



CANCER CARE, INC.

Consolidated Financial Statements and Schedules

June 30, 2016 and 2015

(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, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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, 2016 and 2015, 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 2016 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 2016 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 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 2016 consolidated financial statements or to the 2016 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 2016 consolidated financial statements as a whole.

KPMG LLP

November 14, 2016

CANCER CARE, INC.
Consolidated Balance Sheets
June 30, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	\$ 1,384,775	2,971,717
Short-term investments (note 2)	19,026,437	27,410,480
Grants and contributions receivable	2,439,243	3,190,708
Prepaid expenses and other assets (note 3)	1,937,973	2,193,779
Investments (note 2)	14,961,398	15,214,238
Property and equipment, net (note 3)	2,130,940	2,515,272
Total assets	\$ 41,880,766	53,496,194
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,047,106	2,261,195
Refundable advances	110,519	132,726
Copayment assistance obligations (note 4)	7,118,258	6,481,773
Deferred rent (notes 3 and 6)	1,753,695	1,811,968
Accrued postretirement benefit cost (note 5)	186,185	207,188
Annuities payable	99,493	136,811
Total liabilities	11,315,256	11,031,661
Commitments (note 6)		
Net assets:		
Unrestricted:		
Board-designated (notes 2 and 7)	9,026,087	10,436,726
Undesignated	5,129,891	7,815,596
Total unrestricted	14,155,978	18,252,322
Temporarily restricted (note 7)	16,409,532	24,212,211
Total net assets	30,565,510	42,464,533
Total liabilities and net assets	\$ 41,880,766	53,496,194

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statements of Activities

Years ended June 30, 2016 and 2015

	2016	2015
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	\$ 4,511,176	3,493,170
Special events, net	1,569,127	1,451,647
Donated goods and services	1,946,608	1,877,485
Legacies and bequests	1,583,978	1,560,441
Direct marketing	389,949	364,654
Contributions from individuals	822,912	814,682
Sponsorships and cause-related marketing	266,910	272,391
United Way, federal, and state campaigns	66,027	79,955
Thrift shop sales, net	(33,416)	80,175
Total contributions	11,123,271	9,994,600
Revenues:		
Interest and dividends	116	35,744
Other income	347,268	453,790
Total revenues	347,384	489,534
Total contributions and revenues before net assets released from restrictions	11,470,655	10,484,134
Net assets released from restrictions:		
Satisfaction of program restrictions – foundations and corporations	16,753,282	16,938,863
Satisfaction of program restrictions – individuals	24,672	4,763
Total net assets released from restrictions	16,777,954	16,943,626
Total contributions and revenues	28,248,609	27,427,760
Expenses (note 8):		
Program services:		
Counseling and support	5,207,796	5,136,835
Financial assistance	5,167,101	5,216,949
Copayment assistance	12,462,662	11,049,599
Education	1,950,231	1,787,835
Information and publications	3,617,505	2,993,896
Total program services	28,405,295	26,185,114
Supporting services:		
Fund-raising	2,640,680	2,332,169
Management and general	1,046,138	980,852
Total supporting services	3,686,818	3,313,021
Total expenses	32,092,113	29,498,135
Decrease in unrestricted net assets before net depreciation on long-term investments	(3,843,504)	(2,070,375)
Net depreciation on long-term investments, net (note 2)	(252,840)	(224,756)
Decrease in unrestricted net assets	(4,096,344)	(2,295,131)
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	8,975,175	22,359,547
Contributions from individuals	100	19,996
Net assets released from restrictions – foundations and corporations	(16,753,282)	(16,938,863)
Net assets released from restrictions – individuals	(24,672)	(4,763)
(Decrease) increase in temporarily restricted net assets	(7,802,679)	5,435,917
(Decrease) increase in net assets	(11,899,023)	3,140,786
Net assets at beginning of year	42,464,533	39,323,747
Net assets at end of year	\$ 30,565,510	42,464,533

