



CANCER CARE, INC.

Consolidated Financial Statements and Schedules

June 30, 2015 and 2014

(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, 2015 and 2014, 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, 2015 and 2014, 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 Matters

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 2015 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2015 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 2015 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 2015 consolidated financial statements as a whole.

KPMG LLP

January 27, 2016

CANCER CARE, INC.
Consolidated Balance Sheets
June 30, 2015 and 2014

Assets	2015	2014
Cash and cash equivalents	\$ 2,971,717	3,487,350
Short-term investments (note 2)	27,410,480	22,457,550
Grants and contributions receivable	3,190,708	2,120,885
Prepaid expenses and other assets (note 3)	2,193,779	2,668,053
Investments (note 2)	15,214,238	15,438,995
Property and equipment, net (note 3)	<u>2,515,272</u>	<u>2,913,824</u>
Total assets	<u>\$ 53,496,194</u>	<u>49,086,657</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,261,195	2,206,302
Refundable advances	132,726	270,743
Co-payment assistance obligations (note 4)	6,481,773	5,267,562
Deferred rent (notes 3 and 6)	1,811,968	1,645,238
Accrued postretirement benefit cost (note 5)	207,188	228,093
Annuities payable	<u>136,811</u>	<u>144,972</u>
Total liabilities	<u>11,031,661</u>	<u>9,762,910</u>
Commitments (note 6)		
Net assets:		
Unrestricted:		
Board designated (notes 2 and 7)	10,436,726	11,775,799
Undesignated	<u>7,815,596</u>	<u>8,771,654</u>
Total unrestricted	18,252,322	20,547,453
Temporarily restricted (note 7)	<u>24,212,211</u>	<u>18,776,294</u>
Total net assets	<u>42,464,533</u>	<u>39,323,747</u>
Total liabilities and net assets	<u>\$ 53,496,194</u>	<u>49,086,657</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statements of Activities

Years ended June 30, 2015 and 2014

	2015	2014
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	\$ 3,493,170	2,989,438
Special events, net	1,451,647	1,724,539
Donated goods and services	1,877,485	2,677,075
Legacies and bequests	1,560,441	2,281,874
Direct marketing	364,654	364,827
Contributions from individuals	814,682	680,113
Sponsorships and cause-related marketing	272,391	436,477
United Way, federal and state campaigns	79,955	89,179
Thrift shop sales, net	80,175	277,496
Total contributions	9,994,600	11,521,018
Revenues:		
Interest and dividends	35,744	80,620
Other income	453,790	274,302
Total revenues	489,534	354,922
Total contributions and revenues before net assets released from restrictions	10,484,134	11,875,940
Net assets released from restrictions:		
Satisfaction of program restrictions – foundations and corporations	16,938,863	20,094,654
Satisfaction of program restrictions – individuals	4,763	30,000
Total net assets released from restrictions	16,943,626	20,124,654
Total contributions and revenues	27,427,760	32,000,594
Expenses (note 8):		
Program services:		
Counseling and support	5,136,835	4,857,955
Financial assistance	5,216,949	4,362,729
Co-payment assistance	11,049,599	14,084,401
Education	1,787,835	1,654,956
Information and publications	2,993,896	3,648,162
Total program services	26,185,114	28,608,203
Supporting services:		
Fund-raising	2,332,169	2,487,748
Management and general	980,852	950,822
Total supporting services	3,313,021	3,438,570
Total expenses	29,498,135	32,046,773
Decrease in unrestricted net assets before net (depreciation) appreciation on long-term investments	(2,070,375)	(46,179)
Net (depreciation) appreciation on long-term investments, net (note 2)	(224,756)	1,647,894
(Decrease) increase in unrestricted net assets	(2,295,131)	1,601,715
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	22,359,547	29,333,347
Contributions from individuals	19,996	—
Net assets released from restrictions – foundations and corporations	(16,938,863)	(20,094,654)
Net assets released from restrictions – individuals	(4,763)	(30,000)
Increase in temporarily restricted net assets	5,435,917	9,208,693
Increase in net assets	3,140,786	10,810,408
Net assets at beginning of year	39,323,747	28,513,339
Net assets at end of year	\$ 42,464,533	39,323,747

