



CANCER CARE, INC.

Consolidated Financial Statements and Schedules

June 30, 2011 and 2010

(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, 2011 and 2010, 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, 2011 and 2010, 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.

As discussed in note 1(i) to the consolidated financial statements, the Organization has elected to change its method of accounting for the administrative portion of co-payment grant awards received.

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

March 2, 2012

CANCER CARE, INC.
Consolidated Balance Sheets
June 30, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 2,238,181	2,520,755
Short-term investments (note 2)	34,672,363	29,716,984
Grants and contributions receivable	2,555,703	2,255,903
Prepaid expenses and other assets	1,345,946	351,447
Investments (note 2)	16,012,352	13,168,351
Property and equipment, net (note 3)	2,848,793	906,147
Total assets	\$ 59,673,338	48,919,587
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,202,955	1,299,341
Refundable advances	120,475	81,862
Co-payment assistance obligations	17,516,997	8,429,475
Deferred rent (notes 3 and 5)	1,625,978	647,305
Accrued postretirement benefit cost (note 4)	301,456	333,008
Annuities payable	168,825	228,126
Total liabilities	20,936,686	11,019,117
Commitments (note 5)		
Net assets:		
Unrestricted:		
Board designated (notes 2 and 6)	13,630,462	10,119,991
Undesignated	6,419,226	4,085,041
Total unrestricted	20,049,688	14,205,032
Temporarily restricted (note 6)	18,686,964	23,695,438
Total net assets	38,736,652	37,900,470
Total liabilities and net assets	\$ 59,673,338	48,919,587

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statements of Activities
Years ended June 30, 2011 and 2010

	2011	2010
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	\$ 2,984,300	2,985,576
Government grants	168,130	165,045
Special events, net	2,299,154	1,920,422
Donated goods and services	1,966,350	1,648,185
Legacies and bequests	1,855,525	3,429,755
Direct marketing	502,249	556,749
Contributions from individuals	901,581	667,928
Sponsorships and cause-related marketing	538,625	351,474
United way	68,079	87,598
Thrift shop sales, net	301,108	336,590
Total contributions	11,585,101	12,149,322
Revenues:		
Interest and dividends	148,690	50,033
Other income	129,381	15,041
Total revenues	278,071	65,074
Total contributions and revenues before net assets released from restrictions	11,863,172	12,214,396
Net assets released from restrictions:		
Satisfaction of program restrictions - foundations and corporations	35,805,280	16,757,248
Satisfaction of program restrictions - legacies and bequests	500,000	—
Total net assets released from restrictions	36,305,280	16,757,248
Total contributions and revenues	48,168,452	28,971,644
Expenses (note 7):		
Program services:		
Counseling and support	5,423,670	5,376,755
Financial assistance	6,168,259	5,095,496
Co-payment assistance	24,858,098	10,023,318
Education	1,328,695	1,152,744
Information and publications	3,814,602	3,695,730
Total program services	41,593,324	25,344,043
Supporting services:		
Fund-raising	2,673,809	2,483,589
Management and general	946,533	833,199
Total supporting services	3,620,342	3,316,788
Total expenses	45,213,666	28,660,831
Increase in unrestricted net assets before net appreciation on long-term investments	2,954,786	310,813
Net appreciation on long-term investments, net	2,889,870	989,650
Increase in unrestricted net assets	5,844,656	1,300,463
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	31,196,106	21,155,008
Contributions from individuals	100,700	38,017
Net assets released from restrictions	(36,305,280)	(16,757,248)
(Decrease) increase in temporarily restricted net assets	(5,008,474)	4,435,777
Increase in net assets	836,182	5,736,240
Net assets at beginning of year	37,900,470	32,164,230
Net assets at end of year	\$ 38,736,652	37,900,470