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2016

	Program services					Supporting services				Total
	Counseling and support	Financial assistance	Copayment assistance	Education	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	
Salaries	\$ 2,816,951	453,531	1,197,785	330,659	632,171	5,431,097	1,211,079	502,298	1,713,377	7,144,474
Employee health and retirement benefits	584,430	112,013	271,148	68,864	158,363	1,194,818	217,868	83,809	301,677	1,496,495
Payroll taxes	195,998	31,142	81,899	23,083	43,952	376,074	86,443	27,833	114,276	490,350
Total salaries and related expenses	3,597,379	596,686	1,550,832	422,606	834,486	7,001,989	1,515,390	613,940	2,129,330	9,131,319
Direct disbursements to patients and families	1,300	4,225,431	9,984,103	—	—	14,210,834	—	—	—	14,210,834
Donated goods and services	124,722	—	—	848,900	972,986	1,946,608	—	—	—	1,946,608
Contract services	156,716	86,128	504,678	18,191	1,152,740	1,918,453	460,085	175,240	635,325	2,553,778
Postage and shipping	27,354	46,519	13,772	145,724	108,656	342,025	93,694	1,845	95,539	437,564
Telephone	143,116	17,835	53,335	210,392	32,389	457,067	41,311	17,007	58,318	515,385
Occupancy	607,296	106,460	223,000	68,664	182,312	1,187,732	242,278	139,957	382,235	1,569,967
Supplies	42,381	8,378	18,726	5,757	17,845	93,087	17,175	7,095	24,270	117,357
Printing and publications	20,478	3,097	15,378	182,526	153,233	374,712	32,992	2,450	35,442	410,154
Equipment repairs and maintenance	55,315	8,892	21,677	5,726	13,575	105,185	45,262	15,819	61,081	166,266
Memberships and subscriptions	14,330	1,111	1,849	1,191	1,971	20,452	5,998	3,574	9,572	30,024
Staff and volunteer training and support	27,354	2,625	3,414	1,555	3,803	38,751	13,340	5,790	19,130	57,881
Travel and related costs	97,373	10,683	34,965	3,930	13,940	160,891	29,462	5,970	35,432	196,323
Marketing and promotion	1,589	—	—	—	10,899	12,488	31,949	—	31,949	44,437
Interest and taxes	731	98	85	66	161	1,141	310	243	553	1,694
Insurance	48,070	9,215	21,833	5,666	12,836	97,620	18,111	6,497	24,608	122,228
Miscellaneous	53,704	6,687	13,989	6,444	53,219	134,043	15,101	8,572	23,673	157,716
Total functional expenses before depreciation and amortization	5,019,208	5,129,845	12,461,636	1,927,338	3,565,051	28,103,078	2,562,458	1,003,999	3,566,457	31,669,535
Depreciation and amortization	188,588	37,256	1,026	22,893	52,454	302,217	78,222	42,139	120,361	422,578
Total expenses	\$ 5,207,796	5,167,101	12,462,662	1,950,231	3,617,505	28,405,295	2,640,680	1,046,138	3,686,818	32,092,113
Direct benefit costs of special events									377,529	377,529
Direct cost of thrift shop									665,567	665,567
									\$ 4,729,914	33,135,209

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	Copayment 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 Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (11,899,023)	3,140,786
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	422,578	474,557
Realized and unrealized losses on investments	452,395	421,589
Changes in operating assets and liabilities:		
Grants and contributions receivable	751,465	(1,069,823)
Prepaid expenses and other assets	255,806	474,274
Accounts payable and accrued liabilities	(214,089)	54,893
Refundable advances	(22,207)	(138,017)
Copayment assistance obligations	636,485	1,214,211
Deferred rent	(58,273)	166,730
Accrued postretirement benefit cost	(21,003)	(20,905)
Annuities payable	(37,318)	(8,161)
Net cash (used in) provided by operating activities	<u>(9,733,184)</u>	<u>4,710,134</u>
Cash flows from investing activities:		
Proceeds from sales of investments	22,168,440	17,739,595
Purchases of investments	(13,983,952)	(22,889,357)
Purchase of property and equipment	(38,246)	(76,005)
Net cash provided by (used in) investing activities	<u>8,146,242</u>	<u>(5,225,767)</u>
Net decrease in cash and cash equivalents	(1,586,942)	(515,633)
Cash and cash equivalents at beginning of year	<u>2,971,717</u>	<u>3,487,350</u>
Cash and cash equivalents at end of year	<u>\$ 1,384,775</u>	<u>2,971,717</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(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 copayment 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, over 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.

