



CANCER CARE, INC.

Consolidated Financial Statements and Schedules

June 30, 2017 and 2016

(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, 2017 and 2016, 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, 2017 and 2016, and changes in its net assets and its 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 2017 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 2017 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 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 2017 consolidated financial statements or to the 2017 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 2017 consolidated financial statements as a whole.

KPMG LLP

November 13, 2017

CANCER CARE, INC.

Consolidated Balance Sheets

June 30, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	\$ 3,926,505	1,384,775
Short-term investments (note 2)	23,903,640	19,026,437
Grants and contributions receivable	6,855,923	2,439,243
Prepaid expenses and other assets (note 3)	1,788,463	1,937,973
Long-term Investments (note 2)	9,292,445	14,961,398
Property and equipment, net (note 3)	1,768,355	2,130,940
Total assets	<u>\$ 47,535,331</u>	<u>41,880,766</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,361,865	2,047,106
Refundable advances	117,613	110,519
Copayment assistance obligations (note 4)	13,627,039	7,118,258
Deferred rent (notes 3 and 6)	1,662,803	1,753,695
Accrued postretirement benefit cost (note 5)	168,708	186,185
Annuities payable	88,494	99,493
Total liabilities	<u>18,026,522</u>	<u>11,315,256</u>
Commitments (note 6)		
Net assets:		
Unrestricted:		
Board-designated (notes 2 and 7)	8,598,910	9,026,087
Undesignated	3,926,211	5,129,891
Total unrestricted	12,525,121	14,155,978
Temporarily restricted (note 7)	16,983,688	16,409,532
Total net assets	<u>29,508,809</u>	<u>30,565,510</u>
Total liabilities and net assets	<u>\$ 47,535,331</u>	<u>41,880,766</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statements of Activities

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	\$ 4,176,015	4,511,176
Special events, net	1,249,128	1,569,127
Donated goods and services	2,624,419	1,946,608
Legacies and bequests	1,466,848	1,583,978
Direct marketing	431,661	389,949
Contributions from individuals	930,048	822,912
Sponsorships and cause-related marketing	268,308	266,910
United Way, federal, and state campaigns	54,299	66,027
Thrift shop sales, net	30,819	(33,416)
Total contributions	<u>11,231,545</u>	<u>11,123,271</u>
Revenues:		
Interest and dividends on short-term investments	107,345	116
Other income	405,962	347,268
Total revenues	<u>513,307</u>	<u>347,384</u>
Total contributions and revenues before net assets released from restrictions	<u>11,744,852</u>	<u>11,470,655</u>
Net assets released from restrictions:		
Satisfaction of program restrictions – foundations and corporations	30,201,786	16,753,282
Satisfaction of program restrictions – individuals	10,672	24,672
Total net assets released from restrictions	<u>30,212,458</u>	<u>16,777,954</u>
Total contributions and revenues	<u>41,957,310</u>	<u>28,248,609</u>
Expenses (note 8):		
Program services:		
Counseling and support	5,329,571	5,207,796
Financial assistance	4,344,050	5,167,101
Copayment assistance	25,554,184	12,462,662
Education	2,065,624	1,950,231
Information and publications	3,817,063	3,617,505
Total program services	<u>41,110,492</u>	<u>28,405,295</u>
Supporting services:		
Fund-raising	2,651,883	2,640,680
Management and general	1,098,183	1,046,138
Total supporting services	<u>3,750,066</u>	<u>3,686,818</u>
Total expenses	<u>44,860,558</u>	<u>32,092,113</u>
Decrease in unrestricted net assets before investment return on long-term investments	(2,903,248)	(3,843,504)
Investment return on long-term investments, net (note 2)	1,272,391	(252,840)
Decrease in unrestricted net assets	<u>(1,630,857)</u>	<u>(4,096,344)</u>
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	30,770,614	8,975,175
Contributions from individuals	16,000	100
Net assets released from restrictions – foundations and corporations	(30,201,786)	(16,753,282)
Net assets released from restrictions – individuals	(10,672)	(24,672)
Increase (decrease) in temporarily restricted net assets	<u>574,156</u>	<u>(7,802,679)</u>
Decrease in net assets	(1,056,701)	(11,899,023)
Net assets at beginning of year	<u>30,565,510</u>	<u>42,464,533</u>
Net assets at end of year	\$ <u>29,508,809</u>	\$ <u>30,565,510</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2017

