KPMG

CANCER CARE, INC.

Consolidated Financial Statements and Schedules

June 30, 2013 and 2012

(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 financial statements of Cancer Care, Inc., which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

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

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

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, 2013 and 2012, and changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

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 2013 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2013 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 2013 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 2013 consolidated financial statements as a whole.

KPMG LLP

March 6, 2014

CANCER CARE, INC.

Consolidated Balance Sheets

June 30, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	1,608,673	1,079,779
Short-term investments (note 2)		23,680,042	30,424,251
Grants and contributions receivable		1,874,128	2,406,532
Prepaid expenses and other assets		846,606	1,110,352
Investments (note 2)		12,295,102	12,847,402
Property and equipment, net (note 3)		3,379,954	3,871,218
Total assets	$	43,684,505	51,739,534
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	1,201,065	1,149,003
Refundable advances		126,666	136,488
Co-payment assistance obligations (note 4)		11,909,927	19,316,534
Deferred rent (notes 3 and 6)		1,516,850	1,598,203
Accrued postretirement benefit cost (note 5)		251,790	276,131
Annuities payable		164,868	173,561
Total liabilities		15,171,166	22,649,920
Commitments (note 6)			
Net assets:			
Unrestricted:			
Board designated (notes 2 and 7)		10,296,853	11,337,832
Undesignated		8,648,885	7,766,295
Total unrestricted		18,945,738	19,104,127
Temporarily restricted (note 7)		9,567,601	9,985,487
Total net assets		28,513,339	29,089,614
Total liabilities and net assets	$	43,684,505	51,739,534

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statements of Activities

Years ended June 30, 2013 and 2012

	2013	2012
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	$ 3,093,849	3,132,174
Government grants	—	167,500
Special events, net	1,657,672	2,148,216
Donated goods and services	2,700,607	1,945,264
Legacies and bequests	1,358,882	1,647,046
Direct marketing	416,616	440,471
Contributions from individuals	711,148	891,239
Sponsorships and cause-related marketing	424,839	154,763
United Way, federal and state campaigns	107,095	127,153
Thrift shop sales, net	204,076	276,476
Total contributions	10,674,784	10,930,302
Revenues:		
Interest and dividends	38,203	320,760
Other income	40,876	27,458
Total revenues	79,079	348,218
Total contributions and revenues before net assets released from restrictions	10,753,863	11,278,520
Net assets released from restrictions:		
Satisfaction of program restrictions – foundations and corporations	27,255,683	37,898,559
Satisfaction of program restrictions – individuals	88,600	59,766
Total net assets released from restrictions	27,344,283	37,958,325
Total contributions and revenues	38,098,146	49,236,845
Expenses (note 8):		
Program services:		
Counseling and support	4,834,605	5,270,492
Financial assistance	4,558,138	6,777,105
Co-payment assistance	20,861,162	29,425,929
Education	1,674,973	1,485,518
Information and publications	4,068,612	3,319,895
Total program services	35,997,490	46,278,939
Supporting services:		
Fund-raising	2,594,309	2,583,965
Management and general	885,435	1,075,552
Total supporting services	3,479,744	3,659,517
Total expenses	39,477,234	49,938,456
Decrease in unrestricted net assets before net appreciation (depreciation) on long-term investments	(1,379,088)	(701,611)
Net appreciation (depreciation) on long-term investments, net	1,220,699	(243,950)
Decrease in unrestricted net assets	(158,389)	(945,561)
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	26,926,397	29,189,348
Contributions from individuals	—	67,500
Net assets released from restrictions – foundations and corporations	(27,255,683)	(37,898,559)
Net assets released from restrictions – individuals	(88,600)	(59,766)
Decrease in temporarily restricted net assets	(417,886)	(8,701,477)
Decrease in net assets	(576,275)	(9,647,038)
Net assets at beginning of year	29,089,614	38,736,652
Net assets at end of year	$ 28,513,339	29,089,614

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statement of Functional Expenses

