



CANCER CARE, INC.

Consolidated Financial Statements and Schedules

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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, 2012 and 2011, 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, 2012 and 2011, 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 conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in the accompanying schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

April 12, 2013

CANCER CARE, INC.
Consolidated Balance Sheets
June 30, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	\$ 1,079,779	2,238,181
Short-term investments (note 2)	30,424,251	34,672,363
Grants and contributions receivable	2,406,532	2,555,703
Prepaid expenses and other assets	1,110,352	1,345,946
Investments (note 2)	12,847,402	16,012,352
Property and equipment, net (note 3)	3,871,218	2,848,793
Total assets	\$ 51,739,534	59,673,338
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,149,003	1,202,955
Refundable advances	136,488	120,475
Co-payment assistance obligations (note 4)	19,316,534	17,516,997
Deferred rent (notes 3 and 6)	1,598,203	1,625,978
Accrued postretirement benefit cost (note 5)	276,131	301,456
Annuities payable	173,561	168,825
Total liabilities	22,649,920	20,936,686
Commitments (note 6)		
Net assets:		
Unrestricted:		
Board designated (notes 2 and 7)	11,337,832	13,630,462
Undesignated	7,766,295	6,419,226
Total unrestricted	19,104,127	20,049,688
Temporarily restricted (note 7)	9,985,487	18,686,964
Total net assets	29,089,614	38,736,652
Total liabilities and net assets	\$ 51,739,534	59,673,338

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statements of Activities

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	\$ 3,132,174	2,984,300
Government grants	167,500	168,130
Special events, net	2,148,216	2,299,154
Donated goods and services	1,945,264	1,966,350
Legacies and bequests	1,647,046	1,855,525
Direct marketing	440,471	502,249
Contributions from individuals	891,239	857,013
Sponsorships and cause-related marketing	154,763	538,625
United way, federal and state campaigns	127,153	112,647
Thrift shop sales, net	276,476	301,108
Total contributions	<u>10,930,302</u>	<u>11,585,101</u>
Revenues:		
Interest and dividends	320,760	148,690
Other income	27,458	129,381
Total revenues	<u>348,218</u>	<u>278,071</u>
Total contributions and revenues before net assets released from restrictions	<u>11,278,520</u>	<u>11,863,172</u>
Net assets released from restrictions:		
Satisfaction of program restrictions – foundations and corporations	37,898,559	35,805,280
Satisfaction of program restrictions – individuals	59,766	500,000
Total net assets released from restrictions	<u>37,958,325</u>	<u>36,305,280</u>
Total contributions and revenues	<u>49,236,845</u>	<u>48,168,452</u>
Expenses (note 8):		
Program services:		
Counseling and support	5,270,492	5,423,670
Financial assistance	6,777,105	6,168,259
Co-payment assistance	29,425,929	24,858,098
Education	1,485,518	1,328,695
Information and publications	3,319,895	3,814,602
Total program services	<u>46,278,939</u>	<u>41,593,324</u>
Supporting services:		
Fund-raising	2,583,965	2,673,809
Management and general	1,075,552	946,533
Total supporting services	<u>3,659,517</u>	<u>3,620,342</u>
Total expenses	<u>49,938,456</u>	<u>45,213,666</u>
(Decrease) increase in unrestricted net assets before net (depreciation) appreciation on long-term investments	(701,611)	2,954,786
Net (depreciation) appreciation on long-term investments, net	<u>(243,950)</u>	<u>2,889,870</u>
(Decrease) increase in unrestricted net assets	<u>(945,561)</u>	<u>5,844,656</u>
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	29,189,348	31,196,106
Contributions from individuals	67,500	100,700
Net assets released from restrictions – foundations and corporations	(37,898,559)	(35,805,280)
Net assets released from restrictions – individuals	(59,766)	(500,000)
Decrease in temporarily restricted net assets	<u>(8,701,477)</u>	<u>(5,008,474)</u>
(Decrease) increase in net assets	(9,647,038)	836,182
Net assets at beginning of year	<u>38,736,652</u>	<u>37,900,470</u>
Net assets at end of year	\$ <u>29,089,614</u>	\$ <u>38,736,652</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2012