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2011

	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	\$ 2,943,645	532,632	977,259	321,993	775,538	5,551,067	1,240,976	483,317	1,724,293	7,275,360
Employee health and retirement benefits	538,514	95,176	177,563	45,741	152,257	1,009,251	211,627	61,776	273,403	1,282,654
Payroll taxes	207,261	35,876	69,348	21,799	52,183	386,467	89,517	30,252	119,769	506,236
Total salaries and related expenses	3,689,420	663,684	1,224,170	389,533	979,978	6,946,785	1,542,120	575,345	2,117,465	9,064,250
Direct disbursements to patients and families	116,950	5,106,552	22,813,600	—	112,553	28,149,655	—	—	—	28,149,655
Donated goods and services	53,300	—	—	398,500	1,514,550	1,966,350	—	—	—	1,966,350
Contract services	115,321	119,554	236,419	10,125	458,009	939,428	388,347	207,264	595,611	1,535,039
Postage and shipping	26,504	64,936	184,230	141,147	127,162	543,979	130,544	3,420	133,964	677,943
Telephone	129,124	7,335	37,848	126,582	14,208	315,097	18,256	6,575	24,831	339,928
Occupancy	860,401	136,274	246,607	65,851	239,135	1,548,268	303,994	94,291	398,285	1,946,553
Supplies	38,319	7,400	13,576	3,886	22,055	85,236	28,972	6,127	35,099	120,335
Printing and publications	6,356	11,710	20,865	164,845	234,755	438,531	83,933	2,291	86,224	524,755
Equipment repairs and maintenance	64,909	8,754	26,399	5,201	15,273	120,536	26,966	13,842	40,808	161,344
Memberships and subscriptions	12,716	600	—	700	6,280	20,296	2,816	1,571	4,387	24,683
Staff and volunteer training and support	23,349	2,735	3,060	1,405	12,946	43,495	10,942	4,534	15,476	58,971
Travel and related costs	42,202	2,107	12,605	3,306	10,456	70,676	28,751	5,375	34,126	104,802
Marketing and promotion	2,317	—	463	—	7,325	10,105	26,737	—	26,737	36,842
Interest and taxes	386	75	147	36	117	761	169	47	216	977
Insurance	62,055	10,313	14,601	4,892	15,974	107,835	22,956	6,472	29,428	137,263
Miscellaneous	54,157	6,561	12,462	3,461	11,072	87,713	13,626	4,436	18,062	105,775
Total functional expenses before depreciation and amortization	5,297,786	6,148,590	24,847,052	1,319,470	3,781,848	41,394,746	2,629,129	931,590	3,560,719	44,955,465
Depreciation and amortization	125,884	19,669	11,046	9,225	32,754	198,578	44,680	14,943	59,623	258,201
Total expenses	\$ 5,423,670	6,168,259	24,858,098	1,328,695	3,814,602	41,593,324	2,673,809	946,533	3,620,342	45,213,666
Direct benefit costs of special events									488,724	488,724
Direct cost of thrift shop									536,736	536,736
									\$ 4,645,802	46,239,126

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 Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 836,182	5,736,240
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	258,201	257,454
Net appreciation on investments	(2,372,658)	(999,190)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(299,800)	2,014,606
Prepaid expenses and other assets	(994,499)	(199,297)
Accounts payable and accrued liabilities	(96,386)	99,251
Refundable advances	38,613	(67,197)
Co-payment assistance obligations	9,087,522	1,362,398
Deferred rent	978,673	(85,057)
Accrued postretirement benefit cost	(31,552)	(34,005)
Annuities payable	(59,301)	(16,523)
Net cash provided by operating activities	7,344,995	8,068,680
Cash flows from investing activities:		
Proceeds from sales of investments	40,711,231	45,042,077
Purchases of investments	(46,137,953)	(51,283,163)
Purchase of property and equipment	(2,200,847)	(69,786)
Net cash used in investing activities	(7,627,569)	(6,310,872)
Net (decrease) increase in cash and cash equivalents	(282,574)	1,757,808
Cash and cash equivalents at beginning of year	2,520,755	762,947
Cash and cash equivalents at end of year	\$ 2,238,181	2,520,755

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(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.

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Notes to Consolidated Financial Statements

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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 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.

Accordingly, the Organization is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose the Organization recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for fiscal 2011 or 2010.

