy and designates GAAP into two levels, authoritative and nonauthoritative. As of June 30, 2010, the Organization adopted ASC 105-10.

In 2010, the Organization adopted ASU 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*, in conjunction with its adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (now included in ASC Subtopic 740-10, *Income Taxes – Overall*). FASB Interpretation No. 48 addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely than-not for recognition and derecognition of tax positions

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

taken or expected to be taken in a tax return. There was no significant impact to the Organization's financial statements as a result of the adoption of this guidance.

(c) ***Accounting Estimates***

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Significant estimates made in the preparation of the consolidated financial statements include fair value of alternative investments (hedge funds), net realizable value of contributions receivable, co-payment assistance obligation assumptions, and functional expense allocations. Actual results could differ from those estimates.

(d) ***Contributions***

Contributions, including unconditional promises to give (pledges), are recognized as revenue upon receipt and are considered to be unrestricted unless they are received with donor stipulations that limit their use through either purpose or time restrictions. Contributions with donor stipulations that limit their use are considered to be temporarily restricted until the donor restrictions expire, that is, when a time restriction ends or purpose restriction is fulfilled. Upon the expiration of donor stipulations, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

The Organization has received conditional promises to give in the form of bequests, currently of indeterminable value, that have not been reflected in the accompanying consolidated financial statements because the conditions on which they depend have not been substantially met. Contributions receivable are scheduled to be collected in fiscal year 2011.

(e) ***Fair Value Measurements***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC No. 820, *Fair Value Measurements and Disclosures*, also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

The Organization adopted the provisions of FASB Accounting Standards Update (ASU) No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, with respect to investments within its scope (principally, hedge funds). This guidance allows, as a practical expedient, for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. In addition, classification of these investments within the fair value hierarchy is based on the Organization's ability to redeem its interest at or near balance sheet date rather than on valuation inputs.

(f) *Cash and Cash Equivalents*

For the purpose of the consolidated statements of cash flows, the Organization considers highly liquid investments purchased with an original maturity of three months or less, other than those held in the long and short term investment portfolio, to be cash equivalents.

(g) *Investments and Investment Income*

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices. Investments in hedge funds are reported at net asset value as a practical expedient as provided by the hedge fund manager, which is reviewed by management for reasonableness. Income earned from investments, including realized and unrealized gains and losses, is recorded in the net asset classes based on donor restrictions or the absence thereof. Return on investments held for long-term purposes is included in nonoperating activities in the consolidated statements of activities.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

(h) *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from five to seven years. Amortization of leasehold improvements is calculated on the straight-line basis over the lesser of the estimated useful life of the asset or the remaining term of the lease.

(i) *Gift Annuity Agreements*

The Organization is the beneficiary of a number of charitable gift annuity agreements with donors. The Organization controls the donated assets and shares the income generated from those assets with the donor or donor's designee until such time as stated in the agreement (usually upon death of the donor or donor's designee). The Organization records the assets related to these agreements on its consolidated statements of financial position at fair value. At the time of gift, and adjusted annually, the Organization records contribution income and a liability for amounts payable to annuitants using an actuarial calculation. The discount rate used in fiscal years 2010 and 2009 was 3.2% and 2.8%,

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

respectively. State-mandated insurance reserves related to these agreements are maintained at required levels.

(j) *Encumbrances for Co-Payment Assistance*

Co-Pay Foundation requires that all prospective grant recipients complete an application and such applications are processed in order of receipt on a first-come, first-served basis, to the extent funding is available. Co-Pay Foundation has established objective criteria for determining eligibility for assistance based upon an applicant's medical condition and financial need. Co-Pay Foundation currently has seven funds open at June 30, 2010 classified by disease state; the medical criteria to determine a disease-state fund is based upon a particular diagnosis or subset of a diagnosis determined by Co-Pay Foundation's board of trustees. The financial need criteria are based on certain national standards of indigence. Grants are awarded based on an assessment of applicants' individual need for up to one year, after which a recipient may reapply.

Co-Pay Foundation records a co-payment assistance obligation as the estimated amount of payments that are expected to be made based on historical experience by disease state.

(k) *Contributed Goods and Services*

Contributed services are recognized as revenue and expense if the services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the services provided. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenues or expenses and are not reported in the accompanying consolidated financial statements.