Copayment assistance (Co-Pay Foundation) – provides financial assistance to individuals with cancer in the form of copayment 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, 2016 and 2015

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 2016 or 2015.

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

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(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 Topic 820, *Fair Value Measurement*, 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 or published values per share 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.

(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. 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 six and four donors accounted for approximately 66% and 75% of grants and contributions receivable as of June 30, 2016 and 2015, respectively. In 2016 and 2015, the Organization received \$7.8 million and \$21.0 million from a concentration of the five largest donors in each fiscal year, respectively; these donations represent 36% and 64% of total contributions and revenue of \$21.5 million and \$32.9 million, respectively, including temporarily restricted gifts.

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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(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 2016 and 2015 was 1.8% and 2.0%, respectively. State-mandated insurance reserves related to these agreements are maintained at required levels.

(i) Copayment 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, 2016 and 2015, respectively, classified by disease

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

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 copayment 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 sheets.

(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 revenue 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.

(m) *Recently Adopted Accounting Principles*

In January 2016, the Financial Accounting Standards Board issued Accounting Standard Update No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance on the classification and measurement of financial instruments. The guidance amends certain disclosure requirements associated with the fair value of financial instruments. ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods in fiscal years beginning after December 15, 2019. Entities that are not public business entities may early adopt the provisions of the standard that eliminate certain previously required disclosures. Cancer Care chose to early adopt this standard for the year ended June 30, 2016 to simplify the reporting for financial instruments and as such is no longer required to provide the disclosures related to the fair value of financial instruments. The adoption of this standard did not have an impact on the remainder of the financial statements.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(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, 2016 and 2015. There were no Level 3 assets as of June 30.

	2016			
	<u>Cost</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Financial assets:				
Short-term investments:				
Certificates of deposit	\$ 17,191,619	17,191,619	17,191,619	—
Money market funds	661,263	661,263	661,263	—
U.S. government funds	1,173,555	1,173,555	1,173,555	—
	<u>\$ 19,026,437</u>	<u>19,026,437</u>	<u>19,026,437</u>	<u>—</u>
Long-term investments:				
Cash and cash equivalents	\$ 1,050,556	1,050,556	1,050,556	—
Fixed income funds – government	802,927	816,747	—	816,747
Fixed income funds – corporate	2,659,498	2,564,383	2,564,383	—
Equity funds:				
Domestic	5,242,776	5,205,913	5,205,913	—
International	4,859,920	4,223,917	4,223,917	—
	<u>14,615,677</u>	<u>13,861,516</u>	<u>13,044,769</u>	<u>816,747</u>
Hedge funds held at net asset value (or equivalent)	850,000	1,099,882		
Total	<u>\$ 15,465,677</u>	<u>14,961,398</u>		

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

	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	—
	\$ 27,410,480	27,410,480	27,410,480	—
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	—
	13,442,883	14,074,733	13,164,972	909,761
Hedge funds held at net asset value (or equivalent)	850,000	1,139,505		
Total	\$ 14,292,883	15,214,238		

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

Absolute return offshore fund \$356,974 as of June 30, 2016 and \$368,777 as of June 30, 2015 – 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 \$742,908 as of June 30, 2016 and \$770,728 as of June 30, 2015 – 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, 2016.