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) *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,

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

co-payment assistance obligation assumptions, and functional expense allocations. Actual results could differ from those estimates.

(c) 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.

(d) 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.

Classification of investments within the fair value hierarchy is based on the Organization's ability to redeem its interest at or near the balance sheet date rather than on valuation inputs.

(e) 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.

CANCER CARE, INC.

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(f) *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.

(g) *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.

(h) *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 2011 and 2010 was 2.8% and 3.2%, respectively. State-mandated insurance reserves related to these agreements are maintained at required levels.

(i) *Co-Payment Assistance Liability*

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, 2011 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

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

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 for patients currently awarded funds as the estimated amount of payments that are expected to be made based on historical experience by disease state.

During the fiscal year ended June 30, 2011, the Co-Pay Foundation changed the method by which it released the portion of co-payment assistance grants designated for administrative expenses from temporarily restricted net assets to unrestricted net assets. Prior to 2011, the Co-Pay Foundation released the administrative portion of co-payment assistance grants proportionally to the average expected grant on cases that were in the award stage in particular grant cycle. During 2011, the method for the Co-Pay Foundation was changed upon board resolution to release the entire administration portion of the grant upon receipt of the grant. The effect of this changed released an additional \$2.0 million from temporarily restricted net assets to unrestricted net assets for the year ended June 30, 2011.

(j) *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.

(k) *Functional Expense Allocations*

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

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Notes to Consolidated Financial Statements

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(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, 2011 and 2010 consisted of the following:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Financial assets:				
Short-term investments:				
Cash	\$ 34,943	34,943	33,606	33,606
Certificates of deposit	32,475,166	32,475,166	24,129,525	24,129,525
Money market funds	663,755	663,755	664,224	664,224
U.S. government funds	1,396,750	1,396,750	4,844,812	4,844,812
Common stocks – domestic	80,879	101,749	44,817	44,817
	<u>\$ 34,651,493</u>	<u>34,672,363</u>	<u>29,716,984</u>	<u>29,716,984</u>
Investments:				
Cash and cash equivalents	\$ 982,079	982,079	387,361	387,361
Fixed income funds – corporate	3,238,786	3,339,185	3,250,944	3,328,784
Fixed income				
funds – Government	731,256	735,346	—	—
Equity funds:				
Domestic	5,313,769	6,035,266	5,762,818	5,107,613
International	3,732,516	3,941,849	4,105,069	3,407,738
Hedge funds	850,000	978,627	850,000	936,855
	<u>\$ 14,848,406</u>	<u>16,012,352</u>	<u>14,356,192</u>	<u>13,168,351</u>

The board of trustees designated \$10,119,991 of the investment portfolio as of June 30, 2010 as a quasi-endowment to provide for the long-term financial stability of the Organization. As of June 30, 2011 the quasi-endowment calculation was not attributed to a specific portion of investments but rather a specific portion of unrestricted net assets (see note 6).

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

The following tables present the Organization's fair value hierarchy for those assets measured at fair value or net asset value as a practical expedient as of June 30, 2011 and 2010. There were no Level 3 assets as of June 30, 2011 and 2010.

	2011		
	Fair value	Level 1	Level 2
Financial assets:			
Short-term investments:			
Cash	\$ 34,943	34,943	—
Certificates of deposit	32,475,166	32,475,166	—
Money market funds	663,755	—	663,755
U.S. government funds	1,396,750	—	1,396,750
Common stocks – domestic	101,749	101,749	—
	<u>\$ 34,672,363</u>	<u>32,611,858</u>	<u>2,060,505</u>
Investments:			
Cash and cash equivalents	\$ 982,079	982,079	—
Fixed income funds – Government	735,346	—	735,346
Fixed income funds – corporate	3,339,185	3,339,185	—
Equity funds:			
Domestic	6,035,266	6,035,266	—
International	3,941,849	3,941,849	—
Hedge funds	978,627	—	978,627
	<u>\$ 16,012,352</u>	<u>14,298,379</u>	<u>1,713,973</u>

