

**CANCER CARE, INC.**

Consolidated Financial Statements and Schedules

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

10818

## **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, 2009 and 2008, 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, 2009 and 2008, 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 performed 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, changes in net assets, 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.

December 9, 2009

**CANCER CARE, INC.**

## Consolidated Statements of Financial Position

June 30, 2009 and 2008

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Cash and cash equivalents	\$ 762,947	533,279
Short-term investments (note 2)	25,940,358	15,730,232
Grants and contributions receivable	4,270,509	3,767,865
Prepaid expenses and other assets	152,150	257,341
Investments (note 2)	9,704,701	12,174,101
Property and equipment, net (note 3)	1,093,815	939,409
Total assets	<u>\$ 41,924,480</u>	<u>33,402,227</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,200,090	1,127,044
Refundable advances	149,059	184,386
Co-payment assistance obligations	7,067,077	769,976
Deferred rent (note 5)	732,362	737,845
Accrued postretirement benefit cost (note 4)	367,013	388,198
Annuities payable	244,649	238,352
Total liabilities	<u>9,760,250</u>	<u>3,445,801</u>
Commitments (note 5)		
Net assets:		
Unrestricted:		
Board designated (note 2)	9,074,153	10,502,000
Undesignated	3,830,416	3,474,997
Total unrestricted	<u>12,904,569</u>	<u>13,976,997</u>
Temporarily restricted (note 6)	19,259,661	15,979,429
Total net assets	<u>32,164,230</u>	<u>29,956,426</u>
Total liabilities and net assets	<u>\$ 41,924,480</u>	<u>33,402,227</u>

See accompanying notes to consolidated financial statements.

**CANCER CARE, INC.**  
Consolidated Statements of Activities  
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Foundations and corporations	\$ 3,349,206	4,258,891
Government grants	110,000	110,000
Special events, net	1,818,702	2,536,660
Donated goods and services	1,659,908	1,402,570
Legacies and bequests	3,896,417	3,278,243
Direct marketing	712,454	1,066,858
Contributions from individuals	737,281	797,638
Sponsorships and cause-related marketing	311,418	364,720
United way	109,025	143,037
Thrift shop sales, net	443,824	422,905
Total contributions	<u>13,148,235</u>	<u>14,381,522</u>
Revenues:		
Interest and dividends	126,927	238,291
Other income	19,955	75,795
Total revenues	<u>146,882</u>	<u>314,086</u>
Total contributions and revenues before net assets released from restrictions	13,295,117	14,695,608
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>18,363,825</u>	<u>7,751,903</u>
Total contributions and revenues	<u>31,658,942</u>	<u>22,447,511</u>
Expenses (note 7):		
Program services:		
Counseling and support	5,433,765	5,381,284
Financial assistance	5,218,890	4,782,297
Co-payment assistance	11,177,467	1,523,272
Education	1,101,180	1,129,688
Information and publications	4,092,020	3,848,434
Total program services	<u>27,023,322</u>	<u>16,664,975</u>
Supporting services:		
Fund-raising	2,408,096	2,929,732
Management and general	855,554	805,698
Total supporting services	<u>3,263,650</u>	<u>3,735,430</u>
Total expenses	<u>30,286,972</u>	<u>20,400,405</u>
Increase in unrestricted net assets before net depreciation on long-term investments	1,371,970	2,047,106
Net depreciation on long-term investments	<u>(2,444,398)</u>	<u>(834,662)</u>
(Decrease) increase in unrestricted net assets	<u>(1,072,428)</u>	<u>1,212,444</u>
Change in temporarily restricted net assets:		
Contributions from foundations and corporations	21,614,557	18,919,895
Contributions from individuals	29,500	61,350
Net assets released from restrictions	<u>(18,363,825)</u>	<u>(7,751,903)</u>
Increase in temporarily restricted net assets	<u>3,280,232</u>	<u>11,229,342</u>
Increase in net assets	2,207,804	12,441,786
Net assets at beginning of year	<u>29,956,426</u>	<u>17,514,640</u>
Net assets at end of year	<u>\$ 32,164,230</u>	<u>29,956,426</u>

See accompanying notes to consolidated financial statements.

