



CANCER CARE, INC.

Consolidated Financial Statements and Schedules

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Cancer Care, Inc.:

We have audited the accompanying consolidated statements of financial position of Cancer Care, Inc. (the Organization) as of June 30, 2008 and 2007, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 5 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

June 4, 2009

CANCER CARE, INC.

Consolidated Statements of Financial Position

June 30, 2008 and 2007

Assets	2008	2007
Cash and cash equivalents	\$ 533,279	581,224
Short-term investments (note 2)	15,730,232	3,869,811
Grants and contributions receivable	3,767,865	1,063,191
Prepaid expenses and other assets	257,341	338,600
Investments (note 2)	12,174,101	13,048,742
Property and equipment, net (note 3)	939,409	1,067,423
Total assets	<u>\$ 33,402,227</u>	<u>19,968,991</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,127,044	1,015,198
Refundable advances	184,386	37,000
Co-payment assistance obligations	769,976	—
Deferred rent (note 5)	737,845	766,746
Accrued postretirement benefit cost (note 4)	388,198	418,910
Annuities payable	238,352	216,497
Total liabilities	<u>3,445,801</u>	<u>2,454,351</u>
Commitments (note 5)		
Net assets:		
Unrestricted:		
Board designated (note 2)	10,502,000	9,787,000
Undesignated	3,474,997	2,977,553
Total unrestricted	<u>13,976,997</u>	<u>12,764,553</u>
Temporarily restricted (note 6)	15,979,429	4,750,087
Total net assets	<u>29,956,426</u>	<u>17,514,640</u>
Total liabilities and net assets	<u>\$ 33,402,227</u>	<u>19,968,991</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statements of Activities

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	\$ 4,258,891	3,764,749
Government grants	110,000	100,000
Special events, net	2,536,660	2,490,372
Donated goods and services	1,402,570	1,515,853
Legacies and bequests	3,278,243	1,748,765
Direct marketing	1,066,858	1,180,872
Contributions from individuals	797,638	1,020,882
Sponsorships and cause-related marketing	364,720	387,131
United way	143,037	171,956
Thrift shop sales, net	422,905	472,437
Total contributions	<u>14,381,522</u>	<u>12,853,017</u>
Revenues:		
Interest and dividends	238,291	135,108
Other income	75,795	47,704
Total revenues	<u>314,086</u>	<u>182,812</u>
Total contributions and revenues before net assets released from restrictions	14,695,608	13,035,829
Net assets released from restrictions:		
Satisfaction of program restrictions	7,751,903	5,591,138
Total contributions and revenues	<u>22,447,511</u>	<u>18,626,967</u>
Expenses (note 7):		
Program services:		
Counseling and support	5,381,284	5,275,852
Financial assistance	4,782,297	4,100,647
Co-payment assistance	1,523,272	—
Education	1,129,688	1,112,134
Information and publications	3,848,434	3,758,817
Total program services	<u>16,664,975</u>	<u>14,247,450</u>
Supporting services:		
Fund-raising	2,929,732	3,123,463
Management and general	805,698	789,598
Total supporting services	<u>3,735,430</u>	<u>3,913,061</u>
Total expenses	<u>20,400,405</u>	<u>18,160,511</u>
Increase in unrestricted net assets before net appreciation (depreciation) on long-term investments	2,047,106	466,456
Net investment return on long-term investments	(834,662)	1,733,312
Increase in unrestricted net assets	<u>1,212,444</u>	<u>2,199,768</u>
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	18,919,895	6,622,401
Contributions from individuals	61,350	3,000
Net assets released from restrictions	(7,751,903)	(5,591,138)
Increase in temporarily restricted net assets	<u>11,229,342</u>	<u>1,034,263</u>
Increase in net assets	12,441,786	3,234,031
Net assets at beginning of year	<u>17,514,640</u>	<u>14,280,609</u>
Net assets at end of year	<u>\$ 29,956,426</u>	<u>17,514,640</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statement of Functional Expenses