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

	2010		
	Fair value	Level 1	Level 2
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 – domestic	44,817	44,817	—
	\$ 29,716,984	24,207,948	5,509,036
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
	\$ 13,168,351	12,231,496	936,855

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, 2011):

Absolute return offshore fund \$326,965 – 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 \$651,662 – 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, 2011.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(3) Property and Equipment

Property and equipment, net, consisted of the following at June 30, 2011 and 2010:

	2011	2010
Furniture and fixtures	\$ 1,123,125	1,133,582
Telephone equipment	259,162	247,952
Leasehold improvements	1,124,371	1,124,371
Computer equipment	361,644	270,174
Construction in progress	2,108,624	—
	4,976,926	2,776,079
Less accumulated depreciation and amortization	2,128,133	1,869,932
	\$ 2,848,793	906,147

On May 12, 2010, the Organization signed a renegotiated and extended lease for its New York headquarters which included a reduction in its base rent and an internal move to house its staff in contiguous space through June 30, 2025. Construction and partial renovation on the Organization's existing offices commenced in the fall of 2010 and was principally completed for occupancy on August 31, 2011. At June 30, 2011, \$2,108,624 of total Property and Equipment represents construction costs in progress. The Organization also received \$1,232,793 in landlord credits which included \$658,985 in aggregate construction work credits and two free rent periods totaling \$573,808 which are included in prepaid expenses and other assets and deferred rent liability, respectively, as of June 30, 2011. These amounts are being amortized on a straight-line basis over the term of the lease.

(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 \$290,000 and \$313,000 to the defined contribution plan during the years ended June 30, 2011 and 2010, 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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

The following table presents information with respect to the obligation as of and for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Accrued postretirement benefit cost recognized in the organization's consolidated balance sheets	\$ 301,456	333,008
Benefits cost	16,990	17,614
Employer contribution	48,542	51,619
Benefits paid	57,989	65,264

(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.

The annual minimum rental commitments as of June 30, 2011 are as follows:

	<u>Amount</u>
Year ending June 30:	
2012	\$ 1,710,000
2013	1,720,000
2014	1,506,000
2015	1,108,000
2016	1,208,000
Thereafter	11,934,000
	<u>\$ 19,186,000</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 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 \$19,186,000 total annual minimum rental commitments as of June 30, 2011, approximately \$17,459,000 relates to the national office headquarters lease.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(6) Net Assets

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

	<u>2011</u>	<u>2010</u>
Co-payment assistance	\$ 11,669,342	17,691,697
Patient assistance	5,685,517	4,268,483
Other program support	1,217,105	1,684,858
Time restricted	<u>115,000</u>	<u>50,400</u>
	<u>\$ 18,686,964</u>	<u>23,695,438</u>

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

A board-designated quasi-endowment fund has been established for Cancer Care only. As of June 30, 2010, the board-designated quasi-endowment fund was determined under a prior board resolution as 75% of all investments less those short-term investments which are derived from temporarily restricted net assets. As of June 30, 2011, the prior resolution was superseded and the level of undesignated unrestricted net assets for Cancer Care has been set by the board at \$2.5 million and the remaining unrestricted net assets are board-designated as the quasi-endowment.

The following represents the Organization's board-designated endowment funds and the changes in designated endowment funds for the year ended June 30, 2011:

	<u>2011</u>	<u>2010</u>
Endowment net assets, beginning of year	\$ 10,119,991	9,074,153
Net appreciation in fair value of investments	—	722,738
Designations	<u>3,510,471</u>	<u>323,100</u>
End of year	<u>\$ 13,630,462</u>	<u>10,119,991</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 2011 and 2010, the Organization incurred joint costs of \$378,300 and \$366,671, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, \$87,652 and \$88,564, respectively, was allocated to information and publications expenses and \$290,648 and \$278,107, 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 March 2, 2012, 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, 2011