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2015

	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	\$ 2,702,767	428,418	981,203	327,313	561,714	5,001,415	1,069,022	473,601	1,542,623	6,544,038
Employee health and retirement benefits	488,061	97,991	291,406	61,719	115,234	1,054,411	173,059	66,953	240,012	1,294,423
Payroll taxes	184,362	30,037	68,325	23,436	36,211	342,371	75,530	24,078	99,608	441,979
Total salaries and related expenses	3,375,190	556,446	1,340,934	412,468	713,159	6,398,197	1,317,611	564,632	1,882,243	8,280,440
Direct disbursements to patients and families	175	4,269,276	8,667,702	—	25	12,937,178	—	—	—	12,937,178
Donated goods and services	142,200	—	—	763,400	971,885	1,877,485	—	—	—	1,877,485
Contract services	145,179	119,243	584,196	9,348	518,626	1,376,592	324,008	169,658	493,666	1,870,258
Postage and shipping	22,733	46,207	11,289	124,966	85,350	290,545	113,591	2,311	115,902	406,447
Telephone	127,397	9,343	37,316	194,565	13,358	381,979	19,070	8,937	28,007	409,986
Occupancy	732,008	129,401	291,194	85,322	184,931	1,422,856	272,111	141,213	413,324	1,836,180
Supplies	30,717	6,786	15,928	4,307	10,236	67,974	14,261	5,657	19,918	87,892
Printing and publications	14,990	6,600	17,260	144,987	266,870	450,707	33,186	4,208	37,394	488,101
Equipment repairs and maintenance	63,416	10,097	23,527	6,513	11,630	115,183	50,329	15,722	66,051	181,234
Memberships and subscriptions	16,377	833	—	1,000	1,453	19,663	6,940	2,243	9,183	28,846
Staff and volunteer training and support	16,857	2,364	3,865	1,563	3,149	27,798	12,219	4,958	17,177	44,975
Travel and related costs	100,219	4,977	22,142	4,183	25,850	157,371	31,884	8,137	40,021	197,392
Marketing and promotion	1,906	—	109	—	1,816	3,831	27,175	—	27,175	31,006
Interest and taxes	496	64	117	44	94	815	173	161	334	1,149
Insurance	47,605	9,548	25,566	6,021	11,053	99,793	17,041	5,895	22,936	122,729
Miscellaneous	84,392	2,513	4,073	1,888	119,932	212,798	5,687	3,795	9,482	222,280
Total functional expenses before depreciation and amortization	4,921,857	5,173,698	11,045,218	1,760,575	2,939,417	25,840,765	2,245,286	937,527	3,182,813	29,023,578
Depreciation and amortization	214,978	43,251	4,381	27,260	54,479	344,349	86,883	43,325	130,208	474,557
Total expenses	\$ 5,136,835	5,216,949	11,049,599	1,787,835	2,993,896	26,185,114	2,332,169	980,852	3,313,021	29,498,135
Direct benefit costs of special events									339,564	339,564
Direct cost of thrift shop									639,874	639,874
								\$	4,292,459	30,477,573