Contributions of clothing and merchandise are valued at the estimated fair value at the date of receipt and recognized as revenue when received and expensed from inventory when used.

(l) *Functional Expense Allocations*

Functional expenses that are not specifically attributable to program and supporting services are allocated by management based on various allocation factors.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(2) Investments

Short-term investments principally represent the unexpended proceeds from certain temporarily restricted grants. The cost and fair value of the Organization's investments at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Financial assets:				
Short-term investments:				
Cash	\$ 33,606	33,606	—	—
Certificates of deposit	24,129,525	24,129,525	200,000	200,000
Money market funds	664,224	664,224	695,952	695,952
U.S. government funds	4,844,812	4,844,812	25,044,406	25,044,406
Common stocks	44,817	44,817	—	—
	<u>\$ 29,716,984</u>	<u>29,716,984</u>	<u>25,940,358</u>	<u>25,940,358</u>
Investments:				
Cash and cash equivalents	\$ 387,361	387,361	394,460	394,460
Fixed income funds – corporate	3,250,944	3,328,784	2,816,499	2,561,866
Equity funds:				
Domestic	5,762,818	5,107,613	5,063,632	3,794,737
International	4,105,069	3,407,738	2,767,142	2,070,732
Hedge funds	850,000	936,855	850,000	882,906
	<u>\$ 14,356,192</u>	<u>13,168,351</u>	<u>11,891,733</u>	<u>9,704,701</u>

The board of trustees designated \$10,119,991 and \$9,074,153 of the investment portfolio as of June 30, 2010 and 2009, respectively, as a reserve to provide for the long-term financial stability of the Organization.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value or net asset value as a practical expedient as of June 30, 2010 and 2009:

		2010			
		<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:					
Short-term investments:					
Cash	\$	33,606	33,606	—	—
Certificates of deposit		24,129,525	24,129,525	—	—
Money market funds		664,224	—	664,224	—
U.S. government funds		4,844,812	—	4,844,812	—
Common stocks		44,817	44,817	—	—
	\$	<u>29,716,984</u>	<u>24,207,948</u>	<u>5,509,036</u>	<u>—</u>
Investments:					
Cash and cash equivalents	\$	387,361	387,361	—	—
Fixed income funds – corporate		3,328,784	3,328,784	—	—
Equity funds:					
Domestic		5,107,613	5,107,613	—	—
International		3,407,738	3,407,738	—	—
Hedge funds		936,855	—	936,855	—
	\$	<u>13,168,351</u>	<u>12,231,496</u>	<u>936,855</u>	<u>—</u>
		2009			
		<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:					
Short-term investments:					
Certificates of deposit	\$	200,000	200,000	—	—
Money market funds		695,952	—	695,952	—
U.S. government funds		25,044,406	—	25,044,406	—
	\$	<u>25,940,358</u>	<u>200,000</u>	<u>25,740,358</u>	<u>—</u>
Investments:					
Cash and cash equivalents	\$	394,460	394,460	—	—
Fixed income funds – corporate		2,561,866	2,561,866	—	—
Equity funds:					
Domestic		3,794,737	3,794,737	—	—
International		2,070,732	2,070,732	—	—
Hedge funds		882,906	—	882,906	—
	\$	<u>9,704,701</u>	<u>8,821,795</u>	<u>882,906</u>	<u>—</u>

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

Investments classified as Level 2 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the Organization's interest therein, its classification in Levels 2 or 3 is based on the Organization's ability to redeem its interest at or near the balance sheet date. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

Information with respect to the strategies and redemption provisions of hedge funds is as follows (amounts included are as of June 30, 2010):

Absolute return offshore fund (\$309,843) – objective is to achieve superior risk-adjusted returns with low volatility and low correlation to both the equity and fixed income markets by investing in a diversified group of pooled investments vehicles. The fund is redeemable quarterly with a 60-day notice period.

Total return offshore fund (\$627,012) – objective is to maximize risk-adjusted returns and achieve low correlation to the equity markets by investing in a diversified group of pooled investment vehicles. The fund may invest in investment vehicles domiciled both within and outside of the United States. The fund is redeemable quarterly with a 60-day notice period.

There were no unfunded commitments as of June 30, 2010.