**CANCER CARE, INC.**  
Consolidated Statement of Functional Expenses  
Year ended June 30, 2009

	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	\$ 3,138,457	434,031	747,314	291,916	664,398	5,276,116	1,049,661	453,353	1,503,014	6,779,130
Employee health and retirement benefits	523,964	72,829	104,977	39,308	111,392	852,470	159,144	63,321	222,465	1,074,935
Payroll taxes	221,111	28,409	48,951	19,375	47,163	365,009	72,997	30,767	103,764	468,773
Total salaries and related expenses	3,883,532	535,269	901,242	350,599	822,953	6,493,595	1,281,802	547,441	1,829,243	8,322,838
Direct disbursements to patients and families	24,778	4,395,092	9,972,817	—	38	14,392,725	—	—	—	14,392,725
Donated goods and services	36,569	—	—	278,000	1,602,299	1,916,868	—	—	—	1,916,868
Contract services	148,557	68,524	20,169	7,266	743,796	988,312	487,700	150,088	637,788	1,626,100
Postage and shipping	29,000	54,096	52,720	125,971	184,088	445,875	135,111	2,978	138,089	583,964
Telephone	134,797	5,452	20,236	120,841	13,075	294,401	16,019	6,414	22,433	316,834
Occupancy	741,634	91,964	139,472	50,131	163,412	1,186,613	201,851	71,695	273,546	1,460,159
Supplies	38,911	6,202	10,758	4,042	21,222	81,135	23,228	5,412	28,640	109,775
Printing and publications	14,557	8,121	16,188	129,605	377,683	546,154	85,742	3,494	89,236	635,390
Equipment repairs and maintenance	81,275	9,070	9,222	5,006	16,564	121,137	33,378	15,393	48,771	169,908
Memberships and subscriptions	6,074	1,085	499	1,120	6,413	15,191	4,287	2,182	6,469	21,660
Staff and volunteer training and support	40,725	10,837	854	10,485	23,844	86,745	26,608	23,018	49,626	136,371
Travel and related costs	30,957	2,663	8,232	2,724	51,397	95,973	21,834	2,960	24,794	120,767
Marketing and promotion	1,239	—	—	—	19,289	20,528	10,152	—	10,152	30,680
Interest and taxes	467	57	84	31	105	744	140	52	192	936
Insurance	53,333	7,451	10,987	4,012	11,396	87,179	16,098	5,223	21,321	108,500
Miscellaneous	36,415	4,409	4,312	1,614	5,465	52,215	7,088	3,585	10,673	62,888
Total functional expenses before depreciation and amortization	5,302,820	5,200,292	11,167,792	1,091,447	4,063,039	26,825,390	2,351,038	839,935	3,190,973	30,016,363
Depreciation and amortization	130,945	18,598	9,675	9,733	28,981	197,932	57,058	15,619	72,677	270,609
Total expenses	\$ 5,433,765	5,218,890	11,177,467	1,101,180	4,092,020	27,023,322	2,408,096	855,554	3,263,650	30,286,972
Direct benefit costs of special events									562,185	562,185
Direct cost of thrift shop									508,412	508,412
								\$	4,334,247	31,357,569

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	3,759,501	514,329	539,326	339,002	766,140	5,918,298	1,158,522	535,903	1,694,425	7,612,723
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	5,273,253	4,761,363	1,523,272	1,119,890	3,823,497	16,501,275	2,857,121	792,996	3,650,117	20,151,392
Depreciation and amortization	108,031	20,934	—	9,798	24,937	163,700	72,611	12,702	85,313	249,013
Total expenses	\$ 5,381,284	4,782,297	1,523,272	1,129,688	3,848,434	16,664,975	2,929,732	805,698	3,735,430	20,400,405
Direct benefit costs of special events									548,089	548,089
Direct cost of thrift shop									532,674	532,674
								\$ 4,816,193	—	—

See accompanying notes to consolidated financial statements.