	Program services						Supporting services			Total
	Counseling and support	Financial assistance	Copayment assistance	Education	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	
Salaries	\$ 2,878,580	450,640	1,214,155	312,099	634,829	5,490,303	1,170,997	506,262	1,677,259	7,167,562
Employee health and retirement benefits	644,217	119,576	289,299	73,485	158,414	1,284,991	243,254	91,073	334,327	1,619,318
Payroll taxes	198,559	32,042	73,804	22,248	43,833	370,486	85,754	26,648	112,402	482,888
Total salaries and related expenses	3,721,356	602,258	1,577,258	407,832	837,076	7,145,780	1,500,005	623,983	2,123,988	9,269,768
Direct disbursements to patients and families	226	3,420,454	22,986,171	—	15	26,406,866	—	—	—	26,406,866
Donated goods and services	98,856	—	—	942,400	1,583,163	2,624,419	—	—	—	2,624,419
Contract services	123,525	84,826	568,448	12,028	675,309	1,464,136	508,116	205,533	713,649	2,177,785
Postage and shipping	30,895	28,268	21,571	148,942	62,800	292,476	78,822	1,952	80,774	373,250
Telephone	183,181	24,650	68,216	238,386	38,914	553,347	57,344	22,026	79,370	632,717
Occupancy	655,140	109,430	211,628	70,945	166,145	1,213,288	262,534	151,322	413,856	1,627,144
Supplies	44,648	8,276	17,813	5,394	18,826	94,957	18,665	6,605	25,270	120,227
Printing and publications	12,621	1,782	17,915	189,752	238,850	460,920	25,257	2,525	27,782	488,702
Equipment repairs and maintenance	40,873	5,430	14,202	3,647	9,434	73,586	21,592	12,536	34,128	107,714
Memberships and subscriptions	14,698	1,321	1,764	1,590	2,705	22,078	10,280	3,753	14,033	36,111
Staff and volunteer training and support	21,107	3,592	2,348	5,573	3,066	35,686	16,852	8,105	24,957	60,643
Travel and related costs	102,451	3,056	34,809	2,970	9,564	152,850	23,251	6,163	29,414	182,264
Marketing and promotion	545	—	—	—	194	739	21,575	—	21,575	22,314
Interest and taxes	544	77	206	48	137	1,012	194	63	257	1,269
Insurance	50,060	9,298	20,756	5,719	12,127	97,960	19,109	6,528	25,637	123,597
Miscellaneous	51,327	5,283	10,444	8,228	113,877	189,159	11,707	6,847	18,554	207,713
Total functional expenses before depreciation and amortization	5,152,053	4,308,001	25,553,549	2,043,454	3,772,202	40,829,259	2,575,303	1,057,941	3,633,244	44,462,503
Depreciation and amortization	177,518	36,049	635	22,170	44,861	281,233	76,580	40,242	116,822	398,055
Total expenses	\$ 5,329,571	4,344,050	25,554,184	2,065,624	3,817,063	41,110,492	2,651,883	1,098,183	3,750,066	44,860,558
Direct benefit costs of special events									317,128	317,128
Direct cost of thrift shop									623,004	623,004
								\$ 4,690,198		45,800,690