The board of trustees designated \$9,026,087 and \$10,436,726 of the investment portfolio as of June 30, 2016 and 2015, respectively, as a quasi-endowment to provide for the long-term financial stability of the Organization. As of June 30, 2016 and 2015, 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, 2016 and 2015

Net Appreciation on Long-Term Investments, Net

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

	2016	2015
Interest and dividends, net of expenses of \$95,879 and \$96,851, respectively	\$ 199,555	196,833
Unrealized losses on investments	(1,425,634)	(955,373)
Realized gains on investments	973,239	533,784
	\$ (252,840)	(224,756)

(3) Property and Equipment

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

	2016	2015
Furniture and fixtures	\$ 1,741,420	1,812,132
Telephone equipment	542,042	517,657
Leasehold improvements	3,273,253	3,270,046
Computer equipment	258,420	247,766
	5,815,135	5,847,601
Less accumulated depreciation and amortization	3,684,195	3,332,329
	\$ 2,130,940	2,515,272

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, 2016, all of the construction work credits have been paid in accordance with 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) Copayment Assistance Obligations

Copayment assistance obligations represent the cumulative unpaid portion of copayment 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, copayment 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, 2016 and 2015

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 midcycle based on payment experience and adjustments to copayment assistance obligations retroactively applied to the full grouping of grants made in a particular calendar-year funding cycle. The copayment 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 that 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 \$262,000 and \$230,000 to the defined-contribution plan during the years ended June 30, 2016 and 2015, 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:

	<u>2016</u>	<u>2015</u>
Accrued postretirement benefit cost recognized in the Organization's consolidated balance sheets	\$ 186,185	207,188
Benefits cost	2,620	2,466
Benefits paid	23,623	23,371

(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, 2016 and 2015

The annual minimum rental commitments as of June 30, 2016 are as follows:

	<u>Amount</u>
Year ending June 30:	
2017	\$ 1,579,746
2018	1,595,111
2019	1,613,913
2020	1,624,826
2021	1,616,594
Thereafter	<u>5,538,961</u>
	<u>\$ 13,569,151</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 \$13.6 million total annual minimum rental commitments as of June 30, 2016, approximately \$11.9 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>2016</u>	<u>2015</u>
Copayment assistance	\$ 11,790,449	17,902,783
Patient assistance	3,488,317	5,134,075
Other program support	870,770	1,126,357
Time restricted	<u>259,996</u>	<u>48,996</u>
	<u>\$ 16,409,532</u>	<u>24,212,211</u>

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

A board-designated quasi-endowment fund has been established for Cancer Care only. As of June 30, 2016 and 2015, 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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 10,436,726	11,775,779
Net depreciation in fair value of investments	(177,060)	(165,224)
Designations	<u>(1,233,579)</u>	<u>(1,173,829)</u>
End of year	<u>\$ 9,026,087</u>	<u>10,436,726</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 2016 and 2015, the Organization incurred joint costs of \$302,620 and \$268,300, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, \$69,044 and \$38,907, respectively, was allocated to information and publications expenses and \$233,576 and \$229,393 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 November 14, 2016, which was the date the financial statements were available for issuance. There are no subsequent events for disclosure.

CANCER CARE, INC.