**CANCER CARE, INC.**

## Consolidated Statements of Cash Flows

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase in net assets	\$ 2,207,804	12,441,786
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	270,609	249,013
Net depreciation on investments	2,771,708	1,148,134
Changes in operating assets and liabilities:		
Increase in grants and contributions receivable	(502,644)	(2,704,674)
Decrease in prepaid expenses and other assets	105,191	81,259
Increase in accounts payable and accrued liabilities	73,046	111,846
(Decrease) increase in refundable advances	(35,327)	147,386
Increase in co-payment assistance obligations	6,297,101	769,976
Decrease in deferred rent	(5,483)	(28,901)
Decrease in accrued postretirement benefit cost	(21,185)	(30,712)
Increase in annuities payable	6,297	21,855
Net cash provided by operating activities	<u>11,167,117</u>	<u>12,206,968</u>
Cash flows from investing activities:		
Proceeds from sales of investments	23,495,016	5,027,136
Purchases of investments	(34,007,450)	(17,161,050)
Purchase of property and equipment	(425,015)	(120,999)
Net cash used in investing activities	<u>(10,937,449)</u>	<u>(12,254,913)</u>
Net increase (decrease) in cash and cash equivalents	229,668	(47,945)
Cash and cash equivalents at beginning of year	<u>533,279</u>	<u>581,224</u>
Cash and cash equivalents at end of year	<u>\$ 762,947</u>	<u>533,279</u>

See accompanying notes to consolidated financial statements.

## CANCER CARE, INC.

### Notes to Consolidated Financial Statements

June 30, 2009 and 2008

#### (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 117,000 people each year including financial assistance to over 24,000. In addition, during the fiscal year more than 1.0 million visitors gained information and resources from its website, 1.2 million publications were distributed and over 43,000 individuals participated in a Connect<sup>R</sup> Education Workshop.

On July 23, 2007, Cancer Care incorporated the Cancer Care Co-Payment Assistance Foundation, Inc. (Co-Pay Foundation) as a Type B corporation as defined in Section 201 of the Not-for-Profit Corporation Law in the State of New York. The primary function of the Co-Pay Foundation is to provide financial assistance to individuals with cancer in the form of co-payment assistance for both prescribed treatment and supporting medications, premium assistance, or other direct financial assistance in order to ensure access to care, treatment, and prescribed medications. The Co-Pay Foundation began operating April 1, 2008. Since inception, over 3,000 individuals have been approved for co-payment assistance grants.

The accompanying consolidated financial statements include the financial position and changes in net assets of Cancer Care and the Co-Pay Foundation (collectively, the Organization).

The Organization has five main program areas:

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

*Financial assistance* – offers assistance by providing funds for treatment-related costs, such as pain medication, transportation, homecare, and childcare.

*Co-Payment assistance* (Co-Pay Foundation) – provides financial assistance to individuals with cancer in the form of co-payment assistance for both prescribed treatment and supporting medications, premium assistance, or other direct financial assistance in order to ensure access to care, treatment, and prescribed medications.

*Education* – Connect<sup>R</sup> Education Workshops provide cancer patients and caregivers with the opportunity to listen to, and ask questions, of top cancer experts from around the country on a variety of cancer-related topics in a telephone conference format.

*Information and publications* – offer practical help, including education materials and information, and referrals to other sources of help. The Organization's Web site, [www.cancercare.org](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<sup>R</sup> 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, 2009 and 2008

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.

#### ***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) *Recently Issued Accounting Standards***

On August 6, 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 117-1, *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, and Enhanced Disclosures for All Endowment Funds*. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. This FSP also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not subject to an enacted version of UPMIFA. Although the Organization has no donor restricted endowment funds, the board has designated certain unrestricted net assets for long term investments. Accordingly, the Organization has adopted the disclosure requirements of FSP FAS 117-1.

## CANCER CARE, INC.

### Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Effective July 1, 2008, the Organization adopted FASB Statement No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, requires expanded disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The adoption of SFAS 157 did not have a significant impact on the Organization's consolidated financial statements.

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. SFAS 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category includes alternative investments that are redeemable at or near the balance sheet date.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. This category generally includes certain private debt and equity instruments and alternative investments that are not redeemable at or near the balance sheet date.

In conjunction with the adoption of SFAS 157, the Organization elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, with respect to investments within its scope (principally hedge funds and private equity – collectively “alternative investments”). This guidance amends SFAS 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. In addition, classification of these investments within the fair value hierarchy is based on the Organization's ability to timely redeem its interest rather than on valuation inputs.

## CANCER CARE, INC.

### Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Effective June 30, 2009, the Organization adopted FASB Statement No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Organization evaluated events subsequent to June 30, 2009 and through December 9, 2009, the date on which the financial statements were approved for issuance. The adoption of SFAS 165 had no impact on the Organization's consolidated financial statements.