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2014

	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	\$ 2,446,728	403,784	1,031,516	298,734	607,494	4,788,256	1,102,618	408,102	1,510,720	6,298,976
Employee health and retirement benefits	429,563	89,219	251,448	55,768	108,109	934,107	166,709	57,664	224,373	1,158,480
Payroll taxes	173,007	28,367	69,608	21,125	40,314	332,421	78,232	21,670	99,902	432,323
Total salaries and related expenses	3,049,298	521,370	1,352,572	375,627	755,917	6,054,784	1,347,559	487,436	1,834,995	7,889,779
Direct disbursements to patients and families	55,488	3,477,190	11,481,815	—	650	15,015,143	—	—	—	15,015,143
Donated goods and services	117,131	—	—	684,700	1,875,243	2,677,074	—	—	—	2,677,074
Contract services	123,076	93,224	711,513	18,861	394,355	1,341,029	365,194	204,471	569,665	1,910,694
Postage and shipping	26,439	34,286	21,211	105,883	54,104	241,923	144,089	2,825	146,914	388,837
Telephone	135,859	9,396	39,360	190,846	14,567	390,028	21,573	10,925	32,498	422,526
Occupancy	775,797	124,435	318,989	81,913	194,154	1,495,288	284,958	135,549	420,507	1,915,795
Supplies	30,558	6,835	18,437	4,386	13,399	73,615	14,958	5,834	20,792	94,407
Printing and publications	12,085	3,718	21,613	128,864	200,498	366,778	40,153	1,005	41,158	407,936
Equipment repairs and maintenance	53,349	7,969	20,805	6,023	9,598	97,744	49,558	13,873	63,431	161,175
Memberships and subscriptions	8,047	464	—	2,702	4,409	15,622	10,168	1,361	11,529	27,151
Staff and volunteer training and support	43,887	11,381	6,338	10,844	11,825	84,275	27,964	22,905	50,869	135,144
Travel and related costs	66,966	7,255	29,163	3,002	27,275	133,661	25,860	2,276	28,136	161,797
Marketing and promotion	1,007	—	2,842	—	9,959	13,808	19,595	88	19,683	33,491
Interest and taxes	381	50	9	36	76	552	164	151	315	867
Insurance	43,488	9,044	27,838	5,650	10,759	96,779	17,052	5,345	22,397	119,176
Miscellaneous	56,678	9,914	24,408	6,662	12,881	110,543	21,805	10,443	32,248	142,791
Total functional expenses before depreciation and amortization	4,599,534	4,316,531	14,076,913	1,625,999	3,589,669	28,208,646	2,390,650	904,487	3,295,137	31,503,783
Depreciation and amortization	258,421	46,198	7,488	28,957	58,493	399,557	97,098	46,335	143,433	542,990
Total expenses	\$ 4,857,955	4,362,729	14,084,401	1,654,956	3,648,162	28,608,203	2,487,748	950,822	3,438,570	32,046,773
Direct benefit costs of special events									368,416	368,416
Direct cost of thrift shop									569,815	569,815
								\$	4,376,801	32,985,004

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,140,786	10,810,408
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	474,557	542,990
Realized and unrealized losses (gains) on investments	421,589	(1,468,490)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(1,069,823)	(246,757)
Prepaid expenses and other assets	474,274	(1,821,447)
Accounts payable and accrued liabilities	54,893	1,005,237
Refundable advances	(138,017)	144,077
Co-payment assistance obligations	1,214,211	(6,642,365)
Deferred rent	166,730	128,388
Accrued postretirement benefit cost	(20,905)	(23,697)
Annuities payable	(8,161)	(19,896)
Net cash provided by operating activities	<u>4,710,134</u>	<u>2,408,448</u>
Cash flows from investing activities:		
Proceeds from sales of investments	17,739,595	35,651,660
Purchases of investments	(22,889,357)	(36,104,571)
Purchase of property and equipment	(76,005)	(76,860)
Net cash used in investing activities	<u>(5,225,767)</u>	<u>(529,771)</u>
Net (decrease) increase in cash and cash equivalents	(515,633)	1,878,677
Cash and cash equivalents at beginning of year	<u>3,487,350</u>	<u>1,608,673</u>
Cash and cash equivalents at end of year	<u>\$ 2,971,717</u>	<u>3,487,350</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(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 masters prepared 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, INC.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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 2015 or 2014.

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

June 30, 2015 and 2014

(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.

Level 3: Unobservable inputs that are supported by little or no market activity.