Year ended June 30, 2008

	Program services					Supporting services				Total
	Counseling and support	Financial assistance	Co-payment assistance	Education	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	
Salaries	\$ 3,062,208	415,397	467,173	282,761	624,625	4,852,164	939,584	458,674	1,398,258	6,250,422
Employee health and retirement benefits	473,450	80,154	37,922	37,596	98,835	727,957	151,453	51,888	203,341	931,298
Payroll taxes	223,843	18,778	34,231	18,645	42,680	338,177	67,485	25,341	92,826	431,003
Total salaries and related expenses	<u>3,759,501</u>	<u>514,329</u>	<u>539,326</u>	<u>339,002</u>	<u>766,140</u>	<u>5,918,298</u>	<u>1,158,522</u>	<u>535,903</u>	<u>1,694,425</u>	<u>7,612,723</u>
Direct disbursements to patients and families for services	9,346	3,973,286	800,983	15	399	4,784,029	—	—	—	4,784,029
Donated goods and services	142,895	—	—	278,000	981,675	1,402,570	—	—	—	1,402,570
Contract services	180,979	55,892	26,290	5,044	1,032,622	1,300,827	927,100	129,667	1,056,767	2,357,594
Postage and shipping	41,898	46,502	3,956	150,688	252,192	495,236	282,661	3,241	285,902	781,138
Telephone	110,257	5,402	10,293	116,525	10,509	252,986	13,392	4,938	18,330	271,316
Occupancy	724,400	115,350	69,726	54,547	157,831	1,121,854	216,159	69,515	285,674	1,407,528
Supplies	39,094	6,810	5,638	3,849	22,747	78,138	37,189	6,122	43,311	121,449
Printing and publications	12,185	8,010	17,354	156,034	524,181	717,764	86,868	3,574	90,442	808,206
Equipment repairs and maintenance	84,006	12,662	6,082	5,913	19,001	127,664	38,434	14,739	53,173	180,837
Memberships and subscriptions	6,724	447	—	603	3,280	11,054	7,492	1,168	8,660	19,714
Staff and volunteer training and support	36,756	4,822	31,856	2,520	15,657	91,611	27,749	14,353	42,102	133,713
Travel and related costs	44,003	5,493	5,405	1,366	8,129	64,396	19,594	2,860	22,454	86,850
Marketing and promotion	600	—	—	—	13,830	14,430	19,147	—	19,147	33,577
Interest and taxes	1,393	306	131	143	312	2,285	517	145	662	2,947
Insurance	57,998	9,869	5,310	4,610	12,092	89,879	18,658	5,558	24,216	114,095
Miscellaneous	21,218	2,183	922	1,031	2,900	28,254	3,639	1,213	4,852	33,106
Total functional expenses before depreciation and amortization	<u>5,273,253</u>	<u>4,761,363</u>	<u>1,523,272</u>	<u>1,119,890</u>	<u>3,823,497</u>	<u>16,501,275</u>	<u>2,857,121</u>	<u>792,996</u>	<u>3,650,117</u>	<u>20,151,392</u>
Depreciation and amortization	108,031	20,934	—	9,798	24,937	163,700	72,611	12,702	85,313	249,013
Total expenses	<u>\$ 5,381,284</u>	<u>4,782,297</u>	<u>1,523,272</u>	<u>1,129,688</u>	<u>3,848,434</u>	<u>16,664,975</u>	<u>2,929,732</u>	<u>805,698</u>	<u>3,735,430</u>	<u>20,400,405</u>
Direct benefit costs of special events									548,089	548,089
Direct cost of thrift shop									532,674	532,674
								\$	<u>4,816,193</u>	<u>21,481,168</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statement of Functional Expenses

