



**CANCER CARE, INC.**

Consolidated Financial Statements and Schedules

June 30, 2018 and 2017

(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, 2018 and 2017, 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, 2018 and 2017, 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 2018 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 2018 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 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 2018 consolidated financial statements or to the 2018 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 2018 consolidated financial statements as a whole.

*KPMG LLP*

November 12, 2018

**CANCER CARE, INC.**

## Consolidated Balance Sheets

June 30, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 2,829,262	3,926,505
Short-term investments (note 2)	35,046,348	23,903,640
Grants and contributions receivable	3,207,619	6,855,923
Prepaid expenses and other assets	2,454,498	1,788,463
Long-term Investments (note 2)	9,819,756	9,292,445
Property and equipment, net (note 3)	1,978,264	1,768,355
Total assets	<u>\$ 55,335,747</u>	<u>47,535,331</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,256,066	2,361,865
Refundable advances	54,265	117,613
Copayment assistance obligations (note 4)	23,498,429	13,627,039
Deferred rent (note 6)	1,538,634	1,662,803
Accrued postretirement benefit cost (note 5)	160,693	168,708
Annuities payable	122,395	88,494
Total liabilities	<u>27,630,482</u>	<u>18,026,522</u>
Commitments (note 6)		
Net assets:		
Unrestricted:		
Board-designated (notes 2 and 7)	8,093,600	8,598,910
Undesignated	4,943,751	3,926,211
Total unrestricted	<u>13,037,351</u>	<u>12,525,121</u>
Temporarily restricted (note 7)	14,667,914	16,983,688
Total net assets	<u>27,705,265</u>	<u>29,508,809</u>
Total liabilities and net assets	<u>\$ 55,335,747</u>	<u>47,535,331</u>

See accompanying notes to consolidated financial statements.

**CANCER CARE, INC.**

Consolidated Statements of Activities

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	\$ 3,528,756	4,176,015
Special events, net	1,458,074	1,249,128
Donated goods and services	3,521,640	2,624,419
Legacies and bequests	1,325,294	1,466,848
Direct marketing	363,193	431,661
Contributions from individuals	971,678	930,048
Sponsorships and cause-related marketing	234,544	268,308
United Way, federal, and state campaigns	65,111	54,299
Thrift shop sales, net	<u>160,122</u>	<u>30,819</u>
Total contributions	<u>11,628,412</u>	<u>11,231,545</u>
Revenues:		
Investment return on short-term investments (note 2)	322,640	107,345
Other income (note 6)	<u>812,465</u>	<u>405,962</u>
Total revenues	<u>1,135,105</u>	<u>513,307</u>
Total contributions and revenues before net assets released from restrictions	<u>12,763,517</u>	<u>11,744,852</u>
Net assets released from restrictions:		
Satisfaction of program restrictions – foundations and corporations	48,137,334	30,201,786
Satisfaction of program restrictions – individuals	<u>16,216</u>	<u>10,672</u>
Total net assets released from restrictions	<u>48,153,550</u>	<u>30,212,458</u>
Total contributions and revenues	<u>60,917,067</u>	<u>41,957,310</u>
Expenses (note 8):		
Program services:		
Counseling and support	5,512,087	5,329,571
Financial assistance	4,660,067	4,344,050
Copayment assistance	39,922,729	25,554,184
Education	2,177,446	2,065,624
Information and publications	<u>4,763,138</u>	<u>3,817,063</u>
Total program services	<u>57,035,467</u>	<u>41,110,492</u>
Supporting services:		
Fund-raising	2,510,625	2,651,883
Management and general	<u>1,386,056</u>	<u>1,098,183</u>
Total supporting services	<u>3,896,681</u>	<u>3,750,066</u>
Total expenses	<u>60,932,148</u>	<u>44,860,558</u>
Decrease in unrestricted net assets before investment return on long-term investments	(15,081)	(2,903,248)
Investment return on long-term investments, net (note 2)	<u>527,311</u>	<u>1,272,391</u>
Increase (decrease) in unrestricted net assets	<u>512,230</u>	<u>(1,630,857)</u>
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	45,046,357	30,770,614
Contributions from individuals	791,419	16,000
Net assets released from restrictions – foundations and corporations	(48,137,334)	(30,201,786)
Net assets released from restrictions – individuals	<u>(16,216)</u>	<u>(10,672)</u>
(Decrease) increase in temporarily restricted net assets	<u>(2,315,774)</u>	<u>574,156</u>
Decrease in net assets	(1,803,544)	(1,056,701)
Net assets at beginning of year	<u>29,508,809</u>	<u>30,565,510</u>
Net assets at end of year	\$ <u>27,705,265</u>	<u>29,508,809</u>

See accompanying notes to consolidated financial statements.