**(c) *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.

**(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.

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 year 2010.

**(e) *Functional Expense Allocations***

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

**(f) *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.

## CANCER CARE, INC.

### Notes to Consolidated Financial Statements

June 30, 2009 and 2008

**(g) *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.

**(h) *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 or net asset value as a practical expedient 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.

**(i) *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.

**(j) *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 2009 and 2008 was 2.8% and 3.8%, respectively. State-mandated insurance reserves related to these agreements are maintained at required levels.

**CANCER CARE, INC.**

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

**(k) Encumbrances for Co-Payment Assistance**

The Co-Pay Foundation (the 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 Foundation has established objective criteria for determining eligibility for assistance based upon an applicant's medical condition and financial need. The Foundation currently has seven funds open at June 30, 2009 classified by disease state; the medical criteria to determine a disease-state fund is based upon a particular diagnosis or sub-set of a diagnosis determined by the Foundation's board of trustees. The financial need criteria are based on certain national standards of indigence. Grants are awarded based on an assessment of applicants' individual need for up to one year, after which a recipient may reapply.

The Foundation records a co-payment assistance obligation as the estimated amount of payments that are expected to be made based on historical experience by disease state.

**(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, 2009 and 2008 consisted of the following:

	<b>2009</b>		<b>2008</b>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Financial assets:				
Short-term investments:				
Certificate of deposit	\$ 200,000	200,000	—	—
Money market funds	695,952	695,952	3,909,232	3,909,232
U.S. government funds	25,044,406	25,044,406	11,821,000	11,821,000
	<u>\$ 25,940,358</u>	<u>25,940,358</u>	<u>15,730,232</u>	<u>15,730,232</u>
Investments:				
Cash and cash equivalents	\$ 394,460	394,460	942,110	942,110
Fixed income funds	2,816,499	2,561,866	2,434,480	2,317,544
Equity funds	7,830,774	5,865,469	7,362,834	7,918,512
Hedge funds	850,000	882,906	850,000	995,935
	<u>\$ 11,891,733</u>	<u>9,704,701</u>	<u>11,589,424</u>	<u>12,174,101</u>

The board of trustees designated \$9,074,153 and \$10,502,000 of the investment portfolio as of June 30, 2009 and 2008, respectively, as a reserve to provide for the long-term financial stability of the Organization.

**CANCER CARE, INC.**

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value or net asset value as a practical expedient as of June 30, 2009:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Short-term investments:				
Certificate of deposit	\$ 200,000	200,000	—	—
Money market funds	695,952	—	695,952	—
U.S. government funds	25,044,406	—	25,044,406	—
	<u>\$ 25,940,358</u>	<u>200,000</u>	<u>25,740,358</u>	<u>—</u>
Investments:				
Cash and cash equivalents	\$ 394,460	394,460	—	—
Fixed income funds	2,561,866	2,561,866	—	—
Equity funds	5,865,469	5,865,469	—	—
Hedge funds	882,906	—	882,906	—
	<u>\$ 9,704,701</u>	<u>8,821,795</u>	<u>882,906</u>	<u>—</u>

**(3) Property and Equipment**

Property and equipment, net, consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 1,133,578	993,670
Telephone equipment	243,510	217,606
Leasehold improvements	1,083,554	1,009,673
Computer equipment	245,651	233,951
	<u>2,706,293</u>	<u>2,454,900</u>
Less accumulated depreciation and amortization	<u>1,612,478</u>	<u>1,515,491</u>
	<u>\$ 1,093,815</u>	<u>939,409</u>

**(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 \$222,000 and \$167,000 to the defined contribution plan during the years ended June 30, 2009 and 2008, respectively.

**CANCER CARE, INC.**

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

**(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, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Accrued postretirement benefit cost recognized in the Organization's consolidated statements of financial position	\$ 367,013	388,198
Benefits cost	22,152	22,473
Employer contribution	53,670	53,185
Benefits paid	63,670	53,185

**(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 2015. 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 statements of financial position.