Year ended June 30, 2007

	Program services				Supporting services				Total
	Counseling and support	Financial assistance	Education	Information and publications	Subtotal	Fund-raising	Management and general	Subtotal	
Salaries	\$ 2,946,266	406,946	279,967	545,148	4,178,327	1,001,484	452,705	1,454,189	5,632,516
Employee health and retirement benefits	475,830	80,415	37,030	90,778	684,053	178,023	50,826	228,849	912,902
Payroll taxes	213,648	18,906	18,111	37,590	288,255	67,648	28,960	96,608	384,863
Total salaries and related expenses	<u>3,635,744</u>	<u>506,267</u>	<u>335,108</u>	<u>673,516</u>	<u>5,150,635</u>	<u>1,247,155</u>	<u>532,491</u>	<u>1,779,646</u>	<u>6,930,281</u>
Direct disbursements to patients and families for services	478	3,324,682	—	278	3,325,438	—	—	—	3,325,438
Donated goods and services	100,886	—	232,000	1,182,967	1,515,853	—	—	—	1,515,853
Contract services	236,805	54,138	4,125	782,866	1,077,934	950,064	128,698	1,078,762	2,156,696
Postage and shipping	35,022	33,249	126,903	298,783	493,957	326,232	2,619	328,851	822,808
Telephone	99,597	5,171	132,221	10,132	247,121	14,988	4,952	19,940	267,061
Occupancy	697,247	109,395	51,093	123,151	980,886	238,311	67,784	306,095	1,286,981
Supplies	34,606	5,008	3,262	16,787	59,663	18,707	4,512	23,219	82,882
Printing and publications	41,800	3,087	199,787	577,049	821,723	98,388	1,775	100,163	921,886
Equipment repairs and maintenance	80,569	12,026	5,519	15,198	113,312	36,795	14,212	51,007	164,319
Memberships and subscriptions	7,477	404	679	3,003	11,563	15,162	1,149	16,311	27,874
Staff and volunteer training and support	23,163	2,470	1,114	13,354	40,101	11,031	6,932	17,963	58,064
Travel and related costs	52,708	5,013	2,798	6,227	66,746	23,197	2,540	25,737	92,483
Marketing and promotion	1,035	—	—	13,863	14,898	26,336	—	26,336	41,234
Interest and taxes	541	158	41	111	851	205	212	417	1,268
Insurance	82,896	14,057	6,456	16,086	119,495	30,674	8,134	38,808	158,303
Miscellaneous	32,777	4,721	1,352	3,824	42,674	6,498	1,847	8,345	51,019
Total functional expenses before depreciation and amortization	<u>5,163,351</u>	<u>4,079,846</u>	<u>1,102,458</u>	<u>3,737,195</u>	<u>14,082,850</u>	<u>3,043,743</u>	<u>777,857</u>	<u>3,821,600</u>	<u>17,904,450</u>
Depreciation and amortization	112,501	20,801	9,676	21,622	164,600	79,720	11,741	91,461	256,061
Total expenses	<u>\$ 5,275,852</u>	<u>4,100,647</u>	<u>1,112,134</u>	<u>3,758,817</u>	<u>14,247,450</u>	<u>3,123,463</u>	<u>789,598</u>	<u>3,913,061</u>	<u>18,160,511</u>
Direct benefit costs of special events								650,594	650,594
Direct cost of thrift shop								519,895	519,895
							\$	<u>5,083,550</u>	<u>19,331,000</u>

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Increase in net assets	\$ 12,441,786	3,234,031
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	249,013	256,061
Net depreciation (appreciation) on investments	1,148,134	(1,441,640)
Changes in operating assets and liabilities:		
(Increase) decrease in grants and contributions receivable	(2,704,674)	512,999
Decrease (increase) in prepaid expenses and other assets	81,259	(30,304)
Increase in accounts payable and accrued liabilities	111,846	315,121
Increase (decrease) in refundable advances	147,386	(33,537)
Increase in co-payment assistance obligations	769,976	—
(Decrease) increase in deferred rent	(28,901)	19,542
Decrease in accrued postretirement benefit cost	(30,712)	(41,019)
Increase (decrease) in annuities payable	21,855	(4,371)
Net cash provided by operating activities	12,206,968	2,786,883
Cash flows from investing activities:		
Proceeds from sales of investments	5,027,136	1,680,563
Purchases of investments	(17,161,050)	(3,829,319)
Purchase of property and equipment	(120,999)	(506,380)
Net cash used in investing activities	(12,254,913)	(2,655,136)
Net (decrease) increase in cash and cash equivalents	(47,945)	131,747
Cash and cash equivalents at beginning of year	581,224	449,477
Cash and cash equivalents at end of year	\$ 533,279	581,224