Assets	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash and cash equivalents	\$ 2,145,216	92,965	—	2,238,181
Short-term investments	1,226,369	33,445,994	—	34,672,363
Intercompany receivable	364,844	—	(364,844)	—
Grants and contributions receivable	2,555,703	—	—	2,555,703
Prepaid expenses and other assets	1,347,947	(2,001)	—	1,345,946
Investments	16,012,352	—	—	16,012,352
Property and equipment, net	2,814,338	34,455	—	2,848,793
Total assets	<u>\$ 26,466,769</u>	<u>33,571,413</u>	<u>(364,844)</u>	<u>59,673,338</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,101,951	101,004	—	1,202,955
Intercompany payable	—	364,844	(364,844)	—
Refundable advances	120,475	—	—	120,475
Co-payment assistance obligations	—	17,516,997	—	17,516,997
Deferred rent	1,625,978	—	—	1,625,978
Accrued postretirement benefit cost	301,456	—	—	301,456
Annuities payable	168,825	—	—	168,825
Total liabilities	<u>3,318,685</u>	<u>17,982,845</u>	<u>(364,844)</u>	<u>20,936,686</u>
Commitments				
Net assets:				
Unrestricted:				
Board designated	13,630,462	—	—	13,630,462
Undesignated	2,500,000	3,919,226	—	6,419,226
Total unrestricted	<u>16,130,462</u>	<u>3,919,226</u>	<u>—</u>	<u>20,049,688</u>
Temporarily restricted	<u>7,017,622</u>	<u>11,669,342</u>	<u>—</u>	<u>18,686,964</u>
Total net assets	<u>23,148,084</u>	<u>15,588,568</u>	<u>—</u>	<u>38,736,652</u>
Total liabilities and net assets	<u>\$ 26,466,769</u>	<u>33,571,413</u>	<u>(364,844)</u>	<u>59,673,338</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2011

	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	\$ 2,984,300	—	—	2,984,300
Government grants	168,130	—	—	168,130
Special events, net	2,299,154	—	—	2,299,154
Donated goods and services	1,966,350	—	—	1,966,350
Legacies and bequests	1,855,525	—	—	1,855,525
Direct marketing	502,249	—	—	502,249
Contributions from individuals	901,581	—	—	901,581
Sponsorships and cause-related marketing	538,625	—	—	538,625
United way	68,079	—	—	68,079
Thrift shop sales, net	301,108	—	—	301,108
Total contributions	<u>11,585,101</u>	<u>—</u>	<u>—</u>	<u>11,585,101</u>
Revenues:				
Interest and dividends	1,842	146,848	—	148,690
Other income	244,634	—	(115,253)	129,381
Total revenues	<u>246,476</u>	<u>146,848</u>	<u>(115,253)</u>	<u>278,071</u>
Total contributions and revenues before net assets released from restrictions	11,831,577	146,848	(115,253)	11,863,172
Net assets released from restrictions:				
Satisfaction of program restrictions - foundations and corporations	6,982,925	28,872,355	(50,000)	35,805,280
Satisfaction of program restrictions - legacies and bequests	500,000	—	—	500,000
Total net assets released from restrictions	<u>7,482,925</u>	<u>28,872,355</u>	<u>(50,000)</u>	<u>36,305,280</u>
Total contributions and revenues before net assets	<u>19,314,502</u>	<u>29,019,203</u>	<u>(165,253)</u>	<u>48,168,452</u>
Expenses:				
Program services:				
Counseling and support	5,423,670	80,658	(80,658)	5,423,670
Financial assistance	6,168,259	—	—	6,168,259
Co-payment assistance	—	24,892,693	(34,595)	24,858,098
Education	1,328,695	—	—	1,328,695
Information and publications	3,788,268	26,334	—	3,814,602
Total program services	<u>16,708,892</u>	<u>24,999,685</u>	<u>(115,253)</u>	<u>41,593,324</u>
Supporting services:				
Fund-raising	2,656,672	17,137	—	2,673,809
Management and general	906,862	39,671	—	946,533
Total supporting services	<u>3,563,534</u>	<u>56,808</u>	<u>—</u>	<u>3,620,342</u>
Total expenses	<u>20,272,426</u>	<u>25,056,493</u>	<u>(115,253)</u>	<u>45,213,666</u>
(Decrease) increase in unrestricted net assets before net appreciation on long-term investments	(957,924)	3,962,710	(50,000)	2,954,786
Net appreciation on long-term investments	2,889,870	—	—	2,889,870
Increase (decrease) in unrestricted net assets	<u>1,931,946</u>	<u>3,962,710</u>	<u>(50,000)</u>	<u>5,844,656</u>
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	8,346,106	22,850,000	—	31,196,106
Contributions from individuals	100,700	—	—	100,700
Net assets released from restrictions	(7,482,925)	(28,872,355)	50,000	(36,305,280)
Increase (decrease) in temporarily restricted net assets	<u>963,881</u>	<u>(6,022,355)</u>	<u>50,000</u>	<u>(5,008,474)</u>
Increase in net assets	2,895,827	(2,059,645)	—	836,182
Net assets at beginning of year	20,252,257	17,648,213	—	37,900,470
Net assets at end of year	<u>\$ 23,148,084</u>	<u>15,588,568</u>	<u>—</u>	<u>38,736,652</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Schedule of Functional Expenses – Cancer Care, Inc.