The annual minimum rental commitments as of June 30, 2009 are as follows:

	<b>Amount</b>
Year ending June 30:	
2010	\$ 1,511,705
2011	1,535,233
2012	1,545,365
2013	1,563,693
2014	1,283,147
2015	104,355
	\$ 7,543,498

Under the terms of the lease agreement for its headquarters, an irrevocable letter of credit in the amount of \$178,655 has been established with a financial institution in lieu of a security deposit.

**CANCER CARE, INC.**

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

**(6) Net Assets**

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

	<u>2009</u>	<u>2008</u>
Co-payment assistance	\$ 12,508,641	10,876,332
Patient assistance	4,257,576	2,881,342
General program support	2,271,394	1,988,061
Time restricted	222,050	233,694
	<u>\$ 19,259,661</u>	<u>15,979,429</u>

The Organization has no donor-restricted endowment funds. The Organization's endowment consists of one board-designated endowment fund established to provide for the long-term stability of the organization as designated by the Board of Trustees to function as endowment.

The board designated endowment fund has been established for Cancer Care only and is determined as 75% of investments plus short-term investments less those short-term investments which are derived from temporarily restricted net assets.

The following represents the Organization's board-designated endowment funds and the changes in board designated endowment funds for the year ended June 30, 2009:

	<u>Unrestricted</u>
Endowment net assets, July 1, 2008	\$ 10,502,000
Net depreciation in fair value of investments	(1,833,299)
Contributions	405,452
June 30, 2009	<u>\$ 9,074,153</u>

The Organization's investment objective is the highest total return consistent with prudent investment management and the preservation of capital.

**(7) Allocation of Joint Costs Information**

In 2009 and 2008, the Organization incurred joint costs of \$517,825 and \$1,161,126, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, \$130,447 and \$286,609, respectively, was allocated to information and publications expenses and \$387,378 and \$874,517, respectively, was allocated to fund-raising expenses.

## CANCER CARE, INC.

## Consolidating Schedule – Balance Sheet Information

June 30, 2009

<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	\$ 648,536	114,411	—	762,947
Short-term investments	5,896,358	20,044,000	—	25,940,358
Intercompany receivable	239,108	—	(239,108)	—
Grants and contributions receivable	4,270,509	—	—	4,270,509
Prepaid expenses and other assets	152,150	—	—	152,150
Investments	9,704,701	—	—	9,704,701
Property and equipment, net	1,063,642	30,173	—	1,093,815
Total assets	<u>\$ 21,975,004</u>	<u>20,188,584</u>	<u>(239,108)</u>	<u>41,924,480</u>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,137,261	62,829	—	1,200,090
Intercompany payable	—	239,108	(239,108)	—
Refundable advances	149,059	—	—	149,059
Co-payment assistance obligations	—	7,067,077	—	7,067,077
Deferred rent	732,362	—	—	732,362
Accrued postretirement benefit cost	367,013	—	—	367,013
Annuities payable	244,649	—	—	244,649
Total liabilities	<u>2,630,344</u>	<u>7,369,014</u>	<u>(239,108)</u>	<u>9,760,250</u>
Commitments				
Net assets:				
Unrestricted:				
Board designated	9,445,230	—	—	9,074,153
Undesignated	3,148,410	310,929	—	3,830,416
Total unrestricted	<u>12,593,640</u>	<u>310,929</u>	<u>—</u>	<u>12,904,569</u>
Temporarily restricted	6,751,020	12,508,641	—	19,259,661
Total net assets	<u>19,344,660</u>	<u>12,819,570</u>	<u>—</u>	<u>32,164,230</u>
Total liabilities and net assets	<u>\$ 21,975,004</u>	<u>20,188,584</u>	<u>(239,108)</u>	<u>41,924,480</u>

See accompanying independent auditors' report.