See accompanying notes to consolidated financial statements.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2008 and 2007

(1) Organization and Summary of Significant Accounting Policies

Organization

Cancer Care, Inc. (Cancer Care) is a national not-for-profit voluntary health organization that provides free professional support services to anyone affected by cancer: people with cancer, caregivers, children, loved ones, and the bereaved. Cancer Care's programs – including counseling, education, financial assistance, and practical help – are provided by trained oncology social workers and are completely free of charge. Founded in 1944, Cancer Care provides individual help to more than 91,000 people each year, in addition to the more than 1.6 million visitors who gain information and resources from its Web site.

On July 23, 2007, Cancer Care incorporated the Cancer Care Co-Payment Assistance Foundation, Inc. (Co-Pay Foundation) as a Type B corporation as defined in Section 201 of the Not-for-Profit Corporation Law in the State of New York. The primary function of the Co-Pay Foundation is to provide financial assistance to individuals with cancer in the form of copayment assistance for both prescribed treatment and supporting medications, premium assistance, or other direct financial assistance in order to ensure access to care, treatment, and prescribed medications. The Co-Pay Foundation began operating April 1, 2008.

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 (CancerCare Counseling^R) – provides group and individual counseling in three different ways: face-to-face, on the telephone, or online. All support services are offered by professional oncology social workers.

Co-Payment 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.

Financial assistance (CancerCare Assist^R) – offers assistance by providing funds for treatment-related costs, such as pain medication, transportation, homecare, and childcare.

Education (CancerCare Connect^R) – Telephone Education Workshops provide cancer patients and caregivers with the opportunity to listen to and ask questions of top cancer experts from around the country.

Information and publications (CancerCare Inform^R) – 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 Telephone 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, 2008 and 2007

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.

Summary of Significant Accounting Policies

The Organization's significant accounting policies follow:

(a) Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. All intercompany transactions have been eliminated in consolidation. Net assets and the changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. As reflected in the accompanying consolidated statements of financial position, the Organization's board of trustees has designated a portion of the unrestricted net assets of the Organization for long-term investment purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that stipulate that the corpus be maintained permanently by the Organization, but permit the Organization to expend part or all of the income derived therefrom. The Organization has no permanently restricted net assets.

(b) 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.

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. Contributions receivable are scheduled to be collected in fiscal years 2009 and 2010.

(c) 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, 2008 and 2007

(d) 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 investment portfolio, to be cash equivalents.

(e) Contributed Goods and Services

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

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

(f) Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices. Investments in hedge funds are reported at fair value based on the net asset value 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 statements of financial position.

(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.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2008 and 2007

(h) Gift Annuity Agreements

The Organization is the beneficiary of a number of charitable gift annuity agreements with donors. The Organization controls the donated assets and shares the income generated from those assets with the donor or donor's designee until such time as stated in the agreement (usually upon death of the donor or donor's designee). The Organization records the assets related to these agreements on its consolidated statements of financial position at fair value. At the time of gift, and adjusted annually, the Organization records contribution income and a liability for amounts payable to annuitants using an actuarial calculation. The discount rate used in fiscal years 2008 and 2007 was 3.8% and 5.6%, respectively. State-mandated insurance reserves related to these agreements are maintained at required levels.

(i) 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. Actual results could differ from those estimates.

(j) Recently Issued Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. FIN 48 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. The impact of the adoption of FIN 48 is currently being evaluated by the Organization.

In September 2006, FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. SFAS 157 is effective for reporting periods beginning after November 15, 2007. The impact of the adoption of SFAS 157 is currently being evaluated by the Organization. However, the adoption of SFAS 157 will require additional disclosures regarding the inputs used to develop the fair value measurements, and the impacts of certain measurements on the consolidated statements of activities.