**CANCER CARE, INC.**

Consolidated Statement of Functional Expenses

Year ended June 30, 2018

	Program services						Supporting services			Total
	Counseling and support	Financial assistance	Copayment assistance	Education	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	
Salaries	\$ 2,802,507	464,466	1,161,755	339,373	621,734	5,389,835	1,212,910	570,575	1,783,485	7,173,320
Employee health and retirement benefits	690,888	106,303	287,483	84,204	172,954	1,341,832	252,159	96,890	349,049	1,690,881
Payroll taxes	193,398	32,120	73,820	23,360	40,736	363,434	87,489	35,505	122,994	486,428
Total salaries and related expenses	3,686,793	602,889	1,523,058	446,937	835,424	7,095,101	1,552,558	702,970	2,255,528	9,350,629
Direct disbursements to patients and families	100	3,779,417	37,400,527	—	—	41,180,044	—	—	—	41,180,044
Donated goods and services	119,264	—	—	940,450	2,461,926	3,521,640	—	—	—	3,521,640
Contract services	275,131	72,163	676,133	18,379	892,911	1,934,717	310,253	183,636	493,889	2,428,606
Postage and shipping	20,680	23,269	24,175	152,568	57,799	278,491	60,478	2,263	62,741	341,232
Telephone	181,692	20,273	59,374	270,664	35,630	567,633	52,580	22,731	75,311	642,944
Occupancy	714,436	98,643	120,967	88,295	147,641	1,169,982	281,045	348,626	629,671	1,799,653
Supplies	36,003	5,949	13,034	7,843	10,891	73,720	17,696	6,530	24,226	97,946
Printing and publications	8,510	2,032	18,241	202,910	225,232	456,925	24,698	2,259	26,957	483,882
Equipment repairs and maintenance	44,594	5,668	15,872	5,115	9,315	80,564	30,264	14,693	44,957	125,521
Memberships and subscriptions	14,568	1,098	953	1,715	2,177	20,511	8,918	3,396	12,314	32,825
Staff and volunteer training and support	22,680	1,198	2,551	1,002	10,748	38,179	11,252	14,761	26,013	64,192
Travel and related costs	86,523	2,722	42,301	1,986	7,774	141,306	28,436	5,061	33,497	174,803
Marketing and promotion	1,712	—	—	—	3,509	5,221	18,387	—	18,387	23,608
Interest and taxes	575	65	166	56	121	983	197	133	330	1,313
Insurance	52,387	8,097	19,060	6,407	12,795	98,746	19,370	7,303	26,673	125,419
Miscellaneous	53,639	4,860	6,072	6,721	6,875	78,167	13,724	11,103	24,827	102,994
Total functional expenses before depreciation and amortization	5,319,287	4,628,343	39,922,484	2,151,048	4,720,768	56,741,930	2,429,856	1,325,465	3,755,321	60,497,251
Depreciation and amortization	192,800	31,724	245	26,398	42,370	293,537	80,769	60,591	141,360	434,897
Total expenses	\$ 5,512,087	4,660,067	39,922,729	2,177,446	4,763,138	57,035,467	2,510,625	1,386,056	3,896,681	60,932,148
Direct benefit costs of special events									403,916	403,916
Direct cost of thrift shop									588,053	588,053
									\$ 4,888,650	61,924,117