(3) Property and Equipment

Property and equipment, net, consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 1,133,582	1,133,578
Telephone equipment	247,952	243,510
Leasehold improvements	1,124,371	1,083,554
Computer equipment	270,174	245,651
	<u>2,776,079</u>	<u>2,706,293</u>
Less accumulated depreciation and amortization	1,869,932	1,612,478
	<u>\$ 906,147</u>	<u>1,093,815</u>

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(4) Pension and Postretirement Healthcare Benefit Plans

(a) Defined Contribution Plan

The Organization sponsors a defined contribution plan covering substantially all employees who meet certain age and length-of-service requirements. The plan provides for annual contributions to be made by the Organization at its discretion. The Organization contributed approximately \$313,000 and \$222,000 to the defined contribution plan during the years ended June 30, 2010 and 2009, respectively.

(b) Postretirement Healthcare Benefit Plan

The Organization also sponsors a defined benefit postretirement healthcare benefit plan for certain employees hired prior to January 1, 1990. The plan was amended on December 31, 2003. Pursuant to the amendment, benefits will no longer be offered to employees who retire after December 31, 2003. The healthcare benefits are provided through insurance companies. The plan is contributory and contains cost-sharing features such as coinsurance. In addition, for approximately half of the participants, there is a \$1,200 annual limit on the benefits payable to a retiree.

The following table presents information with respect to the obligation as of and for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Accrued postretirement benefit cost recognized in the Organization's consolidated balance sheets	\$ 333,008	367,013
Benefits cost	17,614	22,152
Employer contribution	51,619	53,670
Benefits paid	65,264	63,670

(5) Commitments

The Organization rents space under noncancelable operating leases for its headquarters, regional offices, and a thrift shop. The Organization's headquarters' and certain of its regional office leases include a rent-free period. Rental expense is recognized on a straight-line basis, rather than in accordance with base payment schedules for purposes of recognizing a constant annual rental expense. The difference between straight-lining the rental charge and actual payments is reflected as deferred rent in the accompanying consolidated balance sheets.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

The annual minimum rental commitments as of June 30, 2010 are as follows:

	<u>Amount</u>
Year ending June 30:	
2011	\$ 1,431,000
2012	1,678,000
2013	1,685,000
2014	1,476,000
2015	1,097,000
Thereafter	<u>13,142,000</u>
	<u>\$ 20,509,000</u>

Under the terms of the lease agreement for its headquarters, an irrevocable letter of credit in the amount of \$274,492 has been established with a financial institution in lieu of a security deposit. On May 12, 2010 the Organization entered into a lease agreement for its national headquarters in order to to consolidate its tenancy into two consecutive floors and to secure its occupancy for the next 15 years. The lease commenced on July 1, 2010 and will expire on June 30, 2025. Of the approximately \$20,509,000 total annual minimum rental commitments as of June 30, 2010, approximately \$18,200,000 relates to the national office headquarters lease.

(6) Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Co-payment assistance	\$ 17,691,697	12,508,641
Patient assistance	4,268,483	4,257,576
Other program support	1,684,858	2,271,394
Time restricted	<u>50,400</u>	<u>222,050</u>
	<u>\$ 23,695,438</u>	<u>19,259,661</u>

The Organization has no donor-restricted endowment funds. The Organization's endowment consists of one board-designated endowment fund established to provide for the long-term stability of the organization as designated by the board of trustees to function as endowment.

The board-designated endowment fund has been established for Cancer Care only and is determined as 75% of all investments less those short-term investments which are derived from temporarily restricted net assets.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

The following represents the Organization's board-designated endowment funds and the changes in designated endowment funds for the year ended June 30, 2010:

	<u>2010</u>	<u>2009</u>
Endowment net assets, beginning of year	\$ 9,074,153	10,502,000
Net appreciation (depreciation) in fair value of investments	722,738	(1,833,299)
Contributions	<u>323,100</u>	<u>405,452</u>
End of year	<u>\$ 10,119,991</u>	<u>9,074,153</u>

The Organization's investment objective is the highest total return consistent with prudent investment management and the preservation of capital.