## CANCER CARE, INC.

## Consolidating Schedule – Statement of Activities Information

Year ended June 30, 2009

	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	\$ 3,349,206	—	—	3,349,206
Government grants	110,000	—	—	110,000
Special events, net	1,818,702	—	—	1,818,702
Donated goods and services	1,659,908	—	—	1,659,908
Legacies and bequests	3,896,417	—	—	3,896,417
Direct marketing	712,454	—	—	712,454
Contributions from individuals	737,281	—	—	737,281
Sponsorships and cause-related marketing	311,418	—	—	311,418
United way	109,025	—	—	109,025
Thrift shop sales, net	443,824	—	—	443,824
Total contributions	<u>13,148,235</u>	<u>—</u>	<u>—</u>	<u>13,148,235</u>
Revenues:				
Interest and dividends	61,696	65,231	—	126,927
Other income	128,911	—	(108,956)	19,955
Total revenues	<u>190,607</u>	<u>65,231</u>	<u>(108,956)</u>	<u>146,882</u>
Total contributions and revenues before net assets released from restrictions	13,338,842	65,231	(108,956)	13,295,117
Net assets released from restrictions:				
Satisfaction of program restrictions	6,639,934	11,723,891	—	18,363,825
Total contributions and revenues	<u>19,978,776</u>	<u>11,789,122</u>	<u>(108,956)</u>	<u>31,658,942</u>
Expenses:				
Program services:				
Counseling and support	5,433,765	81,240	(81,240)	5,433,765
Financial assistance	5,218,890	—	—	5,218,890
Co-payment assistance	—	11,205,183	(27,716)	11,177,467
Education	1,101,180	—	—	1,101,180
Information and publications	4,025,914	66,106	—	4,092,020
Total program services	<u>15,779,749</u>	<u>11,352,529</u>	<u>(108,956)</u>	<u>27,023,322</u>
Supporting services:				
Fund-raising	2,377,493	30,603	—	2,408,096
Management and general	786,816	68,738	—	855,554
Total supporting services	<u>3,164,309</u>	<u>99,341</u>	<u>—</u>	<u>3,263,650</u>
Total expenses	<u>18,944,058</u>	<u>11,451,870</u>	<u>(108,956)</u>	<u>30,286,972</u>
Increase in unrestricted net assets before net depreciation on long-term investments	1,034,718	337,252	—	1,371,970
Net depreciation on long-term investments	(2,444,399)	—	—	(2,444,399)
(Decrease) increase in unrestricted net assets	<u>(1,409,681)</u>	<u>337,252</u>	<u>—</u>	<u>(1,072,429)</u>
Change in temporarily restricted net assets:				
Contributions from foundations and corporations	8,258,358	13,356,200	—	21,614,558
Contributions from individuals	29,500	—	—	29,500
Net assets released from restrictions	(6,639,934)	(11,723,891)	—	(18,363,825)
Increase in temporarily restricted net assets	<u>1,647,924</u>	<u>1,632,309</u>	<u>—</u>	<u>3,280,233</u>
Increase in net assets	238,243	1,969,561	—	2,207,804
Net assets at beginning of year	<u>19,106,417</u>	<u>10,850,009</u>	<u>—</u>	<u>29,956,426</u>
Net assets at end of year	<u>\$ 19,344,660</u>	<u>12,819,570</u>	<u>—</u>	<u>32,164,230</u>

See accompanying independent auditors' report.