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 Statements of Cash Flows

Years ended June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Decrease in net assets	\$ (1,803,544)	(1,056,701)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	434,897	398,055
Realized and unrealized gains on investments	(483,722)	(1,150,475)
Changes in operating assets and liabilities:		
Grants and contributions receivable	3,648,304	(4,416,680)
Prepaid expenses and other assets	(666,035)	149,510
Accounts payable and accrued liabilities	(105,799)	314,759
Refundable advances	(63,348)	7,094
Copayment assistance obligations	9,871,390	6,508,781
Deferred rent	(124,169)	(90,892)
Accrued postretirement benefit cost	(8,015)	(17,477)
Annuities payable	33,901	(10,999)
Net cash provided by operating activities	10,733,860	634,975
Cash flows from investing activities:		
Proceeds from sales of investments	29,501,278	63,592,462
Purchases of investments	(40,687,575)	(61,650,237)
Purchase of property and equipment	(644,806)	(35,470)
Net cash (used in) provided by investing activities	(11,831,103)	1,906,755
Net (decrease) increase in cash and cash equivalents	(1,097,243)	2,541,730
Cash and cash equivalents at beginning of year	3,926,505	1,384,775
Cash and cash equivalents at end of year	\$ 2,829,262	3,926,505

See accompanying notes to consolidated financial statements.



## CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### (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, home care, 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 from, 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](http://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, 2018 and 2017

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 2018 or 2017.

#### *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, 2018 and 2017

#### **(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 the five donors with largest donations accounted for approximately 70% and 80% of grants and contributions receivable as of June 30, 2018 and 2017, respectively. In 2018 and 2017, the Organization received \$30.7 million and \$24.9 million from a concentration of the five largest donors in each fiscal year, respectively; these donations represent 53% and 58% of total contributions, excluding net assets released from restriction but including temporarily restricted gifts, of \$57.5 million and \$42.6 million, respectively.

The Organization has received conditional promises to give in the form of bequests, currently of indeterminable value, that have not been reflected in the accompanying consolidated financial statements because the conditions on which they depend have not been substantially met.

Grants and contributions receivable of \$622,669 is due after one year and the remaining balance is expected to be collected in 2019.

## **CANCER CARE, INC.**

### Notes to Consolidated Financial Statements

June 30, 2018 and 2017

#### **(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 or published net asset value (NAV). Investments in hedge funds are reported at NAV 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 2018 and 2017 was 3.4% and 2.4%, 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 eight and nine funds open at June 30, 2018 and 2017, 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

**CANCER CARE, INC.**

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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.

Contributed goods and services consist of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Medical and oncology publication advertising	\$ 2,344,007	1,466,405
Professional speakers on Connect Education Workshops	940,450	942,400
Social work student interns	140,690	98,856
Google ad words	96,493	116,758
	<u>\$ 3,521,640</u>	<u>2,624,419</u>

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, 2018 and 2017

**(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 NAV as a practical expedient as of June 30, 2018 and 2017. There were no Level 2 or Level 3 assets as of June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
	<u>Level 1</u>	<u>Level 1</u>
Financial assets:		
Short-term investments:		
Certificates of deposit	\$ 8,742,465	17,115,953
Money market funds	662,779	660,763
U.S. government funds	2,888,198	6,126,924
Corporate bonds	22,752,906	—
Total short-term investments	<u>\$ 35,046,348</u>	<u>23,903,640</u>
Long-term investments:		
Cash and cash equivalents	\$ 1,650,369	494,451
Fixed income funds – government domestic	397,898	465,861
Fixed income funds – corporate domestic	1,781,343	1,525,715
Equity funds:		
Domestic	3,453,824	2,991,366
International	2,536,322	2,644,752
Hedge funds held at net asset value (or equivalent)	—	1,170,300
Total long-term investments	<u>\$ 9,819,756</u>	<u>9,292,445</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 – 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 – 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.

Both the absolute return offshore fund and the total return offshore fund were redeemed on December 31, 2017. There were no unfunded commitments as of June 30, 2018.

**CANCER CARE, INC.**

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

The board of trustees designated \$8,093,600 and \$8,598,910 of the investment portfolio as of June 30, 2018 and 2017, respectively, as a quasi-endowment to provide for the long-term financial stability of the Organization. As of June 30, 2018 and 2017, 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).