Year ended June 30, 2013

	Program services						Supporting services			
	Counseling and support	**Financial assistance**	**Co-payment assistance**	**Education**	**Information and publications**	**Subtotal**	**Fund-raising**	**Management and general**	**Subtotal**	**Total**
Salaries	$ 2,409,353	449,551	1,185,197	298,363	675,799	5,018,263	1,220,906	466,957	1,687,863	6,706,126
Employee health and retirement benefits	450,011	97,941	171,827	52,422	122,697	894,898	195,137	46,715	241,852	1,136,750
Payroll taxes	171,614	30,511	129,628	20,263	49,068	401,084	87,386	24,048	111,434	512,518
Total salaries and related expenses	3,030,978	578,003	1,486,652	371,048	847,564	6,314,245	1,503,429	537,720	2,041,149	8,355,394
Direct disbursements to patients and families	53,534	3,631,182	18,637,432	—	—	22,322,148	—	—	—	22,322,148
Donated goods and services	114,781	—	—	768,000	1,817,826	2,700,607	—	—	—	2,700,607
Contract services	83,746	84,235	165,707	11,023	707,449	1,052,160	319,264	173,934	493,198	1,545,358
Postage and shipping	25,183	49,358	64,669	98,921	72,469	310,600	114,551	3,326	117,877	428,477
Telephone	112,273	7,598	40,530	172,281	12,726	345,408	18,167	10,578	28,745	374,153
Occupancy	920,767	114,942	306,411	63,012	180,650	1,585,782	253,693	78,734	332,427	1,918,209
Supplies	31,879	7,357	19,353	4,053	14,774	77,416	17,956	5,246	23,202	100,618
Printing and publications	10,362	4,175	20,428	139,973	215,034	389,972	51,891	3,182	55,073	445,045
Equipment repairs and maintenance	46,818	6,978	26,767	3,921	10,190	94,674	53,396	12,373	65,769	160,443
Memberships and subscriptions	6,869	567	712	2,208	25,961	36,317	5,559	1,597	7,156	43,473
Staff and volunteer training and support	9,244	1,392	748	944	30,201	42,529	59,080	3,285	62,365	104,894
Travel and related costs	27,335	2,826	36,857	2,751	27,960	97,729	31,903	4,748	36,651	134,380
Marketing and promotion	1,502	—	260	—	3,593	5,355	22,199	—	22,199	27,554
Interest and taxes	225	21	—	13	84	343	168	74	242	585
Insurance	40,446	8,856	22,481	4,732	11,172	87,687	17,483	5,475	22,958	110,645
Miscellaneous	82,386	8,661	22,766	4,848	24,194	142,855	20,276	6,158	26,434	169,289
Total functional expenses before depreciation and amortization	4,598,328	4,506,151	20,851,773	1,647,728	4,001,847	35,605,827	2,489,015	846,430	3,335,445	38,941,272
Depreciation and amortization	236,277	51,987	9,389	27,245	66,765	391,663	105,294	39,005	144,299	535,962
Total expenses	$ 4,834,605	4,558,138	20,861,162	1,674,973	4,068,612	35,997,490	2,594,309	885,435	3,479,744	39,477,234
Direct benefit costs of special events									342,605	342,605
Direct cost of thrift shop									558,485	558,485
									$ 4,380,834	40,378,324

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statement of Functional Expenses

Year ended June 30, 2012

	Program services						Supporting services			
	Counseling and support	**Financial assistance**	**Co-payment assistance**	**Education**	**Information and publications**	**Subtotal**	**Fund-raising**	**Management and general**	**Subtotal**	**Total**
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 Statements of Cash Flows

Years ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Decrease in net assets	$	(576,275)	(9,647,038)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Depreciation and amortization		535,962	561,507
Net (appreciation) depreciation on investments		(522,692)	570,159
Changes in operating assets and liabilities:			
Grants and contributions receivable		532,404	149,171
Prepaid expenses and other assets		263,746	235,594
Accounts payable and accrued liabilities		52,062	(53,952)
Refundable advances		(9,822)	16,013
Co-payment assistance obligations		(7,406,607)	1,799,537
Deferred rent		(81,353)	(27,775)
Accrued postretirement benefit cost		(24,341)	(25,325)
Annuities payable		(8,693)	4,736
Net cash used in operating activities		(7,245,609)	(6,417,373)
Cash flows from investing activities:			
Proceeds from sales of investments		50,067,815	58,268,364
Purchases of investments		(42,248,614)	(51,425,461)
Purchase of property and equipment		(44,698)	(1,583,932)
Net cash provided by investing activities		7,774,503	5,258,971
Net increase (decrease) in cash and cash equivalents		528,894	(1,158,402)
Cash and cash equivalents at beginning of year		1,079,779	2,238,181
Cash and cash equivalents at end of year	$	1,608,673	1,079,779

See accompanying notes to consolidated financial statements.

(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 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 2013 or 2012.

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.

(c) 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 (within 90 days).

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.