	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	\$ 2,943,974	478,007	1,069,447	329,734	708,634	5,529,796	1,254,689	517,768	1,772,457	7,302,253
Employee health and retirement benefits	459,907	98,068	211,384	41,494	119,327	930,180	185,389	64,639	250,028	1,180,208
Payroll taxes	214,769	33,591	78,649	22,159	52,493	401,661	88,246	26,213	114,459	516,120
Total salaries and related expenses	3,618,650	609,666	1,359,480	393,387	880,454	6,861,637	1,528,324	608,620	2,136,944	8,998,581
Direct disbursements to patients and families	44,727	5,633,860	27,261,216	—	—	32,939,803	—	—	—	32,939,803
Donated goods and services	102,313	—	—	479,000	1,363,952	1,945,265	—	—	—	1,945,265
Contract services	94,682	220,428	170,712	8,753	399,242	893,817	317,383	196,267	513,650	1,407,467
Postage and shipping	30,584	71,471	60,997	139,686	101,545	404,283	125,262	3,709	128,971	533,254
Telephone	125,308	13,505	44,167	194,120	14,492	391,592	21,017	7,741	28,758	420,350
Occupancy	746,776	130,801	327,471	56,979	192,479	1,454,506	274,494	84,357	358,851	1,813,357
Supplies	40,263	12,537	20,621	4,474	16,830	94,725	22,339	7,068	29,407	124,132
Printing and publications	14,505	4,251	21,770	171,481	240,722	452,729	39,742	3,421	43,163	495,892
Equipment repairs and maintenance	65,807	10,869	35,019	4,746	15,304	131,745	34,749	18,740	53,489	185,234
Memberships and subscriptions	5,726	531	507	1,637	6,485	14,886	4,681	1,610	6,291	21,177
Staff and volunteer training and support	11,480	2,320	56,479	982	3,961	75,222	13,841	4,314	18,155	93,377
Travel and related costs	51,075	5,924	13,265	2,164	8,522	80,950	36,416	4,559	40,975	121,925
Marketing and promotion	1,213	—	—	—	4,881	6,094	21,389	—	21,389	27,483
Interest and taxes	47	4	9	2	9	71	11	2	13	84
Insurance	40,939	8,777	20,942	3,715	10,717	85,090	16,502	5,010	21,512	106,602
Miscellaneous	59,834	9,975	21,983	4,270	19,832	115,894	18,728	8,344	27,072	142,966
Total functional expenses before depreciation and amortization	5,053,929	6,734,919	29,414,638	1,465,396	3,279,427	45,948,309	2,474,878	953,762	3,428,640	49,376,949
Depreciation and amortization	216,563	42,186	11,291	20,122	40,468	330,630	109,087	121,790	230,877	561,507
Total expenses	\$ 5,270,492	6,777,105	29,425,929	1,485,518	3,319,895	46,278,939	2,583,965	1,075,552	3,659,517	49,938,456
Direct benefit costs of special events									447,120	447,120
Direct cost of thrift shop									526,487	526,487
								\$	4,633,124	50,912,063

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 Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (9,647,038)	836,182
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	561,507	258,201
Net depreciation (appreciation) on investments	570,159	(2,372,658)
Changes in operating assets and liabilities:		
Grants and contributions receivable	149,171	(299,800)
Prepaid expenses and other assets	235,594	(994,499)
Accounts payable and accrued liabilities	(53,952)	(96,386)
Refundable advances	16,013	38,613
Co-payment assistance obligations	1,799,537	9,087,522
Deferred rent	(27,775)	978,673
Accrued postretirement benefit cost	(25,325)	(31,552)
Annuities payable	4,736	(59,301)
Net cash (used in) provided by operating activities	<u>(6,417,373)</u>	<u>7,344,995</u>
Cash flows from investing activities:		
Proceeds from sales of investments	58,268,364	40,711,231
Purchases of investments	(51,425,461)	(46,137,953)
Purchase of property and equipment	(1,583,932)	(2,200,847)
Net cash provided by (used in) investing activities	<u>5,258,971</u>	<u>(7,627,569)</u>
Net decrease in cash and cash equivalents	(1,158,402)	(282,574)
Cash and cash equivalents at beginning of year	<u>2,238,181</u>	<u>2,520,755</u>
Cash and cash equivalents at end of year	<u>\$ 1,079,779</u>	<u>2,238,181</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(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 online. Individuals affected by cancer and their loved ones seek information and resources from its comprehensive Web site, its Connect® 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® 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® 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

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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 2012 or 2011.