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

	<u>2018</u>	<u>2017</u>
Interest and dividends, net of expenses of \$62,308 and \$69,405, respectively	\$ 366,229	229,261
Realized and unrealized gains on investments	483,722	1,150,475
	<u>\$ 849,951</u>	<u>1,379,736</u>

**(3) Property and Equipment**

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

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 1,812,492	1,733,547
Telephone equipment	542,042	542,042
Leasehold improvements	3,780,841	3,297,281
Computer equipment	136,388	110,619
	<u>6,271,763</u>	<u>5,683,489</u>
Less accumulated depreciation and amortization	4,293,499	3,915,134
	<u>\$ 1,978,264</u>	<u>1,768,355</u>

**(4) Copayment Assistance Obligations**

Copayment assistance obligations represent the 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 that will be paid out per patient in the patient's respective disease state fund. The obligation is adjusted throughout the life of the award based upon actual payment experience. 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 balance sheet date.

## CANCER CARE, INC.

### Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Because the copayment assistance program is funded by temporarily restricted contributions, simultaneously for each award transaction, copayment assistance obligations are recorded and a corresponding amount of revenue is released from temporarily restricted net assets to unrestricted net assets. Copayment assistance obligations are reduced as claims are 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 adjusted expected average claims and actual claims are adjusted against the temporarily restricted net assets.

#### (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 \$327,126 and \$322,500 to the defined-contribution plan during the years ended June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
Accrued postretirement benefit cost recognized in the		
Organization's consolidated balance sheets	\$ 160,693	168,708
Benefits cost	6,682	6,635
Benefits paid	14,697	24,112

#### (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, 2018 and 2017

The annual minimum rental commitments as of June 30, 2018 are as follows:

	<u>Amount</u>
Year ending June 30:	
2019	\$ 1,643,889
2020	1,654,802
2021	1,429,094
2022	1,368,895
2023	1,370,688
Thereafter	<u>2,824,358</u>
	<u>\$ 10,291,726</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 \$10.3 million total annual minimum rental commitments as of June 30, 2018, approximately \$9.4 million relates to the national office headquarters lease.

During August 2017, the Organization entered into a lease agreement to sublet one-half of its national office headquarters space commencing partially 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, work credits, and expected profit sharing to the Organization's landlord, is expected to be approximately \$6.3 million over the 94-month term of the lease. The remaining sublet income is as follows:

	<u>Amount</u>
Year ending June 30:	
2019	\$ 740,096
2020	790,213
2021	813,328
2022	899,516
2023	956,428
Thereafter	<u>1,993,967</u>
	<u>\$ 6,193,548</u>

## CANCER CARE, INC.

### Notes to Consolidated Financial Statements

June 30, 2018 and 2017

#### (7) Net Assets

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

	<u>2018</u>	<u>2017</u>
Copayment assistance	\$ 8,243,338	10,917,058
Patient assistance	3,302,976	3,316,451
Other program support	2,745,645	2,210,179
Time restricted	375,955	540,000
	<u>\$ 14,667,914</u>	<u>16,983,688</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, 2018 and 2017, the level of undesignated unrestricted net assets for Cancer Care has been set by the board at \$2,500,000 and the remaining unrestricted net assets are board-designated as the quasi-endowment.

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

	<u>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	\$ 8,598,910	9,026,087
Net appreciation in fair value of investments	487,974	862,906
Designations	(993,284)	(1,290,083)
Endowment net assets, end of year	<u>\$ 8,093,600</u>	<u>8,598,910</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 2018 and 2017, the Organization incurred joint costs of \$267,790 and \$350,768, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, \$60,618 and \$77,385, respectively, was allocated to information and publications expenses and \$207,172 and \$273,383 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 12, 2018, which was the date the consolidated financial statements were available for issuance.