In September 2006, the FASB issued SFAS No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Liabilities*. SFAS 159 provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities, with changes in fair value recognized in earnings as they occur. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2008 and 2007

In August 2008, FASB Staff Position No. 117-1 (FSP), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds*, was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. New York State has not yet adopted UPMIFA. However, for the year ending June 30, 2009, the Organization will have to adopt the disclosure requirements of the FSP.

(2) Investments

Short-term investments include commercial paper and other short-term instruments and principally represent the unexpended proceeds from certain temporarily restricted grants.

The cost and fair value of the Organization's other investments at June 30, 2008 and 2007 consisted of the following:

	2008		2007	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 942,110	942,110	1,165,519	1,165,519
Fixed income funds	2,434,480	2,317,544	2,148,062	2,085,708
Equity funds	7,362,834	7,918,512	6,680,313	8,720,385
Hedge funds	850,000	995,935	850,000	1,077,130
	\$ 11,589,424	12,174,101	10,843,894	13,048,742

The board of trustees designated \$10,502,000 and \$9,787,000 of the investment portfolio as of June 30, 2008 and 2007, respectively, as a reserve to provide for the long-term financial stability of the Organization.

(3) Property and Equipment

Property and equipment, net, consisted of the following at June 30, 2008 and 2007:

	2008	2007
Furniture and fixtures	\$ 993,670	987,757
Telephone equipment	217,606	160,957
Leasehold improvements	1,009,673	1,009,673
Computer equipment	233,951	197,399
	2,454,900	2,355,786
Less accumulated depreciation and amortization	1,515,491	1,288,363
	\$ 939,409	1,067,423

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2008 and 2007

(4) 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 approximately \$167,000 and \$190,000 to the defined contribution plan during the years ended June 30, 2008 and 2007, 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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Accrued postretirement benefit cost recognized in the Organization's consolidated statements of financial position	\$ 388,198	418,910
Benefits cost	22,473	14,963
Employer contribution	53,185	55,982
Benefits paid	53,185	55,982

(5) Commitments

The Organization rents space under noncancelable operating leases for its headquarters, regional offices, and a thrift shop. These leases expire in various years through 2014. The Organization's headquarters' lease includes a rent-free period, and in accordance with the provisions of FASB Statement No. 13, *Accounting for Leases*, the 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 statements of financial position.

CANCER CARE, INC.

Notes to Consolidated Financial Statements

June 30, 2008 and 2007

The annual minimum rental commitments as of June 30, 2008 are as follows:

	<u>Amount</u>
Year ending June 30:	
2009	\$ 1,235,092
2010	1,025,912
2011	1,039,506
2012	1,039,496
2013	1,056,469
2014	803,567
	<u>\$ 6,200,042</u>

Under the terms of the lease agreement for its headquarters, an irrevocable letter of credit in the amount of \$264,000 has been established with a financial institution in lieu of a security deposit.

(6) Temporarily Restricted Net Assets

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

	<u>2008</u>	<u>2007</u>
Co-payment assistance	\$ 10,876,332	—
Patient assistance	2,881,342	2,856,456
General program support	1,988,061	1,743,631
Time restricted	233,694	150,000
	<u>\$ 15,979,429</u>	<u>4,750,087</u>

(7) Allocation of Joint Costs Information

In 2008 and 2007, the Organization incurred joint costs of approximately \$1.2 million and \$1.3 million, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, approximately \$287,000 and \$328,000, respectively, was allocated to information and publications expenses and \$875,000 and \$1 million, respectively, was allocated to fund-raising expenses.

CANCER CARE, INC.