Summary of Significant Accounting Policies

The Organization's significant accounting policies are as follows:

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

CANCER CARE, INC.

Notes to Consolidated Financial Statements

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(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. Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements*, 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 or certain alternative investment, which can be redeemed at or near the balance sheet date.

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 or certain alternative investments, which cannot be redeemed at or near the balance sheet date.

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.

(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

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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 2012 and 2011 was 2.8%. State-mandated insurance reserves related to these agreements are maintained at required levels.

(i) *Co-Payment Assistance Liability*

The 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. The Co-Pay Foundation has established objective criteria for determining eligibility for assistance based upon an applicant's medical condition and financial need. The Co-Pay Foundation currently has seven funds open at June 30, 2012 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 the 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.

The 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.

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Notes to Consolidated Financial Statements

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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 change 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.

(l) Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 presentation.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(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, 2012 and 2011 consisted of the following:

	2012		2011	
	Cost	Fair value	Cost	Fair value
Financial assets:				
Short-term investments:				
Cash	\$ 6,497	6,497	34,943	34,943
Certificates of deposit	23,659,190	23,659,190	32,475,166	32,475,166
Money market funds	663,255	663,255	663,755	663,755
U.S. government funds	6,092,998	6,092,998	1,396,750	1,396,750
Common stocks – domestic	2,311	2,311	80,879	101,749
	\$ 30,424,251	30,424,251	34,651,493	34,672,363
	2012		2011	
	Cost	Fair value	Cost	Fair value
Investments:				
Cash and cash equivalents	\$ 666,711	666,711	982,079	982,079
Fixed income funds – corporate	2,142,111	2,268,283	3,238,786	3,339,185
Fixed income				
funds – government	554,723	578,595	731,256	735,346
Equity funds:				
Domestic	4,513,952	4,930,807	5,313,769	6,035,266
International	3,526,117	3,441,449	3,732,516	3,941,849
Hedge funds	850,000	961,557	850,000	978,627
	\$ 12,253,614	12,847,402	14,848,406	16,012,352

The board of trustees designated \$11,337,832 of the investment portfolio as of June 30, 2012 as a quasi-endowment to provide for the long-term financial stability of the Organization. As of June 30, 2012 and 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 7).

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

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, 2012 and 2011. There were no Level 3 assets as of June 30, 2012 and 2011.

	2012		
	Fair value	Level 1	Level 2
Financial assets:			
Short-term investments:			
Cash	\$ 6,497	6,497	—
Certificates of deposit	23,659,190	23,659,190	—
Money market funds	663,255	663,255	—
U.S. government funds	6,092,998	6,092,998	—
Common stocks – domestic	2,311	2,311	—
	<u>\$ 30,424,251</u>	<u>30,424,251</u>	<u>—</u>
Investments:			
Cash and cash equivalents	\$ 666,711	666,711	—
Fixed income funds – government	578,595	—	578,595
Fixed income funds – corporate	2,268,283	2,268,283	—
Equity funds:			
Domestic	4,930,807	4,930,807	—
International	3,441,449	3,441,449	—
Hedge funds	961,557	—	961,557
	<u>\$ 12,847,402</u>	<u>11,307,250</u>	<u>1,540,152</u>

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

	Fair value	2011	
		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	—
	\$ 34,672,363	34,672,363	—
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
	\$ 16,012,352	14,298,379	1,713,973

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:

Absolute return offshore fund \$331,501 as of June 30, 2012 and \$326,965 as of June 30, 2011 – 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 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.