(7) Allocation of Joint Costs Information

In 2010 and 2009, the Organization incurred joint costs of \$366,671 and \$517,825, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, \$88,564 and \$130,447, respectively, was allocated to information and publications expenses and \$278,107 and \$387,378, respectively, was allocated to fund-raising expenses.

(8) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Organization evaluated subsequent events through January 17, 2011, which was the date the financial statements were available for issuance, and concluded that no additional disclosures are required.

CANCER CARE, INC.

Consolidating Schedule – Balance Sheet

June 30, 2010

Assets	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash and cash equivalents	\$ 2,436,895	83,860	—	2,520,755
Short-term investments	3,518,459	26,198,525	—	29,716,984
Intercompany receivable	113,477	—	(113,477)	—
Grants and contributions receivable	2,255,903	—	—	2,255,903
Prepaid expenses and other assets	351,447	—	—	351,447
Investments	13,168,351	—	—	13,168,351
Property and equipment, net	864,081	42,066	—	906,147
Total assets	<u>\$ 22,708,613</u>	<u>26,324,451</u>	<u>(113,477)</u>	<u>48,919,587</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,166,055	133,286	—	1,299,341
Intercompany payable	—	113,477	(113,477)	—
Refundable advances	81,862	—	—	81,862
Co-payment assistance obligations	—	8,429,475	—	8,429,475
Deferred rent	647,305	—	—	647,305
Accrued postretirement benefit cost	333,008	—	—	333,008
Annuities payable	228,126	—	—	228,126
Total liabilities	<u>2,456,356</u>	<u>8,676,238</u>	<u>(113,477)</u>	<u>11,019,117</u>
Commitments				
Net assets:				
Unrestricted:				
Board designated	10,119,991	—	—	10,119,991
Undesignated	4,078,525	(43,484)	50,000	4,085,041
Total unrestricted	<u>14,198,516</u>	<u>(43,484)</u>	<u>50,000</u>	<u>14,205,032</u>
Temporarily restricted	6,053,741	17,691,697	(50,000)	23,695,438
Total net assets	<u>20,252,257</u>	<u>17,648,213</u>	<u>—</u>	<u>37,900,470</u>
Total liabilities and net assets	<u>\$ 22,708,613</u>	<u>26,324,451</u>	<u>(113,477)</u>	<u>48,919,587</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2010

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Change in unrestricted net assets:				
Contributions and revenues:				
Contributions:				
Foundations and corporations	\$ 2,985,576	—	—	2,985,576
Government grants	165,045	—	—	165,045
Special events, net	1,920,422	—	—	1,920,422
Donated goods and services	1,648,185	—	—	1,648,185
Legacies and bequests	3,429,755	—	—	3,429,755
Direct marketing	556,749	—	—	556,749
Contributions from individuals	667,928	—	—	667,928
Sponsorships and cause-related marketing	350,554	920	—	351,474
United way	87,598	—	—	87,598
Thrift shop sales, net	336,590	—	—	336,590
Total contributions	<u>12,148,402</u>	<u>920</u>	<u>—</u>	<u>12,149,322</u>
Revenues:				
Interest and dividends	(8,307)	58,340	—	50,033
Other income	134,532	—	(119,491)	15,041
Total revenues	<u>126,225</u>	<u>58,340</u>	<u>(119,491)</u>	<u>65,074</u>
Total contributions and revenues before net assets released from restrictions	12,274,627	59,260	(119,491)	12,214,396
Net assets released from restrictions:				
Satisfaction of program restrictions	6,887,804	9,869,444	—	16,757,248
Total contributions and revenues	<u>19,162,431</u>	<u>9,928,704</u>	<u>(119,491)</u>	<u>28,971,644</u>
Expenses:				
Program services:				
Counseling and support	5,376,755	81,513	(81,513)	5,376,755
Financial assistance	5,145,496	—	(50,000)	5,095,496
Co-payment assistance	—	10,061,296	(37,978)	10,023,318
Education	1,152,744	—	—	1,152,744
Information and publications	3,647,263	48,467	—	3,695,730
Total program services	<u>15,322,258</u>	<u>10,191,276</u>	<u>(169,491)</u>	<u>25,344,043</u>
Supporting services:				
Fund-raising	2,447,208	36,381	—	2,483,589
Management and general	777,739	55,460	—	833,199
Total supporting services	<u>3,224,947</u>	<u>91,841</u>	<u>—</u>	<u>3,316,788</u>
Total expenses	<u>18,547,205</u>	<u>10,283,117</u>	<u>(169,491)</u>	<u>28,660,831</u>
Increase (decrease) in unrestricted net assets before net appreciation on long-term investments	615,226	(354,413)	50,000	310,813
Net appreciation on long-term investments	989,650	—	—	989,650
Increase (decrease) in unrestricted net assets	<u>1,604,876</u>	<u>(354,413)</u>	<u>50,000</u>	<u>1,300,463</u>
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	6,152,508	15,052,500	(50,000)	21,155,008
Contributions from individuals	38,017	—	—	38,017
Net assets released from restrictions	(6,887,804)	(9,869,444)	—	(16,757,248)
(Decrease) increase in temporarily restricted net assets	<u>(697,279)</u>	<u>5,183,056</u>	<u>(50,000)</u>	<u>4,435,777</u>
Increase in net assets	907,597	4,828,643	—	5,736,240
Net assets at beginning of year	19,344,660	12,819,570	—	32,164,230
Net assets at end of year	<u>\$ 20,252,257</u>	<u>17,648,213</u>	<u>—</u>	<u>37,900,470</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Schedule of Functional Expenses – Cancer Care, Inc.