Consolidating Schedule – Balance Sheet

June 30, 2016

Assets	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash and cash equivalents	\$ 1,111,771	273,004	—	1,384,775
Short-term investments	942,916	18,083,521	—	19,026,437
Intercompany receivable	307,542	—	(307,542)	—
Grants and contributions receivable	2,239,243	200,000	—	2,439,243
Prepaid expenses and other assets	408,701	1,529,272	—	1,937,973
Investments	12,041,290	2,920,108	—	14,961,398
Property and equipment, net	2,130,060	880	—	2,130,940
Total assets	<u>\$ 19,181,523</u>	<u>23,006,785</u>	<u>(307,542)</u>	<u>41,880,766</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	\$ 861,461	1,185,645	—	2,047,106
Intercompany payable	—	307,542	(307,542)	—
Refundable advances	110,519	—	—	110,519
Copayment assistance obligations	—	7,118,258	—	7,118,258
Deferred rent	1,753,695	—	—	1,753,695
Accrued postretirement benefit cost	186,185	—	—	186,185
Annuities payable	99,493	—	—	99,493
Total liabilities	<u>3,011,353</u>	<u>8,611,445</u>	<u>(307,542)</u>	<u>11,315,256</u>
Commitments				
Net assets:				
Unrestricted:				
Board-designated	9,026,087	—	—	9,026,087
Undesignated	2,500,000	2,604,891	25,000	5,129,891
Total unrestricted	11,526,087	2,604,891	25,000	14,155,978
Temporarily restricted	4,644,083	11,790,449	(25,000)	16,409,532
Total net assets	<u>16,170,170</u>	<u>14,395,340</u>	<u>—</u>	<u>30,565,510</u>
Total liabilities and net assets	<u>\$ 19,181,523</u>	<u>23,006,785</u>	<u>(307,542)</u>	<u>41,880,766</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2016

	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	\$ 4,492,155	19,021	—	4,511,176
Special events, net	1,569,127	—	—	1,569,127
Donated goods and services	1,946,608	—	—	1,946,608
Legacies and bequests	1,583,978	—	—	1,583,978
Direct marketing	389,949	—	—	389,949
Contributions from individuals	821,922	990	—	822,912
Sponsorships and cause-related marketing	266,910	—	—	266,910
United Way, federal, and state campaigns	66,027	—	—	66,027
Thrift shop sales, net	(33,416)	—	—	(33,416)
Total contributions	<u>11,103,260</u>	<u>20,011</u>	<u>—</u>	<u>11,123,271</u>
Revenues:				
Interest and dividends	508	(392)	—	116
Other income	947,268	—	(600,000)	347,268
Total revenues	<u>947,776</u>	<u>(392)</u>	<u>(600,000)</u>	<u>347,384</u>
Total contributions and revenues before net assets released from restrictions	<u>12,051,036</u>	<u>19,619</u>	<u>(600,000)</u>	<u>11,470,655</u>
Net assets released from restrictions:				
Satisfaction of program restrictions – foundations and corporations	6,270,048	10,483,234	—	16,753,282
Satisfaction of program restrictions – individuals	24,672	—	—	24,672
Total net assets released from restrictions	<u>6,294,720</u>	<u>10,483,234</u>	<u>—</u>	<u>16,777,954</u>
Total contributions and revenues	<u>18,345,756</u>	<u>10,502,853</u>	<u>(600,000)</u>	<u>28,248,609</u>
Expenses:				
Program services:				
Counseling and support	5,207,796	531,106	(531,106)	5,207,796
Financial assistance	5,192,101	—	(25,000)	5,167,101
Copayment assistance	—	12,531,556	(68,894)	12,462,662
Education	1,950,231	—	—	1,950,231
Information and publications	3,598,648	18,857	—	3,617,505
Total program services	<u>15,948,776</u>	<u>13,081,519</u>	<u>(625,000)</u>	<u>28,405,295</u>
Supporting services:				
Fund-raising	2,606,318	34,362	—	2,640,680
Management and general	993,484	52,654	—	1,046,138
Total supporting services	<u>3,599,802</u>	<u>87,016</u>	<u>—</u>	<u>3,686,818</u>
Total expenses	<u>19,548,578</u>	<u>13,168,535</u>	<u>(625,000)</u>	<u>32,092,113</u>
Decrease in unrestricted net assets before net depreciation on long-term investments	<u>(1,202,822)</u>	<u>(2,665,682)</u>	<u>25,000</u>	<u>(3,843,504)</u>
Net depreciation on long-term investments	(207,817)	(45,023)	—	(252,840)
Decrease in unrestricted net assets	<u>(1,410,639)</u>	<u>(2,710,705)</u>	<u>25,000</u>	<u>(4,096,344)</u>
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	4,629,275	4,370,900	(25,000)	8,975,175
Contributions from individuals	100	—	—	100
Net assets released from restrictions – foundations and corporations	(6,270,048)	(10,483,234)	—	(16,753,282)
Net assets released from restrictions – individuals	(24,672)	—	—	(24,672)
Decrease in temporarily restricted net assets	<u>(1,665,345)</u>	<u>(6,112,334)</u>	<u>(25,000)</u>	<u>(7,802,679)</u>
Decrease in net assets	<u>(3,075,984)</u>	<u>(8,823,039)</u>	<u>—</u>	<u>(11,899,023)</u>
Net assets at beginning of year	19,246,154	23,218,379	—	42,464,533
Net assets at end of year	<u>\$ 16,170,170</u>	<u>14,395,340</u>	<u>—</u>	<u>30,565,510</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Schedule of Functional Expenses – Cancer Care, Inc.