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 Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Decrease in net assets	\$ (1,056,701)	(11,899,023)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	398,055	422,578
Realized and unrealized gains on investments	(1,150,475)	452,395
Changes in operating assets and liabilities:		
Grants and contributions receivable	(4,416,680)	751,465
Prepaid expenses and other assets	149,510	255,806
Accounts payable and accrued liabilities	314,759	(214,089)
Refundable advances	7,094	(22,207)
Copayment assistance obligations	6,508,781	636,485
Deferred rent	(90,892)	(58,273)
Accrued postretirement benefit cost	(17,477)	(21,003)
Annuities payable	(10,999)	(37,318)
Net cash provided by (used in) operating activities	634,975	(9,733,184)
Cash flows from investing activities:		
Proceeds from sales of investments	63,592,462	22,168,440
Purchases of investments	(61,650,237)	(13,983,952)
Purchase of property and equipment	(35,470)	(38,246)
Net cash provided by investing activities	1,906,755	8,146,242
Net increase (decrease) in cash and cash equivalents	2,541,730	(1,586,942)
Cash and cash equivalents at beginning of year	1,384,775	2,971,717
Cash and cash equivalents at end of year	\$ 3,926,505	1,384,775

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(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. (the 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, 2017 and 2016

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 year 2017 or 2016.

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 balance sheets, 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 obligations, and functional expense allocations. Actual results could differ from those estimates.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(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 five and six donors accounted for approximately 80% and 66% of grants and contributions receivable as of June 30, 2017 and 2016, respectively. In 2017 and 2016, the Organization received \$24.9 million and \$7.8 million from a concentration of the five largest donors in each fiscal year, respectively; these donations represent 59% and 38% of total contributions and revenue, excluding net assets released from restrictions, of \$42.5 million and \$20.5 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.

(e) Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Organization considers highly liquid investments purchased with an original maturity of three months or less, other than those held in the long- and short-term investment portfolio, to be cash equivalents.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(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 or published net asset value (NAV). 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 balance sheets 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 2017 and 2016 was 2.4% and 1.8%, 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 nine and seven funds open at June 30, 2017 and 2016, 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 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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(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, 2017 and 2016. There were no Level 3 assets as of June 30.

	2017			
	<u>Cost</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Financial assets:				
Short-term investments:				
Certificates of deposit	\$ 17,115,953	17,115,953	17,115,953	—
Money market funds	660,763	660,763	660,763	—
U.S. government funds	6,126,924	6,126,924	6,126,924	—
	<u>\$ 23,903,640</u>	<u>23,903,640</u>	<u>23,903,640</u>	<u>—</u>
Long-term investments:				
Cash and cash equivalents	\$ 494,451	494,451	494,451	—
Fixed income funds – government	483,668	465,861	—	465,861
Fixed income funds – corporate	1,580,739	1,525,715	1,525,715	—
Equity funds:				
Domestic	2,727,918	2,991,366	2,991,366	—
International	2,546,942	2,644,752	2,644,752	—
	<u>7,833,718</u>	<u>8,122,145</u>	<u>7,656,284</u>	<u>465,861</u>
Hedge funds held at net asset value (or equivalent)	<u>850,000</u>	<u>1,170,300</u>		
Total	<u>\$ 8,683,718</u>	<u>9,292,445</u>		

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

	2016			
	Cost	Fair value	Level 1	Level 2
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>		

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

Absolute return offshore fund of \$371,562 as of June 30, 2017 and \$356,974 as of June 30, 2016 – 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 of \$798,738 as of June 30, 2017 and \$742,908 as of June 30, 2016 – 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, 2017.

The board of trustees designated \$8,598,910 and \$9,026,087 of the investment portfolio as of June 30, 2017 and 2016, respectively, as a quasi-endowment to provide for the long-term financial stability of the Organization. As of June 30, 2017 and 2016, 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, 2017 and 2016

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

	<u>2017</u>	<u>2016</u>
Interest and dividends, net of expenses of \$69,405 and \$95,879, respectively	\$ 121,916	199,555
Unrealized gains (losses) on investments	1,113,006	(1,425,634)
Realized gains on investments	<u>37,469</u>	<u>973,239</u>
	<u>\$ 1,272,391</u>	<u>(252,840)</u>