The carrying amount of the Organization's accounts payable approximates fair value at June 30, 2015 and 2014 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 long-term 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 75% and 61% of grants and contributions receivable as of June 30, 2015 and 2014, respectively. In 2015 and 2014, the Organization received \$21.0 million and \$26.6 million from a concentration of the five largest donors in each fiscal year, respectively; these donations represent 64% and 64%, respectively, of total contributions and revenues of \$32.9 million and \$41.2 million, respectively, including temporarily restricted gifts.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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 2015 and 2014 was 2.0% and 2.20%, respectively. 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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(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 and four funds open at June 30, 2015 and 2014, respectively, 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) Deferred Rent

Rent expense is recorded on a straight-line basis over the term of the lease, with the difference between the straight-line expense and rent payments reported as either prepaid rent or as deferred rent liability. The lease term provided for tenant free rent period and tenant improvement allowances. Free rent and tenant improvement allowances are accounted for on a straight-line basis over the life of the lease and are recorded as deferred rent in the consolidated balance sheet.

(k) Contributed Goods and Services

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

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

(l) Functional Expense Allocations

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

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(m) Recently Issued Accounting Pronouncements

In 2015, the Organization early adopted Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The Organization applied the provision of the update retrospectively to 2014.

(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 long-term investments measured at fair value or net asset value as a practical expedient as of June 30, 2015 and 2014. There were no Level 3 assets as of June 30, 2015 and 2014.

	2015			
	Cost	Fair value	Level 1	Level 2
Financial assets:				
Short-term investments:				
Certificates of deposit	\$ 15,584,734	15,584,734	15,584,734	—
Money market funds	661,755	661,755	661,755	—
U.S. government funds	11,163,991	11,163,991	11,163,991	—
	<u>\$ 27,410,480</u>	<u>27,410,480</u>	<u>27,410,480</u>	<u>—</u>
Long-term investments:				
Cash and cash equivalents	\$ 1,074,857	1,074,857	1,074,857	—
Fixed income funds				
– government	916,632	909,761	—	909,761
Fixed income funds				
– corporate	2,601,359	2,519,921	2,519,921	—
Equity funds:				
Domestic	4,684,037	5,249,861	5,249,861	—
International	4,165,998	4,320,333	4,320,333	—
	<u>13,442,883</u>	<u>14,074,733</u>	<u>13,164,972</u>	<u>909,761</u>
Hedge funds held at net asset value (or equivalent)	850,000	1,139,505		
Total	<u>\$ 14,292,883</u>	<u>15,214,238</u>		

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

	2014			
	Cost	Fair value	Level 1	Level 2
Financial assets:				
Short-term investments:				
Certificates of deposit	\$ 15,550,387	15,550,387	15,550,387	—
Money market funds	662,255	662,255	662,255	—
U.S. government funds	6,244,908	6,244,908	6,244,908	—
	\$ 22,457,550	22,457,550	22,457,550	—
Long-term investments:				
Cash and cash equivalents	\$ 2,717,368	2,717,368	2,717,368	—
Fixed income funds				
– government	529,046	529,044	—	529,044
Fixed income funds				
– corporate	2,497,984	2,506,816	2,506,816	—
Equity funds:				
Domestic	3,561,968	4,303,018	4,303,018	—
International	3,405,902	4,276,858	4,276,858	—
	12,712,268	14,333,104	13,804,060	529,044
Hedge funds held at net asset value (or equivalent)	850,000	1,105,891		
Total	\$ 13,562,268	15,438,995		

Information with respect to the strategies and redemption provisions of hedge funds is as follows:

Absolute return offshore fund \$368,777 as of June 30, 2015 and \$370,251 as of June 30, 2014 – 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 \$770,728 as of June 30, 2015 and \$735,640 as of June 30, 2014 – 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, 2015.

The board of trustees designated \$10,436,726 and \$11,775,799 of the investment portfolio as of June 30, 2015 and 2014, respectively, as a quasi-endowment to provide for the long-term financial stability of the Organization. As of June 30, 2015 and 2014 the quasi-endowment calculation was not attributed to a specific portion of long-term investments but rather a specific portion of unrestricted net assets (note 7).