The carrying amount of the Organization's accounts payable approximates fair value at June 30, 2013 and 2012 because of the term and relatively short maturity of this financial instrument. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy. The applicable level in the fair value hierarchy for the Organization's grants and contributions receivable is discussed in note 1(d), annuities payable is discussed in note 1(h), and short-term investments and investments is discussed in note 2.

(d) Contributions

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

Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting amounts not expected to be received within one year at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

Pledges from four donors accounted for approximately 64% and 58% of grants and contributions receivable as of June 30, 2013 and 2012, respectively.

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.

(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 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 2013 and 2012 was 1.20% and 2.80%. As the estimated fair value involves unobservable inputs, it is considered to be Level 3 in the fair value hierarchy. 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, 2013 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.

(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.

(2) Investments

Short-term investments principally represent the unexpended proceeds from certain temporarily restricted grants. The following tables present the cost and fair value hierarchy for the Organization's short-term investments and investments measured at fair value or net asset value as a practical expedient as of June 30, 2013 and 2012. There were no Level 3 assets as of June 30, 2013 and 2012.

	2013			
	Cost	**Fair value**	**Level 1**	**Level 2**
Financial assets:				
Short-term investments:				
Certificates of deposit	$ 19,470,891	19,470,891	19,470,891	—
Money market funds	662,755	662,755	662,755	—
U.S. government funds	3,546,396	3,546,396	3,546,396	—
	$ 23,680,042	23,680,042	23,680,042	—
Investments:				
Cash and cash equivalents	$ 832,594	832,594	832,594	—
Fixed income funds – government	582,921	572,726	—	572,726
Fixed income funds – corporate	2,177,352	2,187,660	2,187,660	—
Equity funds:				
Domestic	3,333,406	3,855,933	3,855,933	—
International	3,402,349	3,787,456	3,787,456	—
Hedge funds	850,000	1,058,733	—	1,058,733
	$ 11,178,622	12,295,102	10,663,643	1,631,459

	2012			
	Cost	**Fair value**	**Level 1**	**Level 2**
Financial assets:				
Short-term investments:				
Cash	$ 6,497	6,497	6,497	—
Certificates of deposit	23,659,190	23,659,190	23,659,190	—
Money market funds	663,255	663,255	663,255	—
U.S. government funds	6,092,998	6,092,998	6,092,998	—
Common stocks – domestic	2,311	2,311	2,311	—
	$ 30,424,251	30,424,251	30,424,251	—

	2012			
	Cost	**Fair value**	**Level 1**	**Level 2**
Investments:				
Cash and cash equivalents	$ 666,711	666,711	666,711	—
Fixed income funds – government	554,723	578,595	—	578,595
Fixed income funds – corporate	2,142,111	2,268,283	2,268,283	—
Equity funds:				
Domestic	4,513,952	4,930,807	4,930,807	—
International	3,526,117	3,441,449	3,441,449	—
Hedge funds	850,000	961,557	—	961,557
	$ 12,253,614	12,847,402	11,307,250	1,540,152

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 (within 90 days), 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 $354,742 as of June 30, 2013 and $331,501 as of June 30, 2012 – 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 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 $703,991 as of June 30, 2013 and $630,056 as of June 30, 2012 – 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, 2013.

The board of trustees designated $10,296,853 and $11,337,832 of the investment portfolio as of June 30, 2013 and 2012, respectively, as a quasi-endowment to provide for the long-term financial stability of the Organization. As of June 30, 2013 and 2012 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).

(3) Property and Equipment

Property and equipment, net, consisted of the following at June 30, 2013 and 2012:

		2013	2012
Furniture and fixtures	$	1,924,314	1,924,314
Telephone equipment		538,856	520,612
Leasehold improvements		3,293,118	3,287,299
Computer equipment		412,372	391,737
		6,168,660	6,123,962
Less accumulated depreciation and amortization		2,788,706	2,252,744
	$	3,379,954	3,871,218

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. During 2011, the Organization received $1,232,793 in landlord credits which included $658,985 in aggregate construction work credits and two free rent periods totaling $573,808. As of June 30, 2013, $361,275 of the construction work credits remains in prepaid expenses and other assets to be paid in 2014 per the terms of the lease and the free rent periods 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.

(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 $186,870 and $176,345 to the defined contribution plan during the years ended June 30, 2013 and 2012, 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, 2013 and 2012:

		2013	2012
Accrued postretirement benefit cost recognized in the organization's consolidated balance sheets	$	251,790	276,131
Benefits cost		8,545	9,711
Employer contribution		32,886	33,433
Benefits paid		39,003	44,378

(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.