Year ended June 30, 2011

	Counseling and support	Financial assistance	Education	Information and publications	Subtotal	Fund- raising	Management and general	Subtotal	Total
Salaries	\$ 2,943,645	532,632	321,993	757,303	4,555,573	1,229,249	457,084	1,686,333	6,241,906
Employee health and retirement benefits	538,514	95,176	45,741	149,355	828,786	210,698	59,722	270,420	1,099,206
Payroll taxes	207,261	35,876	21,799	50,942	315,878	88,906	28,803	117,709	433,587
Total salaries and related expenses	3,689,420	663,684	389,533	957,600	5,700,237	1,528,853	545,609	2,074,462	7,774,699
Direct disbursements to patients and families	116,950	5,106,552	—	112,553	5,336,055	—	—	—	5,336,055
Donated goods and services	53,300	—	398,500	1,514,550	1,966,350	—	—	—	1,966,350
Contract services	115,321	119,554	10,125	457,981	702,981	386,504	200,339	586,843	1,289,824
Postage and shipping	26,504	64,936	141,147	127,140	359,727	130,537	3,404	133,941	493,668
Telephone	129,124	7,335	126,582	14,025	277,066	18,198	6,446	24,644	301,710
Occupancy	860,401	136,274	65,851	236,291	1,298,817	302,957	92,085	395,042	1,693,859
Supplies	38,319	7,400	3,886	21,849	71,454	28,906	5,981	34,887	106,341
Printing and publications	6,356	11,710	164,845	234,733	417,644	83,291	2,275	85,566	503,210
Equipment repairs and maintenance	64,909	8,754	5,201	15,103	93,967	26,911	13,721	40,632	134,599
Memberships and subscriptions	12,716	600	700	6,280	20,296	2,816	1,571	4,387	24,683
Staff and volunteer training and support	23,349	2,735	1,405	12,897	40,386	10,926	4,499	15,425	55,811
Travel and related costs	42,202	2,107	3,306	10,452	58,067	28,750	5,347	34,097	92,164
Marketing and promotion	2,317	—	—	7,325	9,642	26,737	—	26,737	36,379
Interest and taxes	386	75	36	115	612	168	45	213	825
Insurance	62,055	10,313	4,892	15,741	93,001	22,882	6,307	29,189	122,190
Miscellaneous	54,157	6,561	3,461	10,879	75,058	13,556	4,290	17,846	92,904
Total functional expenses before depreciation and amortization	5,297,786	6,148,590	1,319,470	3,755,514	16,521,360	2,611,992	891,919	3,503,911	20,025,271
Depreciation and amortization	125,884	19,669	9,225	32,754	187,532	44,680	14,943	59,623	247,155
Total expenses	\$ 5,423,670	6,168,259	1,328,695	3,788,268	16,708,892	2,656,672	906,862	3,563,534	20,272,426
Direct benefit costs of special events								488,724	488,724
Direct cost of thrift shop								536,736	536,736
							\$	4,588,994	21,297,886

See accompanying independent auditors' report.