Consolidating Schedule – Balance Sheet Information

June 30, 2008

Assets	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash and cash equivalents	\$ 464,385	68,894	—	533,279
Short-term investments	3,909,232	11,821,000	—	15,730,232
Intercompany receivable	287,490	—	(287,490)	—
Grants and contributions receivable	3,767,865	—	—	3,767,865
Prepaid expenses and other assets	257,261	80	—	257,341
Investments	12,174,101	—	—	12,174,101
Property and equipment, net	903,019	36,390	—	939,409
Total assets	<u>\$ 21,763,353</u>	<u>11,926,364</u>	<u>(287,490)</u>	<u>33,402,227</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,108,155	18,889	—	1,127,044
Intercompany payable	—	287,490	(287,490)	—
Refundable advances	184,386	—	—	184,386
Co-payment assistance obligations	—	769,976	—	769,976
Deferred rent	737,845	—	—	737,845
Accrued postretirement benefit cost	388,198	—	—	388,198
Annuities payable	238,352	—	—	238,352
Total liabilities	<u>2,656,936</u>	<u>1,076,355</u>	<u>(287,490)</u>	<u>3,445,801</u>
Commitments				
Net assets (deficit):				
Unrestricted:				
Board designated	10,502,000	—	—	10,502,000
Undesignated	3,501,320	(26,323)	—	3,474,997
Total unrestricted	<u>14,003,320</u>	<u>(26,323)</u>	<u>—</u>	<u>13,976,997</u>
Temporarily restricted	5,103,097	10,876,332	—	15,979,429
Total net assets	<u>19,106,417</u>	<u>10,850,009</u>	<u>—</u>	<u>29,956,426</u>
Total liabilities and net assets	<u>\$ 21,763,353</u>	<u>11,926,364</u>	<u>(287,490)</u>	<u>33,402,227</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2008

	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	\$ 4,258,891	—	—	4,258,891
Government grants	110,000	—	—	110,000
Special events, net	2,536,660	—	—	2,536,660
Donated goods and services	1,402,570	—	—	1,402,570
Legacies and bequests	3,278,243	—	—	3,278,243
Direct marketing	1,066,858	—	—	1,066,858
Contributions from individuals	797,638	—	—	797,638
Sponsorships and cause-related marketing	364,720	—	—	364,720
United way	143,037	—	—	143,037
Thrift shop sales, net	422,905	—	—	422,905
Total contributions	<u>14,381,522</u>	<u>—</u>	<u>—</u>	<u>14,381,522</u>
Revenues:				
Interest and dividends	125,473	112,818	—	238,291
Other income	100,375	—	(24,580)	75,795
Total revenues	<u>225,848</u>	<u>112,818</u>	<u>(24,580)</u>	<u>314,086</u>
Total contributions and revenues before net assets released from restrictions	14,607,370	112,818	(24,580)	14,695,608
Net assets released from restrictions:				
Satisfaction of program restrictions	6,178,235	1,573,668	—	7,751,903
Total contributions and revenues	<u>20,785,605</u>	<u>1,686,486</u>	<u>(24,580)</u>	<u>22,447,511</u>
Expenses:				
Program services:				
Counseling and support	5,381,284	—	—	5,381,284
Financial assistance	4,782,297	—	—	4,782,297
Co-payment assistance	—	1,547,852	(24,580)	1,523,272
Education	1,129,688	—	—	1,129,688
Information and publications	3,786,844	61,590	—	3,848,434
Total program services	<u>15,080,113</u>	<u>1,609,442</u>	<u>(24,580)</u>	<u>16,664,975</u>
Supporting services:				
Fund-raising	2,896,034	33,698	—	2,929,732
Management and general	736,029	69,669	—	805,698
Total supporting services	<u>3,632,063</u>	<u>103,367</u>	<u>—</u>	<u>3,735,430</u>
Total expenses	<u>18,712,176</u>	<u>1,712,809</u>	<u>(24,580)</u>	<u>20,400,405</u>
Increase (decrease) in unrestricted net assets before net (depreciation) on long-term investments	2,073,429	(26,323)	—	2,047,106
Net investment return on long-term investments	(834,662)	—	—	(834,662)
Increase (decrease) in unrestricted net assets	<u>1,238,767</u>	<u>(26,323)</u>	<u>—</u>	<u>1,212,444</u>
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	6,469,895	12,450,000	—	18,919,895
Contributions from individuals	61,350	—	—	61,350
Net assets released from restrictions	(6,178,235)	(1,573,668)	—	(7,751,903)
Increase in temporarily restricted net assets	<u>353,010</u>	<u>10,876,332</u>	<u>—</u>	<u>11,229,342</u>
Increase in net assets	1,591,777	10,850,009	—	12,441,786
Net assets at beginning of year	<u>17,514,640</u>	<u>—</u>	<u>—</u>	<u>17,514,640</u>
Net assets at end of year	<u>\$ 19,106,417</u>	<u>10,850,009</u>	<u>—</u>	<u>29,956,426</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