The annual minimum rental commitments as of June 30, 2013 are as follows:

		Amount
Year ending June 30:		
2014	$	1,697,678
2015		1,303,982
2016		1,207,767
2017		1,231,922
2018		1,256,484
Thereafter		9,445,540
	$	16,143,373

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 $16,143,000 total annual minimum rental commitments as of June 30, 2013, approximately $15,518,000 relates to the national office headquarters lease.

(7) Net Assets

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

		2013	2012
Co-payment assistance	$	4,314,223	4,255,627
Patient assistance		3,772,805	4,299,462
Other program support		1,342,073	1,211,398
Time restricted		138,500	219,000
	$	9,567,601	9,985,487

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, 2013 and 2012, 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, 2013:

		2013	2012
Endowment net assets, beginning of year	$	11,337,832	13,630,462
Net appreciation (depreciation) in fair value of investments		1,077,268	(207,650)
Designations		(2,118,247)	(2,084,980)
End of year	$	10,296,853	11,337,832

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 2013 and 2012, the Organization incurred joint costs of $297,834 and $310,919, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, $78,651 and $63,472, respectively, was allocated to information and publications expenses and $219,183 and $247,447, respectively, was allocated to fund-raising expenses.

(9) Subsequent Events

Subsequent to June 30, 2013 the Organization subleased a portion of its national office headquarters for a period of three years commencing September 1, 2013 and terminating on August 31, 2016. The total base rental income for the term, including one half month of free rent, is $866,000 inclusive of $60,000 of electricity costs. The Organization is required to reimburse its landlord for 50 percent of the profits derived from a sublease, which is defined as the amounts earned over the existing master lease expenses net of any brokerage commissions paid in conjunction with obtaining a subtenant. Such amounts are expected to be less than 10 percent of the total rental income from the subtenant.

In connection with the preparation of the consolidated financial statements, the Organization evaluated subsequent events through March 6, 2014, which was the date the financial statements were available for issuance, and concluded that no additional disclosures are required.

Schedule 1

CANCER CARE, INC.

Consolidating Schedule – Balance Sheet

June 30, 2013

Assets		**Cancer Care, Inc.**	**Cancer Care Co-Payment Assistance Foundation, Inc.**	**Elimination entries**	**Total**
Cash and cash equivalents	$	1,380,394	228,279	—	1,608,673
Short-term investments		937,829	22,742,213	—	23,680,042
Intercompany receivable		537,916	—	(537,916)	—
Grants and contributions receivable		1,874,128	—	—	1,874,128
Prepaid expenses and other assets		846,606	—	—	846,606
Investments		12,295,102	—	—	12,295,102
Property and equipment, net		3,366,179	13,775	—	3,379,954
Total assets	$	21,238,154	22,984,267	(537,916)	43,684,505
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued liabilities	$	1,127,749	73,316	—	1,201,065
Intercompany payable		—	537,916	(537,916)	—
Refundable advances		126,666	—	—	126,666
Co-payment assistance obligations		—	11,909,927	—	11,909,927
Deferred rent		1,516,850	—	—	1,516,850
Accrued postretirement benefit cost		251,790	—	—	251,790
Annuities payable		164,868	—	—	164,868
Total liabilities		3,187,923	12,521,159	(537,916)	15,171,166
Commitments					
Net assets:					
Unrestricted:					
Board designated		10,296,853	—	—	10,296,853
Undesignated		2,500,000	6,148,885	—	8,648,885
Total unrestricted		12,796,853	6,148,885	—	18,945,738
Temporarily restricted		5,253,378	4,314,223	—	9,567,601
Total net assets		18,050,231	10,463,108	—	28,513,339
Total liabilities and net assets	$	21,238,154	22,984,267	(537,916)	43,684,505

See accompanying independent auditors’ report.

Schedule 2

CANCER CARE, INC.

Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2013

	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	$ 3,093,849	—	—	3,093,849
Government grants	—	—	—	—
Special events, net	1,657,672	—	—	1,657,672
Donated goods and services	2,700,607	—	—	2,700,607
Legacies and bequests	1,358,882	—	—	1,358,882
Direct marketing	416,616	—	—	416,616
Contributions from individuals	711,148	—	—	711,148
Sponsorships and cause-related marketing	407,925	16,914	—	424,839
United Way, federal and state campaigns	107,095	—	—	107,095
Thrift shop sales, net	204,076	—	—	204,076
Total contributions	10,657,870	16,914	—	10,674,784
Revenues:				
Interest and dividends	286	37,917	—	38,203
Other income	211,324	—	(170,448)	40,876
Total revenues	211,610	37,917	(170,448)	79,079
Total contributions and revenues before net assets released from restrictions	10,869,480	54,831	(170,448)	10,753,863
Net assets released from restrictions:				
Satisfaction of program restrictions – foundations and corporations	5,318,952	21,936,731	—	27,255,683
Satisfaction of program restrictions – individuals	88,600	—	—	88,600
Total net assets released from restrictions	5,407,552	21,936,731	—	27,344,283
Total contributions and revenues before net assets	16,277,032	21,991,562	(170,448)	38,098,146
Expenses:				
Program services:				
Counseling and support	4,834,605	68,104	(68,104)	4,834,605
Financial assistance	4,558,138	—	—	4,558,138
Co-payment assistance	—	20,963,506	(102,344)	20,861,162
Education	1,674,973	—	—	1,674,973
Information and publications	4,047,531	21,081	—	4,068,612
Total program services	15,115,247	21,052,691	(170,448)	35,997,490
Supporting services:				
Fund-raising	2,576,109	18,200	—	2,594,309
Management and general	847,355	38,080	—	885,435
Total supporting services	3,423,464	56,280	—	3,479,744
Total expenses	18,538,711	21,108,971	(170,448)	39,477,234
(Decrease) increase in unrestricted net assets before net depreciation on long-term investments	(2,261,679)	882,591	—	(1,379,088)
Net depreciation on long-term investments	1,220,699	—	—	1,220,699
(Decrease) increase in unrestricted net assets	(1,040,980)	882,591	—	(158,389)
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	4,931,071	21,995,326	—	26,926,397
Contributions from individuals	—	—	—	—
Net assets released from restrictions – foundations and corporations	(5,318,952)	(21,936,731)	—	(27,255,683)
Net assets released from restrictions – individuals	(88,600)	—	—	(88,600)
(Decrease) increase in temporarily restricted net assets	(476,481)	58,595	—	(417,886)
(Decrease) increase in net assets	(1,517,461)	941,186	—	(576,275)
Net assets at beginning of year	19,567,692	9,521,922	—	29,089,614
Net assets at end of year	$ 18,050,231	10,463,108	—	28,513,339

See accompanying independent auditors' report.

Schedule 3

CANCER CARE, INC.

Schedule of Functional Expenses – Cancer Care, Inc.

Year ended June 30, 2013

	Counseling and support	Financial assistance	Education	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	Total
Salaries	$ 2,409,353	449,551	298,363	662,483	3,819,750	1,208,354	441,723	1,650,077	5,469,827
Employee health and retirement benefits	450,011	97,941	52,422	120,559	720,933	194,273	44,807	239,080	960,013
Payroll taxes	171,614	30,511	20,263	47,596	269,984	86,652	22,182	108,834	378,818
Total salaries and related expenses	3,030,978	578,003	371,048	830,638	4,810,667	1,489,279	508,712	1,997,991	6,808,658
Direct disbursements to patients and families	53,534	3,631,182	—	—	3,684,716	—	—	—	3,684,716
Donated goods and services	114,781	—	768,000	1,817,826	2,700,607	—	—	—	2,700,607
Contract services	83,746	84,235	11,023	707,422	886,426	316,959	168,676	485,635	1,372,061
Postage and shipping	25,183	49,358	98,921	72,449	245,911	114,543	3,308	117,851	363,762
Telephone	112,273	7,598	172,281	12,535	304,687	18,090	10,408	28,498	333,185
Occupancy	920,767	114,942	63,012	177,561	1,276,282	252,373	75,873	328,246	1,604,528
Supplies	31,879	7,357	4,053	14,579	57,868	17,877	5,072	22,949	80,817
Printing and publications	10,362	4,175	139,973	214,987	369,497	51,872	3,121	54,993	424,490
Equipment repairs and maintenance	46,818	6,978	3,921	10,084	67,801	53,353	12,278	65,631	133,432
Memberships and subscriptions	6,869	567	2,208	25,961	35,605	5,559	1,597	7,156	42,761
Staff and volunteer training and support	9,244	1,392	944	30,195	41,775	59,078	3,280	62,358	104,133
Travel and related costs	27,335	2,826	2,751	27,960	60,872	31,903	4,748	36,651	97,523
Marketing and promotion	1,502	—	—	3,593	5,095	22,199	—	22,199	27,294
Interest and taxes	225	21	13	84	343	168	74	242	585
Insurance	40,446	8,856	4,732	10,927	64,961	17,384	5,256	22,640	87,601
Miscellaneous	82,383	8,661	4,848	23,965	119,857	20,178	5,947	26,125	145,982
Total functional expenses before depreciation and amortization	4,598,325	4,506,151	1,647,728	3,980,766	14,732,970	2,470,815	808,350	3,279,165	18,012,135
Depreciation and amortization	236,280	51,987	27,245	66,765	382,277	105,294	39,005	144,299	526,576
Total expenses	$ 4,834,605	4,558,138	1,674,973	4,047,531	15,115,247	2,576,109	847,355	3,423,464	18,538,711
Direct benefit costs of special events								342,605	342,605
Direct cost of thrift shop								558,485	558,485
								$ 4,324,554	19,439,801