Year ended June 30, 2010

	<u>Counseling and support</u>	<u>Financial assistance</u>	<u>Education</u>	<u>Information and publications</u>	<u>Subtotal</u>	<u>Fund- raising</u>	<u>Management and general</u>	<u>Subtotal</u>	<u>Total</u>
Salaries	\$ 3,122,206	492,052	312,101	712,897	4,639,256	1,139,996	428,837	1,568,833	6,208,089
Employee health and retirement benefits	586,042	99,893	47,428	139,057	872,420	206,713	36,198	242,911	1,115,331
Payroll taxes	232,616	35,448	22,017	51,067	341,148	85,403	28,729	114,132	455,280
Total salaries and related expenses	3,940,864	627,393	381,546	903,021	5,852,824	1,432,112	493,764	1,925,876	7,778,700
Direct disbursements to patients and families	5,660	4,220,514	—	69,533	4,295,707	—	—	—	4,295,707
Donated goods and services	69,950	—	321,000	1,346,827	1,737,777	—	—	—	1,737,777
Contract services	94,402	69,087	6,864	473,117	643,470	397,080	155,185	552,265	1,195,735
Postage and shipping	27,259	59,430	118,048	177,162	381,899	156,992	2,653	159,645	541,544
Telephone	125,089	6,447	119,128	12,441	263,105	16,112	6,608	22,720	285,825
Occupancy	694,401	96,266	46,221	160,949	997,837	202,981	65,632	268,613	1,266,450
Supplies	32,769	6,121	3,536	19,420	61,846	24,043	4,456	28,499	90,345
Printing and publications	16,079	9,375	133,181	340,104	498,739	61,245	3,142	64,387	563,126
Equipment repairs and maintenance	76,633	8,653	4,187	15,749	105,222	28,176	12,578	40,754	145,976
Memberships and subscriptions	6,386	902	1,097	5,600	13,985	3,567	2,266	5,833	19,818
Staff and volunteer training and support	12,428	1,977	975	11,894	27,274	12,018	4,154	16,172	43,446
Travel and related costs	33,248	4,738	725	35,628	74,339	23,201	2,539	25,740	100,079
Marketing and promotion	386	—	—	23,983	24,369	17,534	—	17,534	41,903
Interest and taxes	343	33	16	57	449	94	55	149	598
Insurance	46,749	8,016	3,791	11,059	69,615	16,300	4,812	21,112	90,727
Miscellaneous	63,894	6,437	3,092	10,059	83,482	13,127	4,176	17,303	100,785
Total functional expenses before depreciation and amortization	5,246,540	5,125,389	1,143,407	3,616,603	15,131,939	2,404,582	762,020	3,166,602	18,298,541
Depreciation and amortization	130,215	20,107	9,337	30,660	190,319	42,626	15,719	58,345	248,664
Total expenses	\$ 5,376,755	5,145,496	1,152,744	3,647,263	15,322,258	2,447,208	777,739	3,224,947	18,547,205
Direct benefit costs of special events								492,647	492,647
Direct cost of thrift shop								509,231	509,231
							\$	<u>4,226,825</u>	<u>19,549,083</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Schedule of Functional Expenses – Cancer Care Co-Payment Assistance Foundation, Inc.