**CANCER CARE, INC.**

## Consolidating Schedule – Balance Sheet

June 30, 2018

<b>Assets</b>	<b>Cancer Care, Inc.</b>	<b>Cancer Care Co-Payment Assistance Foundation, Inc.</b>	<b>Elimination entries</b>	<b>Total</b>
Cash and cash equivalents	\$ 2,636,699	192,563	—	2,829,262
Short-term investments	943,641	34,102,707	—	35,046,348
Intercompany receivable	283,387	—	(283,387)	—
Grants and contributions receivable	3,035,417	172,202	—	3,207,619
Prepaid expenses and other assets	1,408,426	1,046,072	—	2,454,498
Long-term Investments	9,819,756	—	—	9,819,756
Property and equipment, net	1,978,264	—	—	1,978,264
Total assets	<u>\$ 20,105,590</u>	<u>35,513,544</u>	<u>(283,387)</u>	<u>55,335,747</u>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,211,427	1,044,639	—	2,256,066
Intercompany payable	—	283,387	(283,387)	—
Refundable advances	54,265	—	—	54,265
Copayment assistance obligations	—	23,498,429	—	23,498,429
Deferred rent	1,538,634	—	—	1,538,634
Accrued postretirement benefit cost	160,693	—	—	160,693
Annuities payable	122,395	—	—	122,395
Total liabilities	<u>3,087,414</u>	<u>24,826,455</u>	<u>(283,387)</u>	<u>27,630,482</u>
Commitments				
Net assets:				
Unrestricted:				
Board-designated	8,093,600	—	—	8,093,600
Undesignated	2,500,000	2,443,751	—	4,943,751
Total unrestricted	<u>10,593,600</u>	<u>2,443,751</u>	<u>—</u>	<u>13,037,351</u>
Temporarily restricted	6,424,576	8,243,338	—	14,667,914
Total net assets	<u>17,018,176</u>	<u>10,687,089</u>	<u>—</u>	<u>27,705,265</u>
Total liabilities and net assets	<u>\$ 20,105,590</u>	<u>35,513,544</u>	<u>(283,387)</u>	<u>55,335,747</u>

See accompanying independent auditors' report.

## CANCER CARE, INC.

## Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2018

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Change in unrestricted net assets:				
Contributions and revenues:				
Contributions:				
Foundations and corporations	\$ 3,526,951	1,805	—	3,528,756
Special events, net	1,458,074	—	—	1,458,074
Donated goods and services	3,521,640	—	—	3,521,640
Legacies and bequests	1,325,294	—	—	1,325,294
Direct marketing	363,193	—	—	363,193
Contributions from individuals	971,033	645	—	971,678
Sponsorships and cause-related marketing	234,544	—	—	234,544
United Way, federal, and state campaigns	65,111	—	—	65,111
Thrift shop sales, net	160,122	—	—	160,122
Total contributions	<u>11,625,962</u>	<u>2,450</u>	<u>—</u>	<u>11,628,412</u>
Revenues:				
Interest and dividends on short-term investments	5,889	316,751	—	322,640
Other income	1,211,771	694	(400,000)	812,465
Total revenues	<u>1,217,660</u>	<u>317,445</u>	<u>(400,000)</u>	<u>1,135,105</u>
Total contributions and revenues before net assets released from restrictions	<u>12,843,622</u>	<u>319,895</u>	<u>(400,000)</u>	<u>12,763,517</u>
Net assets released from restrictions:				
Satisfaction of program restrictions – foundations and corporations	6,965,614	41,171,720	—	48,137,334
Satisfaction of program restrictions – individuals	16,216	—	—	16,216
Total net assets released from restrictions	<u>6,981,830</u>	<u>41,171,720</u>	<u>—</u>	<u>48,153,550</u>
Total contributions and revenues	<u>19,825,452</u>	<u>41,491,615</u>	<u>(400,000)</u>	<u>60,917,067</u>
Expenses:				
Program services:				
Counseling and support	5,503,088	360,610	(351,611)	5,512,087
Financial assistance	4,660,067	—	—	4,660,067
Copayment assistance	—	39,971,118	(48,389)	39,922,729
Education	2,177,446	—	—	2,177,446
Information and publications	4,743,121	20,017	—	4,763,138
Total program services	<u>17,083,722</u>	<u>40,351,745</u>	<u>(400,000)</u>	<u>57,035,467</u>
Supporting services:				
Fund-raising	2,476,249	34,376	—	2,510,625
Management and general	1,298,102	87,954	—	1,386,056
Total supporting services	<u>3,774,351</u>	<u>122,330</u>	<u>—</u>	<u>3,896,681</u>
Total expenses	<u>20,858,073</u>	<u>40,474,075</u>	<u>(400,000)</u>	<u>60,932,148</u>
(Decrease) increase in unrestricted net assets before investment return on long-term investments	(1,032,621)	1,017,540	—	(15,081)
Investment return on long-term investments	527,311	—	—	527,311
(Decrease) increase in unrestricted net assets	<u>(505,310)</u>	<u>1,017,540</u>	<u>—</u>	<u>512,230</u>
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	6,548,357	38,498,000	—	45,046,357
Contributions from individuals	791,419	—	—	791,419
Net assets released from restrictions – foundations and corporations	(6,965,614)	(41,171,720)	—	(48,137,334)
Net assets released from restrictions – individuals	(16,216)	—	—	(16,216)
Increase (decrease) in temporarily restricted net assets	<u>357,946</u>	<u>(2,673,720)</u>	<u>—</u>	<u>(2,315,774)</u>
Decrease in net assets	(147,364)	(1,656,180)	—	(1,803,544)
Net assets at beginning of year	17,165,540	12,343,269	—	29,508,809
Net assets at end of year	<u>\$ 17,018,176</u>	<u>10,687,089</u>	<u>—</u>	<u>27,705,265</u>