See accompanying independent auditors' report.

Schedule 4

CANCER CARE, INC.

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

Year ended June 30, 2013

	Co-Payment Assistance	Counseling and support	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	Total
Salaries	$ 1,185,197	—	13,316	1,198,513	12,552	25,234	37,786	1,236,299
Employee health and retirement benefits	171,827	—	2,138	173,965	864	1,908	2,772	176,737
Payroll taxes	129,628	—	1,472	131,100	734	1,866	2,600	133,700
Total salaries and related expenses	1,486,652	—	16,926	1,503,578	14,150	29,008	43,158	1,546,736
Direct disbursements to patients and families	18,637,432	—	—	18,637,432	—	—	—	18,637,432
Contract services	165,707	—	27	165,734	2,305	5,258	7,563	173,297
Postage and shipping	64,669	—	20	64,689	8	18	26	64,715
Telephone	40,530	—	191	40,721	77	170	247	40,968
Occupancy	306,411	—	3,089	309,500	1,320	2,861	4,181	313,681
Supplies	19,353	—	195	19,548	79	174	253	19,801
Printing and publications	20,428	—	47	20,475	19	61	80	20,555
Equipment repairs and maintenance	129,111	—	106	129,217	43	95	138	129,355
Memberships and subscriptions	712	—	—	712	—	—	—	712
Staff and volunteer training and support	748	—	6	754	2	5	7	761
Travel and related costs	36,857	—	—	36,857	—	—	—	36,857
Marketing and promotion	260	—	—	260	—	—	—	260
Interest and taxes	—	—	—	—	—	—	—	—
Insurance	22,481	—	245	22,726	99	219	318	23,044
Miscellaneous	22,766	68,104	229	91,099	98	211	309	91,408
Total functional expenses before depreciation	20,954,117	68,104	21,081	21,043,302	18,200	38,080	56,280	21,099,582
Depreciation	9,389	—	—	9,389	—	—	—	9,389
Total expenses	$ 20,963,506	68,104	21,081	21,052,691	18,200	38,080	56,280	21,108,971

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2013

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash flows from operating activities:				
(Decrease) increase in net assets	$ (1,517,461)	941,186	—	(576,275)
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:				
Depreciation and amortization	526,573	9,389	—	535,962
Net depreciation on investments	(522,692)	—	—	(522,692)
Changes in operating assets and liabilities:				
Intercompany receivable	79,008	—	(79,008)	—
Grants and contributions receivable	532,404	—	—	532,404
Prepaid expenses and other assets	263,746	—	—	263,746
Accounts payable and accrued liabilities	47,722	4,340	—	52,062
Intercompany payable	—	(79,008)	79,008	—
Refundable advances	(9,822)	—	—	(9,822)
Co-payment assistance obligations	—	(7,406,607)	—	(7,406,607)
Deferred rent	(81,353)	—	—	(81,353)
Accrued postretirement benefit cost	(24,341)	—	—	(24,341)
Annuities payable	(8,693)	—	—	(8,693)
Net cash used in operating activities	(714,909)	(6,530,700)	—	(7,245,609)
Cash flows from investing activities:				
Proceeds from sales of investments	6,247,255	43,820,560	—	50,067,815
Purchases of investments	(5,012,103)	(37,236,511)	—	(42,248,614)
Purchase of property and equipment	(44,698)	—	—	(44,698)
Net cash provided by investing activities	1,190,454	6,584,049	—	7,774,503
Net increase in cash and cash equivalents	475,545	53,349	—	528,894
Cash and cash equivalents at beginning of year	904,849	174,930	—	1,079,779
Cash and cash equivalents at end of year	$ 1,380,394	228,279	—	1,608,673

See accompanying independent auditors' report.