(3) Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 1,733,547	1,741,420
Telephone equipment	542,042	542,042
Leasehold improvements	3,297,281	3,273,253
Computer equipment	<u>110,619</u>	<u>258,420</u>
	5,683,489	5,815,135
Less accumulated depreciation and amortization	<u>3,915,134</u>	<u>3,684,195</u>
	<u>\$ 1,768,355</u>	<u>2,130,940</u>

On May 12, 2010, the Organization signed a renegotiated and extended lease for its New York headquarters, which included a reduction in its base rent and an internal move to house its staff in contiguous space through June 30, 2025. Construction and partial renovation on the Organization's existing offices commenced in the fall of 2010 and was principally completed for occupancy on August 31, 2011. 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, 2017, 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 12-month 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, 2017 and 2016

Grants awarded in past funding cycles 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.

Copayment assistance obligations are reduced as claims, for service dates up to one year from the initial award date, are adjudicated and paid. At the close of the 15-month account activity cycle for each patient, which includes a three-month open claim period after the 12-month grant cycle has ended, 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.

Copayment assistance obligations will be satisfied at varying dates which are generally no later than 15 months from each active patient's respective award date and, collectively, no later than 15 months from the respective balance sheet date.

(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 \$322,500 and \$262,000 to the defined-contribution plan during the years ended June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Accrued postretirement benefit cost recognized in the Organization's consolidated balance sheets	\$ 168,708	186,185
Benefits cost	6,635	2,620
Benefits paid	24,112	23,623

(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

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

payment schedules for purposes of recognizing a constant annual rental expense. The difference between straight-lining the rental charge and actual payments is reflected as deferred rent in the accompanying consolidated balance sheets.

The annual minimum rental commitments as of June 30, 2017 are as follows:

	Amount
Year ending June 30:	
2018	\$ 1,621,679
2019	1,643,889
2020	1,654,802
2021	1,646,570
2022	1,368,895
Thereafter	4,195,046
	\$ 12,130,881

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 \$12.1 million total annual minimum rental commitments as of June 30, 2017, approximately \$10.7 million relates to the national office headquarters lease.

(7) Net Assets

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

	2017	2016
Copayment assistance	\$ 10,917,058	11,790,449
Patient assistance	3,316,451	3,488,317
Other program support	2,210,179	870,770
Time restricted	540,000	259,996
	\$ 16,983,688	16,409,532

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, 2017 and 2016, 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, 2017 and 2016

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

	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning of year	\$ 9,026,087	10,436,726
Net appreciation (depreciation) in fair value of investments	862,906	(177,060)
Designations	<u>(1,290,083)</u>	<u>(1,233,579)</u>
End of year	<u>\$ 8,598,910</u>	<u>9,026,087</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 2017 and 2016, the Organization incurred joint costs of \$350,768 and \$302,620, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, \$77,385 and \$69,044, respectively, was allocated to information and publications expenses and \$273,383 and \$233,576 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 13, 2017, which was the date the consolidated financial statements were available for issuance.

During August 2017, the Organization entered into a lease agreement to sublet one-half of its national office headquarters space commencing on September 1, 2017 and at full occupancy on March 1, 2018 through June 30, 2025.

Cumulative rental income, net of broker's commission, free-rent periods, and work credits is expected to be approximately \$7.6 million over the 94-month term of the lease.

CANCER CARE, INC.