See accompanying independent auditors' report.

## CANCER CARE, INC.

## Schedule of Functional Expenses – Cancer Care, Inc.

Year ended June 30, 2018

	<b>Counseling and support</b>	<b>Financial assistance</b>	<b>Education</b>	<b>Information and publications</b>	<b>Subtotal</b>	<b>Fund-raising</b>	<b>Management and general</b>	<b>Subtotal</b>	<b>Total</b>
Salaries	\$ 2,796,465	464,466	339,373	609,495	4,209,799	1,193,043	503,247	1,696,290	5,906,089
Employee health and retirement benefits	688,669	106,303	84,204	169,256	1,048,432	247,351	91,961	339,312	1,387,744
Payroll taxes	192,745	32,120	23,360	39,782	288,007	85,599	33,460	119,059	407,066
Total salaries and related expenses	3,677,879	602,889	446,937	818,533	5,546,238	1,525,993	628,668	2,154,661	7,700,899
Direct disbursements to patients and families	100	3,779,417	—	—	3,779,517	—	—	—	3,779,517
Donated goods and services	119,264	—	940,450	2,461,926	3,521,640	—	—	—	3,521,640
Contract services	275,125	72,163	18,379	892,900	1,258,567	306,492	174,473	480,965	1,739,532
Postage and shipping	20,664	23,269	152,568	57,772	254,273	60,443	2,227	62,670	316,943
Telephone	181,295	20,273	270,664	34,968	507,200	51,719	21,849	73,568	580,768
Occupancy	713,405	98,643	88,295	145,923	1,046,266	278,811	346,211	625,022	1,671,288
Supplies	35,889	5,949	7,843	10,700	60,381	17,448	6,276	23,724	84,105
Printing and publications	8,491	2,032	202,910	225,200	438,633	24,656	2,216	26,872	465,505
Equipment repairs and maintenance	44,539	5,668	5,115	9,223	64,545	30,144	14,570	44,714	109,259
Memberships and subscriptions	14,568	1,098	1,715	2,177	19,558	8,918	3,396	12,314	31,872
Staff and volunteer training and support	22,670	1,198	1,002	10,731	35,601	11,230	14,739	25,969	61,570
Travel and related costs	86,520	2,722	1,986	7,769	98,997	28,430	4,852	33,282	132,279
Marketing and promotion	1,712	—	—	3,509	5,221	18,387	—	18,387	23,608
Interest and taxes	574	65	56	119	814	195	130	325	1,139
Insurance	52,217	8,097	6,407	12,512	79,233	19,002	6,926	25,928	105,161
Miscellaneous	55,376	4,860	6,721	6,789	73,746	13,612	10,978	24,590	98,336
Total functional expenses before depreciation and amortization	5,310,288	4,628,343	2,151,048	4,700,751	16,790,430	2,395,480	1,237,511	3,632,991	20,423,421
Depreciation and amortization	192,800	31,724	26,398	42,370	293,292	80,769	60,591	141,360	434,652
Total expenses	\$ 5,503,088	4,660,067	2,177,446	4,743,121	17,083,722	2,476,249	1,298,102	3,774,351	20,858,073
Direct benefit costs of special events								403,916	403,916
Direct cost of thrift shop								588,053	588,053
								\$ 4,766,320	21,850,042

See accompanying independent auditors' report.