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Net Appreciation on Long-Term Investments, Net

The return on investments and interest-bearing cash and cash equivalents for the years ended June 30, 2015 and 2014 consist of the following:

	2015	2014
Interest and dividends, net of expenses of \$96,851 and \$77,255, respectively	\$ 196,833	179,404
Unrealized (losses) gains on investments	(955,373)	760,249
Realized gains on investments	533,784	708,241
	\$ (224,756)	1,647,894

(3) Property and Equipment

Property and equipment, net, consisted of the following at June 30, 2015 and 2014:

	2015	2014
Furniture and fixtures	\$ 1,812,132	1,812,132
Telephone equipment	517,657	540,220
Leasehold improvements	3,270,046	3,356,650
Computer equipment	247,766	422,389
	5,847,601	6,131,391
Less accumulated depreciation and amortization	3,332,329	3,217,567
	\$ 2,515,272	2,913,824

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 (tenant improvement allowances) and two free rent periods totaling \$573,808. As of June 30, 2015, \$160,731 of the construction work credits remains in prepaid expenses and other assets to be paid in late 2015 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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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 \$230,000 and \$229,000 to the defined-contribution plan during the years ended June 30, 2015 and 2014, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Accrued postretirement benefit cost recognized in the Organization's consolidated balance sheets	\$ 207,188	228,093
Benefits cost	2,466	8,030
Employer contribution	—	27,700
Benefits paid	23,371	33,121

(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, 2015 and 2014

The annual minimum rental commitments as of June 30, 2015 are as follows:

	<u>Amount</u>
Year ending June 30:	
2016	\$ 1,560,219
2017	1,579,746
2018	1,595,111
2019	1,613,913
2020	1,624,826
Thereafter	<u>7,155,555</u>
	<u>\$ 15,129,370</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 \$15.1 million total annual minimum rental commitments as of June 30, 2015, approximately \$13.1 million relates to the national office headquarters lease.

(7) Net Assets

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

	<u>2015</u>	<u>2014</u>
Co-payment assistance	\$ 17,902,783	13,395,803
Patient assistance	5,134,075	4,144,758
Other program support	1,126,357	1,163,733
Time restricted	<u>48,996</u>	<u>72,000</u>
	<u>\$ 24,212,211</u>	<u>18,776,294</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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

A board-designated quasi-endowment fund has been established for Cancer Care only. As of June 30, 2015 and 2014, the level of undesignated unrestricted net assets for Cancer Care has been set by the board at \$2,500,000 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:

	<u>2015</u>	<u>2014</u>
Endowment net assets, beginning of year	\$ 11,775,779	10,296,853
Net (depreciation) appreciation in fair value of investments	(165,224)	1,367,060
(Designations) contribution	<u>(1,173,829)</u>	<u>111,866</u>
End of year	<u>\$ 10,436,726</u>	<u>11,775,779</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 2015 and 2014, the Organization incurred joint costs of \$268,300 and \$327,760, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, \$38,907 and \$47,421, respectively, was allocated to information and publications expenses and \$229,393 and \$280,339, 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 January 27, 2016, which was the date the financial statements were available for issuance. On December 16, 2015, the Board approved a merger of the Cancer Care Co-Payment Assistance Foundation into Cancer Care.

CANCER CARE, INC.