Total return offshore fund \$630,056 as of June 30, 2012 and \$651,662 as of June 30, 2011 – 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, 2012.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(3) Property and Equipment

Property and equipment, net, consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 1,924,314	1,123,125
Telephone equipment	520,612	259,162
Leasehold improvements	3,287,299	1,124,371
Computer equipment	391,737	361,644
Construction in progress	—	2,108,624
	<u>6,123,962</u>	<u>4,976,926</u>
Less accumulated depreciation and amortization	<u>2,252,744</u>	<u>2,128,133</u>
	<u>\$ 3,871,218</u>	<u>2,848,793</u>

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, which was placed in service during 2012. During 2011, 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) Co-Payment Assistance Obligations

Co-payment assistance obligations represent the cumulative unpaid portion of co-payment assistance grants to patients. The initial grant for each patient award is calculated based on the then expected average cumulative claims per patient in the patient's respective disease state fund. Simultaneously for each award transaction, co-payment assistance obligations are increased and a corresponding amount of revenue is released from temporarily restricted net assets to unrestricted net assets.

Grants awarded in a past annual funding cycle may have a different expected average than the current funding cycle. In addition, expected obligation averages may be adjusted mid-cycle based on payment experience and adjustments to co-payment assistance obligations retroactively applied to the full grouping of grants made in a particular calendar year funding cycle. The co-payment assistance obligations are reduced as claims are adjudicated and paid. At the end of a particular calendar year funding cycle, generally 15 months after the end of a respective calendar year funding cycle, any amounts which represent the difference between the expected, or adjusted expected average claims, and actual claims would be adjusted against the temporarily restricted fund balance.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(5) 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 \$176,000 and \$290,000 to the defined contribution plan during the years ended June 30, 2012 and 2011, 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Accrued postretirement benefit cost recognized in the organization's consolidated balance sheets	\$ 276,131	301,456
Benefits cost	9,711	16,990
Employer contribution	33,433	48,542
Benefits paid	44,378	57,989

(6) 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, 2012 and 2011

The annual minimum rental commitments as of June 30, 2012 are as follows:

	<u>Amount</u>
Year ending June 30:	
2013	\$ 1,720,000
2014	1,506,000
2015	1,108,000
2016	1,208,000
2017	1,232,000
Thereafter	<u>10,702,000</u>
	<u>\$ 17,476,000</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 \$17,476,000 total annual minimum rental commitments as of June 30, 2012, approximately \$16,306,000 relates to the national office headquarters lease.

(7) Net Assets

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

	<u>2012</u>	<u>2011</u>
Co-payment assistance	\$ 4,255,627	11,669,342
Patient assistance	4,299,462	5,685,517
Other program support	1,211,398	1,217,105
Time restricted	<u>219,000</u>	<u>115,000</u>
	<u>\$ 9,985,487</u>	<u>18,686,964</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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The following represents the Organization's board-designated endowment funds and the changes in designated endowment funds for the year ended June 30, 2012:

	<u>2012</u>	<u>2011</u>
Endowment net assets, beginning of year	\$ 13,630,462	10,119,991
Net depreciation in fair value of investments	(207,650)	—
Designations	<u>(2,084,980)</u>	<u>3,510,471</u>
End of year	<u>\$ 11,337,832</u>	<u>13,630,462</u>

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

(8) Allocation of Joint Costs Information

In 2012 and 2011, the Organization incurred joint costs of \$310,919 and \$378,300, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, \$63,472 and \$87,652, respectively, was allocated to information and publications expenses and \$247,447 and \$290,648, respectively, was allocated to fund-raising expenses.