## CANCER CARE, INC.

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

Year ended June 30, 2018

	<b>Counseling and support</b>	<b>Copayment assistance</b>	<b>Information and publications</b>	<b>Subtotal</b>	<b>Fund-raising</b>	<b>Management and general</b>	<b>Subtotal</b>	<b>Total</b>
Salaries	\$ 6,042	1,161,755	12,239	1,180,036	19,867	67,328	87,195	1,267,231
Employee health and retirement benefits	2,219	287,483	3,698	293,400	4,808	4,929	9,737	303,137
Payroll taxes	653	73,820	954	75,427	1,890	2,045	3,935	79,362
Total salaries and related expenses	8,914	1,523,058	16,891	1,548,863	26,565	74,302	100,867	1,649,730
Direct disbursements to patients and families	—	37,400,527	—	37,400,527	—	—	—	37,400,527
Donated goods and services	—	—	—	—	—	—	—	—
Contract services	6	676,133	11	676,150	3,761	9,163	12,924	689,074
Postage and shipping	16	24,175	27	24,218	35	36	71	24,289
Telephone	397	59,374	662	60,433	861	882	1,743	62,176
Occupancy	1,031	120,967	1,718	123,716	2,234	2,415	4,649	128,365
Supplies	114	13,034	191	13,339	248	254	502	13,841
Printing and publications	19	18,241	32	18,292	42	43	85	18,377
Equipment repairs and maintenance	55	64,261	92	64,408	120	123	243	64,651
Memberships and subscriptions	—	953	—	953	—	—	—	953
Staff and volunteer training and support	10	2,551	17	2,578	22	22	44	2,622
Travel and related costs	3	42,301	5	42,309	6	209	215	42,524
Marketing and promotion	—	—	—	—	—	—	—	—
Interest and taxes	1	166	2	169	2	3	5	174
Insurance	170	19,060	283	19,513	368	377	745	20,258
Miscellaneous	349,874	6,072	86	356,032	112	125	237	356,269
Total functional expenses before depreciation	360,610	39,970,873	20,017	40,351,500	34,376	87,954	122,330	40,473,830
Depreciation	—	245	—	245	—	—	—	245
Total expenses	\$ 360,610	39,971,118	20,017	40,351,745	34,376	87,954	122,330	40,474,075

See accompanying independent auditors' report.

## CANCER CARE, INC.

## Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2018

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash flows from operating activities:				
Decrease in net assets	\$ (147,364)	(1,656,180)	—	(1,803,544)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by in operating activities:				
Depreciation and amortization	434,652	245	—	434,897
Realized and unrealized gains on investments	(398,949)	(84,773)	—	(483,722)
Changes in operating assets and liabilities:				
Intercompany receivable	168,936	—	(168,936)	—
Grants and contributions receivable	670,506	2,977,798	—	3,648,304
Prepaid expenses and other assets	(1,006,137)	340,102	—	(666,035)
Accounts payable and accrued liabilities	194,845	(300,644)	—	(105,799)
Intercompany payable	—	(168,936)	168,936	—
Refundable advances	(63,348)	—	—	(63,348)
Copayment assistance obligations	—	9,871,390	—	9,871,390
Deferred rent	(124,169)	—	—	(124,169)
Accrued postretirement benefit cost	(8,015)	—	—	(8,015)
Annuities payable	33,901	—	—	33,901
Net cash (used in) provided by operating activities	<u>(245,142)</u>	<u>10,979,002</u>	<u>—</u>	<u>10,733,860</u>
Cash flows from investing activities:				
Proceeds from sales of investments	2,662,509	26,838,769	—	29,501,278
Purchases of investments	(2,792,068)	(37,895,507)	—	(40,687,575)
Purchase of property and equipment	(644,806)	—	—	(644,806)
Net cash used in investing activities	<u>(774,365)</u>	<u>(11,056,738)</u>	<u>—</u>	<u>(11,831,103)</u>
Net decrease in cash and cash equivalents	(1,019,507)	(77,736)	—	(1,097,243)
Cash and cash equivalents at beginning of year	3,656,206	270,299	—	3,926,505
Cash and cash equivalents at end of year	<u>\$ 2,636,699</u>	<u>192,563</u>	<u>—</u>	<u>2,829,262</u>

See accompanying independent auditors' report.