Consolidating Schedule – Balance Sheet

June 30, 2015

Assets	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash and cash equivalents	\$ 2,679,498	292,219	—	2,971,717
Short-term investments	943,380	26,467,100	—	27,410,480
Intercompany receivable	233,328	—	(233,328)	—
Grants and contributions receivable	3,190,708	—	—	3,190,708
Prepaid expenses and other assets	624,504	1,569,275	—	2,193,779
Investments	12,249,107	2,965,131	—	15,214,238
Property and equipment, net	2,513,366	1,906	—	2,515,272
Total assets	<u>\$ 22,433,891</u>	<u>31,295,631</u>	<u>(233,328)</u>	<u>53,496,194</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	\$ 899,044	1,362,151	—	2,261,195
Intercompany payable	—	233,328	(233,328)	—
Refundable advances	132,726	—	—	132,726
Co-payment assistance obligations	—	6,481,773	—	6,481,773
Deferred rent	1,811,968	—	—	1,811,968
Accrued postretirement benefit cost	207,188	—	—	207,188
Annuities payable	136,811	—	—	136,811
Total liabilities	<u>3,187,737</u>	<u>8,077,252</u>	<u>(233,328)</u>	<u>11,031,661</u>
Commitments				
Net assets:				
Unrestricted:				
Board designated	10,436,726	—	—	10,436,726
Undesignated	2,500,000	5,315,596	—	7,815,596
Total unrestricted	12,936,726	5,315,596	—	18,252,322
Temporarily restricted	6,309,428	17,902,783	—	24,212,211
Total net assets	<u>19,246,154</u>	<u>23,218,379</u>	<u>—</u>	<u>42,464,533</u>
Total liabilities and net assets	<u>\$ 22,433,891</u>	<u>31,295,631</u>	<u>(233,328)</u>	<u>53,496,194</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2015

	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	\$ 3,487,287	5,883	—	3,493,170
Special events, net	1,451,647	—	—	1,451,647
Donated goods and services	1,877,485	—	—	1,877,485
Legacies and bequests	1,560,441	—	—	1,560,441
Direct marketing	364,654	—	—	364,654
Contributions from individuals	809,787	4,895	—	814,682
Sponsorships and cause-related marketing	272,391	—	—	272,391
United Way, federal and state campaigns	79,955	—	—	79,955
Thrift shop sales, net	80,175	—	—	80,175
Total contributions	<u>9,983,822</u>	<u>10,778</u>	<u>—</u>	<u>9,994,600</u>
Revenues:				
Interest and dividends	375	35,369	—	35,744
Other income	794,475	—	(340,685)	453,790
Total revenues	<u>794,850</u>	<u>35,369</u>	<u>(340,685)</u>	<u>489,534</u>
Total contributions and revenues before net assets released from restrictions	<u>10,778,672</u>	<u>46,147</u>	<u>(340,685)</u>	<u>10,484,134</u>
Net assets released from restrictions:				
Satisfaction of program restrictions – foundations and corporations	6,345,843	10,593,020	—	16,938,863
Satisfaction of program restrictions – individuals	4,763	—	—	4,763
Total net assets released from restrictions	<u>6,350,606</u>	<u>10,593,020</u>	<u>—</u>	<u>16,943,626</u>
Total contributions and revenues	<u>17,129,278</u>	<u>10,639,167</u>	<u>(340,685)</u>	<u>27,427,760</u>
Expenses:				
Program services:				
Counseling and support	5,077,520	302,115	(242,800)	5,136,835
Financial assistance	5,216,949	—	—	5,216,949
Co-payment assistance	—	11,147,484	(97,885)	11,049,599
Education	1,787,835	—	—	1,787,835
Information and publications	2,980,056	13,840	—	2,993,896
Total program services	<u>15,062,360</u>	<u>11,463,439</u>	<u>(340,685)</u>	<u>26,185,114</u>
Supporting services:				
Fund-raising	2,301,722	30,447	—	2,332,169
Management and general	929,965	50,887	—	980,852
Total supporting services	<u>3,231,687</u>	<u>81,334</u>	<u>—</u>	<u>3,313,021</u>
Total expenses	<u>18,294,047</u>	<u>11,544,773</u>	<u>(340,685)</u>	<u>29,498,135</u>
Decrease in unrestricted net assets before net depreciation on long-term investments	<u>(1,164,769)</u>	<u>(905,606)</u>	<u>—</u>	<u>(2,070,375)</u>
Net depreciation on long-term investments	(174,304)	(50,452)	—	(224,756)
Decrease in unrestricted net assets	<u>(1,339,073)</u>	<u>(956,058)</u>	<u>—</u>	<u>(2,295,131)</u>
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	7,259,547	15,100,000	—	22,359,547
Contributions from individuals	19,996	—	—	19,996
Net assets released from restrictions – foundations and corporations	(6,345,843)	(10,593,020)	—	(16,938,863)
Net assets released from restrictions – individuals	(4,763)	—	—	(4,763)
Increase in temporarily restricted net assets	<u>928,937</u>	<u>4,506,980</u>	<u>—</u>	<u>5,435,917</u>
(Decrease) increase in net assets	<u>(410,136)</u>	<u>3,550,922</u>	<u>—</u>	<u>3,140,786</u>
Net assets at beginning of year	19,656,290	19,667,457	—	39,323,747
Net assets at end of year	<u>\$ 19,246,154</u>	<u>23,218,379</u>	<u>—</u>	<u>42,464,533</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Schedule of Functional Expenses – Cancer Care, Inc.