Consolidating Schedule – Balance Sheet

June 30, 2017

Assets	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash and cash equivalents	\$ 3,656,206	270,299	—	3,926,505
Short-term investments	942,444	22,961,196	—	23,903,640
Intercompany receivable	452,323	—	(452,323)	—
Grants and contributions receivable	3,705,923	3,150,000	—	6,855,923
Prepaid expenses and other assets	402,289	1,386,174	—	1,788,463
Long-term Investments	9,292,445	—	—	9,292,445
Property and equipment, net	1,768,110	245	—	1,768,355
Total assets	<u>\$ 20,219,740</u>	<u>27,767,914</u>	<u>(452,323)</u>	<u>47,535,331</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,016,582	1,345,283	—	2,361,865
Intercompany payable	—	452,323	(452,323)	—
Refundable advances	117,613	—	—	117,613
Copayment assistance obligations	—	13,627,039	—	13,627,039
Deferred rent	1,662,803	—	—	1,662,803
Accrued postretirement benefit cost	168,708	—	—	168,708
Annuities payable	88,494	—	—	88,494
Total liabilities	<u>3,054,200</u>	<u>15,424,645</u>	<u>(452,323)</u>	<u>18,026,522</u>
Commitments				
Net assets:				
Unrestricted:				
Board-designated	8,598,910	—	—	8,598,910
Undesignated	2,500,000	1,426,211	—	3,926,211
Total unrestricted	11,098,910	1,426,211	—	12,525,121
Temporarily restricted	6,066,630	10,917,058	—	16,983,688
Total net assets	<u>17,165,540</u>	<u>12,343,269</u>	<u>—</u>	<u>29,508,809</u>
Total liabilities and net assets	<u>\$ 20,219,740</u>	<u>27,767,914</u>	<u>(452,323)</u>	<u>47,535,331</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2017

	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	\$ 4,138,363	37,652	—	4,176,015
Special events, net	1,249,128	—	—	1,249,128
Donated goods and services	2,624,419	—	—	2,624,419
Legacies and bequests	1,466,848	—	—	1,466,848
Direct marketing	431,661	—	—	431,661
Contributions from individuals	929,503	545	—	930,048
Sponsorships and cause-related marketing	268,308	—	—	268,308
United Way, federal, and state campaigns	54,299	—	—	54,299
Thrift shop sales, net	30,819	—	—	30,819
Total contributions	<u>11,193,348</u>	<u>38,197</u>	<u>—</u>	<u>11,231,545</u>
Revenues:				
Interest and dividends on short-term investments	8,993	98,352	—	107,345
Other income	1,005,462	500	(600,000)	405,962
Total revenues	<u>1,014,455</u>	<u>98,852</u>	<u>(600,000)</u>	<u>513,307</u>
Total contributions and revenues before net assets released from restrictions	<u>12,207,803</u>	<u>137,049</u>	<u>(600,000)</u>	<u>11,744,852</u>
Net assets released from restrictions:				
Satisfaction of program restrictions – foundations and corporations	5,379,136	24,822,650	—	30,201,786
Satisfaction of program restrictions – individuals	10,672	—	—	10,672
Total net assets released from restrictions	<u>5,389,808</u>	<u>24,822,650</u>	<u>—</u>	<u>30,212,458</u>
Total contributions and revenues	<u>17,597,611</u>	<u>24,959,699</u>	<u>(600,000)</u>	<u>41,957,310</u>
Expenses:				
Program services:				
Counseling and support	5,329,570	533,545	(533,544)	5,329,571
Financial assistance	4,344,050	—	—	4,344,050
Copayment assistance	—	25,620,640	(66,456)	25,554,184
Education	2,065,624	—	—	2,065,624
Information and publications	3,797,206	19,857	—	3,817,063
Total program services	<u>15,536,450</u>	<u>26,174,042</u>	<u>(600,000)</u>	<u>41,110,492</u>
Supporting services:				
Fund-raising	2,619,961	31,922	—	2,651,883
Management and general	1,044,532	53,651	—	1,098,183
Total supporting services	<u>3,664,493</u>	<u>85,573</u>	<u>—</u>	<u>3,750,066</u>
Total expenses	<u>19,200,943</u>	<u>26,259,615</u>	<u>(600,000)</u>	<u>44,860,558</u>
Decrease in unrestricted net assets before investment return on long-term investments	(1,603,332)	(1,299,916)	—	(2,903,248)
Investment return on long-term investments	1,151,155	121,236	—	1,272,391
Decrease in unrestricted net assets	<u>(452,177)</u>	<u>(1,178,680)</u>	<u>—</u>	<u>(1,630,857)</u>
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	6,821,355	23,949,259	—	30,770,614
Contributions from individuals	16,000	—	—	16,000
Net assets released from restrictions – foundations and corporations	(5,379,136)	(24,822,650)	—	(30,201,786)
Net assets released from restrictions – individuals	(10,672)	—	—	(10,672)
Increase (decrease) in temporarily restricted net assets	<u>1,447,547</u>	<u>(873,391)</u>	<u>—</u>	<u>574,156</u>
Increase (decrease) in net assets	995,370	(2,052,071)	—	(1,056,701)
Net assets at beginning of year	16,170,170	14,395,340	—	30,565,510
Net assets at end of year	<u>\$ 17,165,540</u>	<u>12,343,269</u>	<u>—</u>	<u>29,508,809</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Schedule of Functional Expenses – Cancer Care, Inc.