(9) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Organization evaluated subsequent events through April 12, 2013, 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, 2012

Assets	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash and cash equivalents	\$ 904,849	174,930	—	1,079,779
Short-term investments	1,097,990	29,326,261	—	30,424,251
Intercompany receivable	616,924	—	(616,924)	—
Grants and contributions receivable	2,406,532	—	—	2,406,532
Prepaid expenses and other assets	1,110,352	—	—	1,110,352
Investments	12,847,402	—	—	12,847,402
Property and equipment, net	3,848,053	23,165	—	3,871,218
Total assets	<u>\$ 22,832,102</u>	<u>29,524,356</u>	<u>(616,924)</u>	<u>51,739,534</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,080,027	68,976	—	1,149,003
Intercompany payable	—	616,924	(616,924)	—
Refundable advances	136,488	—	—	136,488
Co-payment assistance obligations	—	19,316,534	—	19,316,534
Deferred rent	1,598,203	—	—	1,598,203
Accrued postretirement benefit cost	276,131	—	—	276,131
Annuities payable	173,561	—	—	173,561
Total liabilities	<u>3,264,410</u>	<u>20,002,434</u>	<u>(616,924)</u>	<u>22,649,920</u>
Commitments				
Net assets:				
Unrestricted:				
Board designated	11,337,832	—	—	11,337,832
Undesignated	2,500,000	5,266,295	—	7,766,295
Total unrestricted	13,837,832	5,266,295	—	19,104,127
Temporarily restricted	5,729,860	4,255,627	—	9,985,487
Total net assets	<u>19,567,692</u>	<u>9,521,922</u>	<u>—</u>	<u>29,089,614</u>
Total liabilities and net assets	<u>\$ 22,832,102</u>	<u>29,524,356</u>	<u>(616,924)</u>	<u>51,739,534</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2012

	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	\$ 3,132,174	—	—	3,132,174
Government grants	167,500	—	—	167,500
Special events, net	2,148,216	—	—	2,148,216
Donated goods and services	1,945,264	—	—	1,945,264
Legacies and bequests	1,647,046	—	—	1,647,046
Direct marketing	440,471	—	—	440,471
Contributions from individuals	891,239	—	—	891,239
Sponsorships and cause-related marketing	150,475	4,288	—	154,763
United way, federal and state campaigns	127,153	—	—	127,153
Thrift shop sales, net	276,476	—	—	276,476
Total contributions	<u>10,926,014</u>	<u>4,288</u>	<u>—</u>	<u>10,930,302</u>
Revenues:				
Interest and dividends	29,037	291,723	—	320,760
Other income	234,572	—	(207,114)	27,458
Total revenues	<u>263,609</u>	<u>291,723</u>	<u>(207,114)</u>	<u>348,218</u>
Total contributions and revenues before net assets released from restrictions	<u>11,189,623</u>	<u>296,011</u>	<u>(207,114)</u>	<u>11,278,520</u>
Net assets released from restrictions:				
Satisfaction of program restrictions – foundations and corporations	7,134,843	30,763,716	—	37,898,559
Satisfaction of program restrictions – individuals	59,766	—	—	59,766
Total net assets released from restrictions	<u>7,194,609</u>	<u>30,763,716</u>	<u>—</u>	<u>37,958,325</u>
Total contributions and revenues before net assets	<u>18,384,232</u>	<u>31,059,727</u>	<u>(207,114)</u>	<u>49,236,845</u>
Expenses:				
Program services:				
Counseling and support	5,270,492	81,355	(81,355)	5,270,492
Financial assistance	6,777,105	—	—	6,777,105
Co-payment assistance	—	29,551,688	(125,759)	29,425,929
Education	1,485,518	—	—	1,485,518
Information and publications	3,298,150	21,745	—	3,319,895
Total program services	<u>16,831,265</u>	<u>29,654,788</u>	<u>(207,114)</u>	<u>46,278,939</u>
Supporting services:				
Fund-raising	2,565,958	18,007	—	2,583,965
Management and general	1,035,690	39,862	—	1,075,552
Total supporting services	<u>3,601,648</u>	<u>57,869</u>	<u>—</u>	<u>3,659,517</u>
Total expenses	<u>20,432,913</u>	<u>29,712,657</u>	<u>(207,114)</u>	<u>49,938,456</u>
(Decrease) increase in unrestricted net assets before net depreciation on long-term investments	(2,048,681)	1,347,070	—	(701,611)
Net depreciation on long-term investments	(243,950)	—	—	(243,950)
(Decrease) increase in unrestricted net assets	<u>(2,292,631)</u>	<u>1,347,070</u>	<u>—</u>	<u>(945,561)</u>
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	5,839,348	23,350,000	—	29,189,348
Contributions from individuals	67,500	—	—	67,500
Net assets released from restrictions – foundations and corporations	(7,134,843)	(30,763,716)	—	(37,898,559)
Net assets released from restrictions – individuals	(59,766)	—	—	(59,766)
Decrease in temporarily restricted net assets	<u>(1,287,761)</u>	<u>(7,413,716)</u>	<u>—</u>	<u>(8,701,477)</u>
Decrease in net assets	<u>(3,580,392)</u>	<u>(6,066,646)</u>	<u>—</u>	<u>(9,647,038)</u>
Net assets at beginning of year	<u>23,148,084</u>	<u>15,588,568</u>	<u>—</u>	<u>38,736,652</u>
Net assets at end of year	<u>\$ 19,567,692</u>	<u>9,521,922</u>	<u>—</u>	<u>29,089,614</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Schedule of Functional Expenses – Cancer Care, Inc.