Year ended June 30, 2010

	Co-Payment Assistance	Counseling and Support	Information and publications	Subtotal	Fund- raising	Management and general	Subtotal	Total
Salaries	\$ 872,125	—	32,606	904,731	26,469	40,579	67,048	971,779
Employee health and retirement benefits	148,795	—	5,684	154,479	2,508	3,384	5,892	160,371
Payroll taxes	62,383	—	2,587	64,970	1,985	2,532	4,517	69,487
Total salaries and related expenses	1,083,303	—	40,877	1,124,180	30,962	46,495	77,457	1,201,637
Direct disbursements to patients and families	8,389,027	—	—	8,389,027	—	—	—	8,389,027
Contract services	83,482	—	60	83,542	1,187	3,198	4,385	87,927
Postage and shipping	160,764	—	42	160,806	18	25	43	160,849
Telephone	24,612	—	339	24,951	149	203	352	25,303
Occupancy	155,062	—	5,513	160,575	3,172	4,162	7,334	167,909
Supplies	36,678	—	333	37,011	146	201	347	37,358
Printing and publications	29,388	—	60	29,448	26	36	62	29,510
Equipment repairs and maintenance	50,826	—	368	51,194	155	252	407	51,601
Staff and volunteer training and support	1,559	—	46	1,605	20	33	53	1,658
Travel and related costs	16,080	—	9	16,089	142	287	429	16,518
Interest and taxes	31	—	1	32	1	1	2	34
Insurance	12,814	—	483	13,297	212	291	503	13,800
Miscellaneous	8,880	81,513	336	90,729	191	276	467	91,196
Total functional expenses before depreciation and amortization	10,052,506	81,513	48,467	10,182,486	36,381	55,460	91,841	10,274,327
Depreciation and amortization	8,790	—	—	8,790	—	—	—	8,790
Total expenses	\$ 10,061,296	81,513	48,467	10,191,276	36,381	55,460	91,841	10,283,117
Direct benefit costs of special events							—	—
Direct cost of thrift shop							—	—
							\$ 91,841	10,283,117

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2010

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash flows from operating activities:				
Increase in net assets	\$ 907,597	4,828,643	—	5,736,240
Adjustments to reconcile increase in net assets to net cash provided by operating activities				
Depreciation	248,664	8,790	—	257,454
Net appreciation on investments	(999,190)	—	—	(999,190)
Changes in operating assets and liabilities				
Intercompany receivable	125,631	—	(125,631)	—
Grants and contributions receivable	2,014,606	—	—	2,014,606
Prepaid expenses and other assets	(199,297)	—	—	(199,297)
Accounts payable and accrued liabilities	28,794	70,457	—	99,251
Intercompany payable	—	(125,631)	125,631	—
Refundable advances	(67,197)	—	—	(67,197)
Co-payment assistance obligations	—	1,362,398	—	1,362,398
Deferred rent	(85,057)	—	—	(85,057)
Accrued postretirement benefit cost	(34,005)	—	—	(34,005)
Annuities payable	(16,523)	—	—	(16,523)
Net cash provided by operating activities	<u>1,924,023</u>	<u>6,144,657</u>	<u>—</u>	<u>8,068,680</u>
Cash flows from investing activities:				
Proceeds from sales of investments	9,915,374	35,126,703	—	45,042,077
Purchases of investments	(10,001,935)	(41,281,228)	—	(51,283,163)
Purchase of property and equipment	(49,103)	(20,683)	—	(69,786)
Net cash used in investing activities	<u>(135,664)</u>	<u>(6,175,208)</u>	<u>—</u>	<u>(6,310,872)</u>
Net increase (decrease) in cash and cash equivalents	1,788,359	(30,551)	—	1,757,808
Cash and cash equivalents at beginning of year	648,536	114,411	—	762,947
Cash and cash equivalents at end of year	<u>\$ 2,436,895</u>	<u>83,860</u>	<u>—</u>	<u>2,520,755</u>

See accompanying independent auditors' report.