Year ended June 30, 2015

	Counseling and support	Financial assistance	Education	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	Total
Salaries	\$ 2,702,767	428,418	327,313	551,560	4,010,058	1,045,762	438,707	1,484,469	5,494,527
Employee health and retirement benefits	488,061	97,991	61,719	113,975	761,746	171,243	63,174	234,417	996,163
Payroll taxes	184,362	30,037	23,436	35,666	273,501	74,147	22,708	96,855	370,356
Total salaries and related expenses	3,375,190	556,446	412,468	701,201	5,045,305	1,291,152	524,589	1,815,741	6,861,046
Direct disbursements to patients and families	175	4,269,276	—	25	4,269,476	—	—	—	4,269,476
Donated goods and services	142,200	—	763,400	971,885	1,877,485	—	—	—	1,877,485
Contract services	145,179	119,243	9,348	518,622	792,392	322,827	163,478	486,305	1,278,697
Postage and shipping	22,733	46,207	124,966	85,341	279,247	113,579	2,291	115,870	395,117
Telephone	127,397	9,343	194,565	13,235	344,540	18,897	8,657	27,554	372,094
Occupancy	732,008	129,401	85,322	183,525	1,130,256	269,971	137,865	407,836	1,538,092
Supplies	30,717	6,786	4,307	10,160	51,970	14,153	5,483	19,636	71,606
Printing and publications	14,990	6,600	144,987	266,846	433,423	33,152	4,154	37,306	470,729
Equipment repairs and maintenance	63,416	10,097	6,513	11,562	91,588	50,233	15,567	65,800	157,388
Memberships and subscriptions	16,377	833	1,000	1,453	19,663	6,940	2,243	9,183	28,846
Staff and volunteer training and support	16,857	2,364	1,563	3,136	23,920	12,201	4,930	17,131	41,051
Travel and related costs	100,219	4,977	4,183	25,848	135,227	31,881	7,893	39,774	175,001
Marketing and promotion	1,906	—	—	1,816	3,722	27,175	—	27,175	30,897
Interest and taxes	496	64	44	94	698	173	160	333	1,031
Insurance	47,605	9,548	6,021	10,917	74,091	16,850	5,586	22,436	96,527
Miscellaneous	25,077	2,513	1,888	119,911	149,389	5,655	3,744	9,399	158,788
Total functional expenses before depreciation and amortization	4,862,542	5,173,698	1,760,575	2,925,577	14,722,392	2,214,839	886,640	3,101,479	17,823,871
Depreciation and amortization	214,978	43,251	27,260	54,479	339,968	86,883	43,325	130,208	470,176
Total expenses	\$ 5,077,520	5,216,949	1,787,835	2,980,056	15,062,360	2,301,722	929,965	3,231,687	18,294,047
Direct benefit costs of special events								339,564	339,564
Direct cost of thrift shop								639,874	639,874
							\$	4,211,125	19,273,485

See accompanying independent auditors' report.