Year ended June 30, 2017

	<u>Counseling and support</u>	<u>Financial assistance</u>	<u>Education</u>	<u>Information and publications</u>	<u>Subtotal</u>	<u>Fund-raising</u>	<u>Management and general</u>	<u>Subtotal</u>	<u>Total</u>
Salaries	\$ 2,878,580	450,640	312,099	622,617	4,263,936	1,150,960	469,622	1,620,582	5,884,518
Employee health and retirement benefits	644,217	119,576	73,485	155,276	992,554	239,175	87,001	326,176	1,318,730
Payroll taxes	198,559	32,042	22,248	42,939	295,788	84,185	24,706	108,891	404,679
Total salaries and related expenses	3,721,356	602,258	407,832	820,832	5,552,278	1,474,320	581,329	2,055,649	7,607,927
Direct disbursements to patients and families	226	3,420,454	—	15	3,420,695	—	—	—	3,420,695
Donated goods and services	98,856	—	942,400	1,583,163	2,624,419	—	—	—	2,624,419
Contract services	123,525	84,826	12,028	675,292	895,671	506,792	199,381	706,173	1,601,844
Postage and shipping	30,895	28,268	148,942	62,773	270,878	78,787	1,917	80,704	351,582
Telephone	183,181	24,650	238,386	38,298	484,515	56,543	21,226	77,769	562,284
Occupancy	655,140	109,430	70,945	163,892	999,407	259,378	148,292	407,670	1,407,077
Supplies	44,648	8,276	5,394	18,615	76,933	18,390	6,331	24,721	101,654
Printing and publications	12,621	1,782	189,752	238,821	442,976	25,219	2,467	27,686	470,662
Equipment repairs and maintenance	40,873	5,430	3,647	9,358	59,308	21,494	12,438	33,932	93,240
Memberships and subscriptions	14,698	1,321	1,590	2,705	20,314	10,280	3,753	14,033	34,347
Staff and volunteer training and support	21,107	3,592	5,573	3,044	33,316	16,824	8,057	24,881	58,197
Travel and related costs	102,451	3,056	2,970	9,562	118,039	23,248	6,137	29,385	147,424
Marketing and promotion	545	—	—	194	739	21,575	—	21,575	22,314
Interest and taxes	544	77	48	135	804	191	60	251	1,055
Insurance	50,060	9,298	5,719	11,880	76,957	18,788	6,207	24,995	101,952
Miscellaneous	51,326	5,283	8,228	113,766	178,603	11,552	6,695	18,247	196,850
Total functional expenses before depreciation and amortization	5,152,052	4,308,001	2,043,454	3,752,345	15,255,852	2,543,381	1,004,290	3,547,671	18,803,523
Depreciation and amortization	177,518	36,049	22,170	44,861	280,598	76,580	40,242	116,822	397,420
Total expenses	\$ 5,329,570	4,344,050	2,065,624	3,797,206	15,536,450	2,619,961	1,044,532	3,664,493	19,200,943
Direct benefit costs of special events								317,128	317,128
Direct cost of thrift shop								623,004	623,004
								4,604,625	20,141,075

See accompanying independent auditors' report.

CANCER CARE, INC.