Year ended June 30, 2012

	Counseling and support	Financial assistance	Education	Information and publications	Subtotal	Fund- raising	Management and general	Subtotal	Total
Salaries	\$ 2,943,974	478,007	329,734	695,200	4,446,915	1,242,111	492,060	1,734,171	6,181,086
Employee health and retirement benefits	459,907	98,068	41,494	116,787	716,256	184,502	61,261	245,763	962,019
Payroll taxes	214,769	33,591	22,159	51,480	321,999	87,685	25,710	113,395	435,394
Total salaries and related expenses	3,618,650	609,666	393,387	863,467	5,485,170	1,514,298	579,031	2,093,329	7,578,499
Direct disbursements to patients and families	44,727	5,633,860	—	—	5,678,587	—	—	—	5,678,587
Donated goods and services	102,313	—	479,000	1,363,952	1,945,265	—	—	—	1,945,265
Contract services	94,682	220,428	8,753	398,779	722,642	315,066	190,194	505,260	1,227,902
Postage and shipping	30,584	71,471	139,686	101,525	343,266	125,255	3,692	128,947	472,213
Telephone	125,308	13,505	194,120	14,268	347,201	20,939	7,543	28,482	375,683
Occupancy	746,776	130,801	56,979	189,306	1,123,862	273,292	81,478	354,770	1,478,632
Supplies	40,263	12,537	4,474	16,618	73,892	22,265	6,883	29,148	103,040
Printing and publications	14,505	4,251	171,481	240,650	430,887	39,717	3,130	42,847	473,734
Equipment repairs and maintenance	65,807	10,869	4,746	15,170	96,592	34,702	18,623	53,325	149,917
Memberships and subscriptions	5,726	531	1,637	6,485	14,379	4,681	1,610	6,291	20,670
Staff and volunteer training and support	11,480	2,320	982	3,938	18,720	13,821	4,282	18,103	36,823
Travel and related costs	51,075	5,924	2,164	8,516	67,679	36,414	4,511	40,925	108,604
Marketing and promotion	1,213	—	—	4,881	6,094	21,389	—	21,389	27,483
Interest and taxes	47	4	2	9	62	11	2	13	75
Insurance	40,939	8,777	3,715	10,498	63,929	16,425	4,819	21,244	85,173
Miscellaneous	59,834	9,975	4,270	19,620	93,699	18,596	8,102	26,698	120,397
Total functional expenses before depreciation and amortization	5,053,929	6,734,919	1,465,396	3,257,682	16,511,926	2,456,871	913,900	3,370,771	19,882,697
Depreciation and amortization	216,563	42,186	20,122	40,468	319,339	109,087	121,790	230,877	550,216
Total expenses	\$ 5,270,492	6,777,105	1,485,518	3,298,150	16,831,265	2,565,958	1,035,690	3,601,648	20,432,913
Direct benefit costs of special events								447,120	447,120
Direct cost of thrift shop								526,487	526,487
								\$ 4,575,255	21,406,520

See accompanying independent auditors' report.

CANCER CARE, INC.