Year ended June 30, 2016

	Counseling and support	Financial assistance	Education	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	Total
Salaries	\$ 2,816,951	453,531	330,659	620,727	4,221,868	1,186,088	466,230	1,652,318	5,874,186
Employee health and retirement benefits	584,430	112,013	68,864	155,385	920,692	214,890	79,961	294,851	1,215,543
Payroll taxes	195,998	31,142	23,083	43,080	293,303	85,054	25,903	110,957	404,260
Total salaries and related expenses	3,597,379	596,686	422,606	819,192	5,435,863	1,486,032	572,094	2,058,126	7,493,989
Direct disbursements to patients and families	1,300	4,250,431	—	—	4,251,731	—	—	—	4,251,731
Donated goods and services	124,722	—	848,900	972,986	1,946,608	—	—	—	1,946,608
Contract services	156,716	86,128	18,191	1,152,730	1,413,765	458,803	169,173	627,976	2,041,741
Postage and shipping	27,354	46,519	145,724	108,636	328,233	93,674	1,819	95,493	423,726
Telephone	143,116	17,835	210,392	31,947	403,290	40,869	16,435	57,304	460,594
Occupancy	607,296	106,460	68,664	180,061	962,481	239,868	136,949	376,817	1,339,298
Supplies	42,381	8,378	5,757	17,637	74,153	16,967	6,826	23,793	97,946
Printing and publications	20,478	3,097	182,526	153,170	359,271	32,929	2,369	35,298	394,569
Equipment repairs and maintenance	55,315	8,892	5,726	13,420	83,353	45,107	15,619	60,726	144,079
Memberships and subscriptions	14,330	1,111	1,191	1,971	18,603	5,998	3,574	9,572	28,175
Staff and volunteer training and support	27,354	2,625	1,555	3,777	35,311	13,314	5,756	19,070	54,381
Travel and related costs	97,373	10,683	3,930	13,939	125,925	29,461	5,924	35,385	161,310
Marketing and promotion	1,589	—	—	10,899	12,488	31,949	—	31,949	44,437
Interest and taxes	731	98	66	160	1,055	309	242	551	1,606
Insurance	48,070	9,215	5,666	12,591	75,542	17,866	6,180	24,046	99,588
Miscellaneous	53,704	6,687	6,444	53,078	119,913	14,950	8,385	23,335	143,248
Total functional expenses before depreciation and amortization	5,019,208	5,154,845	1,927,338	3,546,194	15,647,585	2,528,096	951,345	3,479,441	19,127,026
Depreciation and amortization	188,588	37,256	22,893	52,454	301,191	78,222	42,139	120,361	421,552
Total expenses	\$ 5,207,796	5,192,101	1,950,231	3,598,648	15,948,776	2,606,318	993,484	3,599,802	19,548,578
Direct benefit costs of special events								377,529	377,529
Direct cost of thrift shop								665,567	665,567
							\$	4,642,898	20,591,674

See accompanying independent auditors' report.

CANCER CARE, INC.