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

Year ended June 30, 2017

	Counseling and support	Copayment assistance	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	Total
Salaries	\$ —	1,214,155	12,212	1,226,367	20,037	36,640	56,677	1,283,044
Employee health and retirement benefits	—	289,299	3,138	292,437	4,079	4,072	8,151	300,588
Payroll taxes	—	73,804	894	74,698	1,569	1,942	3,511	78,209
Total salaries and related expenses	—	1,577,258	16,244	1,593,502	25,685	42,654	68,339	1,661,841
Direct disbursements to patients and families	—	22,986,171	—	22,986,171	—	—	—	22,986,171
Donated goods and services	—	—	—	—	—	—	—	—
Contract services	—	568,448	17	568,465	1,324	6,152	7,476	575,941
Postage and shipping	—	21,571	27	21,598	35	35	70	21,668
Telephone	—	68,216	616	68,832	801	800	1,601	70,433
Occupancy	—	211,628	2,253	213,881	3,156	3,030	6,186	220,067
Supplies	—	17,813	211	18,024	275	274	549	18,573
Printing and publications	—	17,915	29	17,944	38	58	96	18,040
Equipment repairs and maintenance	—	80,658	76	80,734	98	98	196	80,930
Memberships and subscriptions	—	1,764	—	1,764	—	—	—	1,764
Staff and volunteer training and support	—	2,348	22	2,370	28	48	76	2,446
Travel and related costs	—	34,809	2	34,811	3	26	29	34,840
Marketing and promotion	—	—	—	—	—	—	—	—
Interest and taxes	—	206	2	208	3	3	6	214
Insurance	—	20,756	247	21,003	321	321	642	21,645
Miscellaneous	533,545	10,444	111	544,100	155	152	307	544,407
Total functional expenses before depreciation	533,545	25,620,005	19,857	26,173,407	31,922	53,651	85,573	26,258,980
Depreciation	—	635	—	635	—	—	—	635
Total expenses	\$ 533,545	25,620,640	19,857	26,174,042	31,922	53,651	85,573	26,259,615

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2017

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash flows from operating activities:				
Increase (decrease) in net assets	\$ 995,370	(2,052,071)	—	(1,056,701)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by in operating activities:				
Depreciation and amortization	397,420	635	—	398,055
Realized and unrealized gains on investments	(1,027,896)	(122,579)	—	(1,150,475)
Changes in operating assets and liabilities:				
Intercompany receivable	(144,781)	—	144,781	—
Grants and contributions receivable	(1,466,680)	(2,950,000)	—	(4,416,680)
Prepaid expenses and other assets	6,412	143,098	—	149,510
Accounts payable and accrued liabilities	155,121	159,638	—	314,759
Intercompany payable	—	144,781	(144,781)	—
Refundable advances	7,094	—	—	7,094
Copayment assistance obligations	—	6,508,781	—	6,508,781
Deferred rent	(90,892)	—	—	(90,892)
Accrued postretirement benefit cost	(17,477)	—	—	(17,477)
Annuities payable	(10,999)	—	—	(10,999)
Net cash (used in) provided by operating activities	<u>(1,197,308)</u>	<u>1,832,283</u>	<u>—</u>	<u>634,975</u>
Cash flows from investing activities:				
Proceeds from sales of investments	4,236,891	59,355,571	—	63,592,462
Purchases of investments	(459,678)	(61,190,559)	—	(61,650,237)
Purchase of property and equipment	(35,470)	—	—	(35,470)
Net cash provided by (used in) investing activities	<u>3,741,743</u>	<u>(1,834,988)</u>	<u>—</u>	<u>1,906,755</u>
Net increase (decrease) in cash and cash equivalents	2,544,435	(2,705)	—	2,541,730
Cash and cash equivalents at beginning of year	<u>1,111,771</u>	<u>273,004</u>	<u>—</u>	<u>1,384,775</u>
Cash and cash equivalents at end of year	<u>\$ 3,656,206</u>	<u>270,299</u>	<u>—</u>	<u>3,926,505</u>

See accompanying independent auditors' report.