Schedule of Functional Expenses – Cancer Care, Inc.

Year ended June 30, 2008

	Counseling and support	Financial assistance	Education	Information and publications	Subtotal	Fund- raising	Management and general	Subtotal	Total
Employee health and retirement benefits	\$ 3,062,208	415,397	282,761	587,477	4,347,843	913,385	405,660	1,319,045	5,666,888
Payroll taxes	473,450	80,154	37,596	92,514	683,714	149,878	43,352	193,230	876,944
	<u>223,843</u>	<u>18,778</u>	<u>18,645</u>	<u>39,644</u>	<u>300,910</u>	<u>66,112</u>	<u>28,164</u>	<u>94,276</u>	<u>395,186</u>
Total salaries and related expenses	<u>3,759,501</u>	<u>514,329</u>	<u>339,002</u>	<u>719,635</u>	<u>5,332,467</u>	<u>1,129,375</u>	<u>477,176</u>	<u>1,606,551</u>	<u>6,939,018</u>
Direct disbursements to patients and families for services	9,346	3,973,286	15	399	3,983,046	—	—	—	3,983,046
Donated goods and services	142,895	—	278,000	981,675	1,402,570	—	—	—	1,402,570
Contract services	180,979	55,892	5,044	1,032,563	1,274,478	926,964	127,704	1,054,668	2,329,146
Postage and shipping	41,898	46,502	150,688	252,108	491,196	282,637	3,200	285,837	777,033
Telephone	110,257	5,402	116,525	10,112	242,296	13,280	4,743	18,023	260,319
Occupancy	724,400	115,350	54,547	145,630	1,039,927	212,542	63,818	276,360	1,316,287
Supplies	39,094	6,810	3,849	22,335	72,088	37,073	5,835	42,908	114,996
Printing and publications	12,185	8,010	156,034	524,089	700,318	86,842	3,314	90,156	790,474
Equipment repairs and maintenance	84,006	12,662	5,913	18,232	120,813	38,218	14,354	52,572	173,385
Memberships and subscriptions	6,724	447	603	3,280	11,054	7,492	1,168	8,660	19,714
Staff and volunteer training and support	36,756	4,822	2,520	15,624	59,722	27,740	12,895	40,635	100,357
Travel and related costs	44,003	5,493	1,366	8,114	58,976	19,590	2,700	22,290	81,266
Marketing and promotion	600	—	—	13,830	14,430	19,147	—	19,147	33,577
Interest and taxes	1,393	306	143	287	2,129	510	133	643	2,772
Insurance	57,998	9,869	4,610	11,296	83,773	18,434	5,168	23,602	107,375
Miscellaneous	21,218	2,183	1,031	2,698	27,130	3,579	1,119	4,698	31,828
Total functional expenses before depreciation and amortization	<u>5,273,253</u>	<u>4,761,363</u>	<u>1,119,890</u>	<u>3,761,907</u>	<u>14,916,413</u>	<u>2,823,423</u>	<u>723,327</u>	<u>3,546,750</u>	<u>18,463,163</u>
Depreciation and amortization	108,031	20,934	9,798	24,937	163,700	72,611	12,702	85,313	249,013
Total expenses	<u>\$ 5,381,284</u>	<u>4,782,297</u>	<u>1,129,688</u>	<u>3,786,844</u>	<u>15,080,113</u>	<u>2,896,034</u>	<u>736,029</u>	<u>3,632,063</u>	<u>18,712,176</u>
Direct benefit costs of special events								548,089	548,089
Direct cost of thrift shop								532,674	532,674
							\$	<u>4,712,826</u>	<u>19,792,939</u>

See accompanying independent auditors' report.