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

Year ended June 30, 2012

	Co-Payment Assistance	Counseling and support	Information and publications	Subtotal	Fund- raising	Management and general	Subtotal	Total
Salaries	\$ 1,069,447	—	13,434	1,082,881	12,578	25,708	38,286	1,121,167
Employee health and retirement benefits	211,384	—	2,540	213,924	887	3,378	4,265	218,189
Payroll taxes	78,649	—	1,013	79,662	561	503	1,064	80,726
Total salaries and related expenses	1,359,480	—	16,987	1,376,467	14,026	29,589	43,615	1,420,082
Direct disbursements to patients and families	27,261,216	—	—	27,261,216	—	—	—	27,261,216
Contract services	170,712	—	463	171,175	2,317	6,073	8,390	179,565
Postage and shipping	60,997	—	20	61,017	7	17	24	61,041
Telephone	44,167	—	224	44,391	78	198	276	44,667
Occupancy	327,471	—	3,173	330,644	1,202	2,879	4,081	334,725
Supplies	20,621	—	212	20,833	74	185	259	21,092
Printing and publications	21,770	—	72	21,842	25	291	316	22,158
Equipment repairs and maintenance	160,778	—	134	160,912	47	117	164	161,076
Memberships and subscriptions	507	—	—	507	—	—	—	507
Staff and volunteer training and support	56,479	—	23	56,502	20	32	52	56,554
Travel and related costs	13,265	—	6	13,271	2	48	50	13,321
Interest and taxes	9	—	—	9	—	—	—	9
Insurance	20,942	—	219	21,161	77	191	268	21,429
Miscellaneous	21,983	81,355	212	103,550	132	242	374	103,924
Total functional expenses before depreciation	29,540,397	81,355	21,745	29,643,497	18,007	39,862	57,869	29,701,366
Depreciation	11,291	—	—	11,291	—	—	—	11,291
Total expenses	\$ 29,551,688	81,355	21,745	29,654,788	18,007	39,862	57,869	29,712,657
Direct benefit costs of special events							—	—
Direct cost of thrift shop							—	—
							\$ 57,869	29,712,657

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2012

	<u>Cancer Care, Inc.</u>	<u>Cancer Care Co-Payment Assistance Foundation, Inc.</u>	<u>Elimination entries</u>	<u>Total</u>
Cash flows from operating activities:				
Decrease in net assets	\$ (3,580,392)	(6,066,646)	—	(9,647,038)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:				
Depreciation and amortization	550,217	11,290	—	561,507
Net depreciation on investments	570,159	—	—	570,159
Changes in operating assets and liabilities:				
Intercompany receivable	(252,080)	—	252,080	—
Grants and contributions receivable	149,171	—	—	149,171
Prepaid expenses and other assets	237,595	(2,001)	—	235,594
Accounts payable and accrued liabilities	(21,924)	(32,028)	—	(53,952)
Intercompany payable	—	252,080	(252,080)	—
Refundable advances	16,013	—	—	16,013
Co-payment assistance obligations	—	1,799,537	—	1,799,537
Deferred rent	(27,775)	—	—	(27,775)
Accrued postretirement benefit cost	(25,325)	—	—	(25,325)
Annuities payable	4,736	—	—	4,736
Net cash used in operating activities	<u>(2,379,605)</u>	<u>(4,037,768)</u>	<u>—</u>	<u>(6,417,373)</u>
Cash flows from investing activities:				
Proceeds from sales of investments	9,853,514	48,414,850	—	58,268,364
Purchases of investments	(7,130,344)	(44,295,117)	—	(51,425,461)
Purchase of property and equipment	(1,583,932)	—	—	(1,583,932)
Net cash provided by investing activities	<u>1,139,238</u>	<u>4,119,733</u>	<u>—</u>	<u>5,258,971</u>
Net (decrease) increase in cash and cash equivalents	(1,240,367)	81,965	—	(1,158,402)
Cash and cash equivalents at beginning of year	<u>2,145,216</u>	<u>92,965</u>	<u>—</u>	<u>2,238,181</u>
Cash and cash equivalents at end of year	<u>\$ 904,849</u>	<u>174,930</u>	<u>—</u>	<u>1,079,779</u>

See accompanying independent auditors' report.