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

Year ended June 30, 2016

	Copayment assistance	Counseling and support	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	Total
Salaries	\$ 1,197,785	—	11,444	1,209,229	24,991	36,068	61,059	1,270,288
Employee health and retirement benefits	271,148	—	2,978	274,126	2,978	3,848	6,826	280,952
Payroll taxes	81,899	—	872	82,771	1,389	1,930	3,319	86,090
Total salaries and related expenses	1,550,832	—	15,294	1,566,126	29,358	41,846	71,204	1,637,330
Direct disbursements to patients and families	9,984,103	—	—	9,984,103	—	—	—	9,984,103
Contract services	504,678	—	10	504,688	1,282	6,067	7,349	512,037
Postage and shipping	13,772	—	20	13,792	20	26	46	13,838
Telephone	53,335	—	442	53,777	442	572	1,014	54,791
Occupancy	223,000	—	2,251	225,251	2,410	3,008	5,418	230,669
Supplies	18,726	—	208	18,934	208	269	477	19,411
Printing and publications	15,378	—	63	15,441	63	81	144	15,585
Equipment repairs and maintenance	90,571	—	155	90,726	155	200	355	91,081
Memberships and subscriptions	1,849	—	—	1,849	—	—	—	1,849
Staff and volunteer training and support	3,414	—	26	3,440	26	34	60	3,500
Travel and related costs	34,965	—	1	34,966	1	46	47	35,013
Interest and taxes	85	—	1	86	1	1	2	88
Insurance	21,833	—	245	22,078	245	317	562	22,640
Miscellaneous	13,989	531,106	141	545,236	151	187	338	545,574
Total functional expenses before depreciation	12,530,530	531,106	18,857	13,080,493	34,362	52,654	87,016	13,167,509
Depreciation	1,026	—	—	1,026	—	—	—	1,026
Total expenses	\$ 12,531,556	531,106	18,857	13,081,519	34,362	52,654	87,016	13,168,535

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2016

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash flows from operating activities:				
Decrease in net assets	\$ (3,075,984)	(8,823,039)	—	(11,899,023)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:				
Depreciation and amortization	421,552	1,026	—	422,578
Realized and unrealized losses on investments	361,347	91,048	—	452,395
Changes in operating assets and liabilities:				
Intercompany receivable	(74,214)	—	74,214	—
Grants and contributions receivable	951,465	(200,000)	—	751,465
Prepaid expenses and other assets	215,803	40,003	—	255,806
Accounts payable and accrued liabilities	(37,583)	(176,506)	—	(214,089)
Intercompany payable	—	74,214	(74,214)	—
Refundable advances	(22,207)	—	—	(22,207)
Copayment assistance obligations	—	636,485	—	636,485
Deferred rent	(58,273)	—	—	(58,273)
Accrued postretirement benefit cost	(21,003)	—	—	(21,003)
Annuities payable	(37,318)	—	—	(37,318)
Net cash used in operating activities	<u>(1,376,415)</u>	<u>(8,356,769)</u>	<u>—</u>	<u>(9,733,184)</u>
Cash flows from investing activities:				
Proceeds from sales of investments	1,509,972	20,658,468	—	22,168,440
Purchases of investments	(1,663,038)	(12,320,914)	—	(13,983,952)
Purchase of property and equipment	(38,246)	—	—	(38,246)
Net cash (used in) provided by investing activities	<u>(191,312)</u>	<u>8,337,554</u>	<u>—</u>	<u>8,146,242</u>
Net decrease in cash and cash equivalents	(1,567,727)	(19,215)	—	(1,586,942)
Cash and cash equivalents at beginning of year	<u>2,679,498</u>	<u>292,219</u>	<u>—</u>	<u>2,971,717</u>
Cash and cash equivalents at end of year	<u>\$ 1,111,771</u>	<u>273,004</u>	<u>—</u>	<u>1,384,775</u>

See accompanying independent auditors' report.