CANCER CARE, INC.

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

Year ended June 30, 2008

	Co-payment assistance	Information and publications	Subtotal	Fund- raising	Management and general	Subtotal	Total
Salaries	\$ 467,173	37,148	504,321	26,199	53,014	79,213	583,534
Employee health and retirement benefits	37,922	6,321	44,243	1,575	8,536	10,111	54,354
Payroll taxes	34,231	3,036	37,267	1,373	(2,823)	(1,450)	35,817
Total salaries and related expenses	539,326	46,505	585,831	29,147	58,727	87,874	673,705
Direct disbursements to patients and families for services	800,983	—	800,983	—	—	—	800,983
Contract services	26,290	59	26,349	136	1,963	2,099	28,448
Postage and shipping	3,956	84	4,040	24	41	65	4,105
Telephone	10,293	397	10,690	112	195	307	10,997
Occupancy	69,726	12,201	81,927	3,617	5,697	9,314	91,241
Supplies	5,638	412	6,050	116	287	403	6,453
Printing and publications	17,354	92	17,446	26	260	286	17,732
Equipment repairs and maintenance	30,662	769	31,431	216	385	601	32,032
Staff and volunteer training and support	31,856	33	31,889	9	1,458	1,467	33,356
Travel and related costs	5,405	15	5,420	4	160	164	5,584
Interest and taxes	131	25	156	7	12	19	175
Insurance	5,310	796	6,106	224	390	614	6,720
Miscellaneous	922	202	1,124	60	94	154	1,278
Total expenses	\$ 1,547,852	61,590	1,609,442	33,698	69,669	103,367	1,712,809

See accompanying independent auditors' report.

CANCER CARE, INC.

Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2008

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash flows from operating activities:				
Increase in net assets	\$ 1,591,777	10,850,009	—	12,441,786
Adjustments to reconcile increase in net assets to net cash provided by operating activities				
Depreciation	249,013	—	—	249,013
Net depreciation on investments	1,148,134	—	—	1,148,134
Changes in operating assets and liabilities				
Increase in intercompany receivable	(287,490)	—	287,490	—
Increase in grants and contributions receivable	(2,704,674)	—	—	(2,704,674)
Decrease (increase) in prepaid expenses and other assets	81,339	(80)	—	81,259
Increase in accounts payable and accrued liabilities	92,957	18,889	—	111,846
Increase in intercompany payable	—	287,490	(287,490)	—
Increase in refundable advances	147,386	—	—	147,386
Increase in co-payment assistance obligations	—	769,976	—	769,976
Decrease in deferred rent	(28,901)	—	—	(28,901)
Decrease in accrued postretirement benefit costs	(30,712)	—	—	(30,712)
Increase in annuities payable	21,855	—	—	21,855
Net cash provided by operating activities	<u>280,684</u>	<u>11,926,284</u>	<u>—</u>	<u>12,206,968</u>
Cash flows from investing activities:				
Proceeds from sales of investments	4,344,622	682,514	—	5,027,136
Purchases of investments	(4,657,536)	(12,503,514)	—	(17,161,050)
Purchase of property and equipment	(84,609)	(36,390)	—	(120,999)
Net cash used in investing activities	<u>(397,523)</u>	<u>(11,857,390)</u>	<u>—</u>	<u>(12,254,913)</u>
Net (decrease) increase in cash and cash equivalents	(116,839)	68,894	—	(47,945)
Cash and cash equivalents at beginning of year	581,224	—	—	581,224
Cash and cash equivalents at end of year	<u>\$ 464,385</u>	<u>68,894</u>	<u>—</u>	<u>533,279</u>

See accompanying independent auditors' report.