CANCER CARE, INC.

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

Year ended June 30, 2011

	<u>Co-Payment Assistance</u>	<u>Counseling and support</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	\$ 977,259	—	18,235	995,494	11,727	26,233	37,960	1,033,454
Employee health and retirement benefits	177,563	—	2,902	180,465	929	2,054	2,983	183,448
Payroll taxes	69,348	—	1,241	70,589	611	1,449	2,060	72,649
Total salaries and related expenses	1,224,170	—	22,378	1,246,548	13,267	29,736	43,003	1,289,551
Direct disbursements to patients and families	22,813,600	—	—	22,813,600	—	—	—	22,813,600
Contract services	236,419	—	28	236,447	1,843	6,925	8,768	245,215
Postage and shipping	184,230	—	22	184,252	7	16	23	184,275
Telephone	37,848	—	183	38,031	58	129	187	38,218
Occupancy	246,607	—	2,844	249,451	1,037	2,206	3,243	252,694
Supplies	13,576	—	206	13,782	66	146	212	13,994
Printing and publications	20,865	—	22	20,887	642	16	658	21,545
Equipment repairs and maintenance	60,994	—	170	61,164	55	121	176	61,340
Staff and volunteer training and support	3,060	—	49	3,109	16	35	51	3,160
Travel and related costs	12,605	—	4	12,609	1	28	29	12,638
Marketing and promotion	463	—	—	463	—	—	—	463
Interest and taxes	147	—	2	149	1	2	3	152
Insurance	14,601	—	233	14,834	74	165	239	15,073
Miscellaneous	12,462	80,658	193	93,313	70	146	216	93,529
Total functional expenses before depreciation	24,881,647	80,658	26,334	24,988,639	17,137	39,671	56,808	25,045,447
Depreciation	11,046	—	—	11,046	—	—	—	11,046
Total expenses	\$ 24,892,693	80,658	26,334	24,999,685	17,137	39,671	56,808	25,056,493
Direct benefit costs of special events							—	—
Direct cost of thrift shop							—	—
							\$ 56,808	25,056,493

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2011

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash flows from operating activities:				
Increase in net assets	\$ 2,895,827	(2,059,645)	—	836,182
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation and amortization	247,155	11,046	—	258,201
Net appreciation on investments	(2,372,658)	—	—	(2,372,658)
Changes in operating assets and liabilities:				
Intercompany receivable	(251,367)	—	251,367	—
Grants and contributions receivable	(299,800)	—	—	(299,800)
Prepaid expenses and other assets	(996,500)	2,001	—	(994,499)
Accounts payable and accrued liabilities	(64,104)	(32,282)	—	(96,386)
Intercompany payable	—	251,367	(251,367)	—
Refundable advances	38,613	—	—	38,613
Co-payment assistance obligations	—	9,087,522	—	9,087,522
Deferred rent	978,673	—	—	978,673
Accrued postretirement benefit cost	(31,552)	—	—	(31,552)
Annuities payable	(59,301)	—	—	(59,301)
Net cash provided by operating activities	<u>84,986</u>	<u>7,260,009</u>	<u>—</u>	<u>7,344,995</u>
Cash flows from investing activities:				
Proceeds from sales of investments	7,686,325	33,024,906	—	40,711,231
Purchases of investments	(5,865,578)	(40,272,375)	—	(46,137,953)
Purchase of property and equipment	(2,197,412)	(3,435)	—	(2,200,847)
Net cash used in investing activities	<u>(376,665)</u>	<u>(7,250,904)</u>	<u>—</u>	<u>(7,627,569)</u>
Net increase (decrease) in cash and cash equivalents	(291,679)	9,105	—	(282,574)
Cash and cash equivalents at beginning of year	<u>2,436,895</u>	<u>83,860</u>	<u>—</u>	<u>2,520,755</u>
Cash and cash equivalents at end of year	<u>\$ 2,145,216</u>	<u>92,965</u>	<u>—</u>	<u>2,238,181</u>

See accompanying independent auditors' report.