CANCER CARE, INC.

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

Year ended June 30, 2015

	Co-Payment Assistance	Counseling and support	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	Total
Salaries	\$ 981,203	—	10,154	991,357	23,260	34,894	58,154	1,049,511
Employee health and retirement benefits	291,406	—	1,259	292,665	1,816	3,779	5,595	298,260
Payroll taxes	68,325	—	545	68,870	1,383	1,370	2,753	71,623
Total salaries and related expenses	1,340,934	—	11,958	1,352,892	26,459	40,043	66,502	1,419,394
Direct disbursements to patients and families	8,667,702	—	—	8,667,702	—	—	—	8,667,702
Donated goods and services	—	—	—	—	—	—	—	—
Contract services	584,196	—	4	584,200	1,181	6,180	7,361	591,561
Postage and shipping	11,289	—	9	11,298	12	20	32	11,330
Telephone	37,316	—	123	37,439	173	280	453	37,892
Occupancy	291,194	—	1,406	292,600	2,140	3,348	5,488	298,088
Supplies	15,928	—	76	16,004	108	174	282	16,286
Printing and publications	17,260	—	24	17,284	34	54	88	17,372
Equipment repairs and maintenance	121,412	—	68	121,480	96	155	251	121,731
Memberships and subscriptions	—	—	—	—	—	—	—	—
Staff and volunteer training and support	3,865	—	13	3,878	18	28	46	3,924
Travel and related costs	22,142	—	2	22,144	3	244	247	22,391
Marketing and promotion	109	—	—	109	—	—	—	109
Interest and taxes	117	—	—	117	—	1	1	118
Insurance	25,566	—	136	25,702	191	309	500	26,202
Miscellaneous	4,073	302,115	21	306,209	32	51	83	306,292
Total functional expenses before depreciation	11,143,103	302,115	13,840	11,459,058	30,447	50,887	81,334	11,540,392
Depreciation	4,381	—	—	4,381	—	—	—	4,381
Total expenses	\$ 11,147,484	302,115	13,840	11,463,439	30,447	50,887	81,334	11,544,773

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2015

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash flows from operating activities:				
(Decrease) increase in net assets	\$ (410,136)	3,550,922	—	3,140,786
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	470,176	4,381	—	474,557
Realized and unrealized losses on investments	328,967	92,622	—	421,589
Changes in operating assets and liabilities:				
Intercompany receivable	297,778	—	(297,778)	—
Grants and contributions receivable	(1,069,823)	—	—	(1,069,823)
Prepaid expenses and other assets	415,830	58,444	—	474,274
Accounts payable and accrued liabilities	(38,815)	93,708	—	54,893
Intercompany payable	—	(297,778)	297,778	—
Refundable advances	(138,017)	—	—	(138,017)
Co-payment assistance obligations	—	1,214,211	—	1,214,211
Deferred rent	166,730	—	—	166,730
Accrued postretirement benefit cost	(20,905)	—	—	(20,905)
Annuities payable	(8,161)	—	—	(8,161)
Net cash (used in) provided by operating activities	<u>(6,376)</u>	<u>4,716,510</u>	<u>—</u>	<u>4,710,134</u>
Cash flows from investing activities:				
Proceeds from sales of investments	4,852,435	12,887,160	—	17,739,595
Purchases of investments	(5,006,571)	(17,882,786)	—	(22,889,357)
Purchase of property and equipment	(76,005)	—	—	(76,005)
Net cash used in investing activities	<u>(230,141)</u>	<u>(4,995,626)</u>	<u>—</u>	<u>(5,225,767)</u>
Net decrease in cash and cash equivalents	(236,517)	(279,116)	—	(515,633)
Cash and cash equivalents at beginning of year	2,916,015	571,335	—	3,487,350
Cash and cash equivalents at end of year	<u>\$ 2,679,498</u>	<u>292,219</u>	<u>—</u>	<u>2,971,717</u>

See accompanying independent auditors' report.