## CANCER CARE, INC.

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

Year ended June 30, 2009

	<u>Counseling and support</u>	<u>Financial assistance</u>	<u>Education</u>	<u>Information and publications</u>	<u>Subtotal</u>	<u>Fund- raising</u>	<u>Management and general</u>	<u>Subtotal</u>	<u>Total</u>
Salaries	\$ 3,138,457	434,031	291,916	631,815	4,496,219	1,024,931	399,306	1,424,237	5,920,456
Employee health and retirement benefits	523,964	72,829	39,308	104,613	740,714	158,042	60,113	218,155	958,869
Payroll taxes	221,111	28,409	19,375	44,610	313,505	71,800	28,107	99,907	413,412
Total salaries and related expenses	3,883,532	535,269	350,599	781,038	5,550,438	1,254,773	487,526	1,742,299	7,292,737
Direct disbursements to patients and families for services	24,778	4,395,092	—	38	4,419,908	—	—	—	4,419,908
Donated goods and services	36,569	—	278,000	1,602,299	1,916,868	—	—	—	1,916,868
Contract services	148,557	68,524	7,266	743,431	967,778	487,100	148,169	635,269	1,603,047
Postage and shipping	29,000	54,096	125,971	181,338	390,405	135,099	2,937	138,036	528,441
Telephone	134,797	5,452	120,841	12,588	273,678	15,940	6,186	22,126	295,804
Occupancy	741,634	91,964	50,131	152,743	1,036,472	199,357	66,389	265,746	1,302,218
Supplies	38,911	6,202	4,042	20,721	69,876	23,147	5,177	28,324	98,200
Printing and publications	14,557	8,121	129,605	369,937	522,220	85,730	3,461	89,191	611,411
Equipment repairs and maintenance	81,275	9,070	5,006	15,979	111,330	33,283	15,119	48,402	159,732
Memberships and subscriptions	6,074	1,085	1,120	6,413	14,692	4,287	2,182	6,469	21,161
Staff and volunteer training and support	40,725	10,837	10,485	23,812	85,859	26,603	23,003	49,606	135,465
Travel and related costs	30,957	2,663	2,724	51,388	87,732	21,832	2,690	24,522	112,254
Marketing and promotion	1,239	—	—	19,289	20,528	10,152	—	10,152	30,680
Interest and taxes	467	57	31	100	655	139	49	188	843
Insurance	53,333	7,451	4,012	10,684	75,480	15,982	4,889	20,871	96,351
Miscellaneous	36,415	4,409	1,614	5,135	47,573	7,011	3,420	10,431	58,004
Total functional expenses before depreciation and amortization	5,302,820	5,200,292	1,091,447	3,996,933	15,591,492	2,320,435	771,197	3,091,632	18,683,124
Depreciation and amortization	130,945	18,598	9,733	28,981	188,257	57,058	15,619	72,677	260,934
Total expenses	\$ 5,433,765	5,218,890	1,101,180	4,025,914	15,779,749	2,377,493	786,816	3,164,309	18,944,058
Direct benefit costs of special events								562,185	562,185
Direct cost of thrift shop								508,412	508,412
							\$	4,234,906	20,014,655

See accompanying independent auditors' report.

## CANCER CARE, INC.

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

Year ended June 30, 2009

	Co-payment assistance	Counseling and support	Information and publications	Subtotal	Fund- raising	Management and general	Subtotal	Total
Salaries	\$ 747,314	—	32,583	779,897	24,730	54,047	78,777	858,674
Employee health and retirement benefits	104,977	—	6,779	111,756	1,102	3,208	4,310	116,066
Payroll taxes	48,951	—	2,553	51,504	1,197	2,660	3,857	55,361
Total salaries and related expenses	901,242	—	41,915	943,157	27,029	59,915	86,944	1,030,101
Direct disbursements to patients and families for services	9,972,817	—	—	9,972,817	—	—	—	9,972,817
Donated goods and services	—	—	—	—	—	—	—	—
Contract services	20,169	—	365	20,534	600	1,919	2,519	23,053
Postage and shipping	52,720	—	2,750	55,470	12	41	53	55,523
Telephone	20,236	—	487	20,723	79	228	307	21,030
Occupancy	139,472	—	10,669	150,141	2,494	5,306	7,800	157,941
Supplies	10,758	—	501	11,259	81	235	316	11,575
Printing and publications	16,188	—	7,746	23,934	12	33	45	23,979
Equipment repairs and maintenance	36,938	—	585	37,523	95	274	369	37,892
Memberships and subscriptions	499	—	—	499	—	—	—	499
Staff and volunteer training and support	854	—	32	886	5	15	20	906
Travel and related costs	8,232	—	9	8,241	2	270	272	8,513
Marketing and promotion	—	—	—	—	—	—	—	—
Interest and taxes	84	—	5	89	1	3	4	93
Insurance	10,987	—	712	11,699	116	334	450	12,149
Miscellaneous	4,312	81,240	330	85,882	77	165	242	86,124
Total functional expenses before depreciation and amortization	11,195,508	81,240	66,106	11,342,854	30,603	68,738	99,341	11,442,195
Depreciation and amortization	9,675	—	—	9,675	—	—	—	9,675
Total expenses	\$ 11,205,183	81,240	66,106	11,352,529	30,603	68,738	99,341	11,451,870

See accompanying independent auditors' report.

## CANCER CARE, INC.

## Consolidating Schedule – Statement of Cash Flows Information

Year ended June 30, 2009

	Cancer Care, Inc.	Cancer Care Co-Payment Assistance Foundation, Inc.	Elimination entries	Total
Cash flows from operating activities:				
Increase in net assets	\$ 238,243	1,969,561	—	2,207,804
Adjustments to reconcile increase in net assets to net cash provided by operating activities				
Depreciation	260,934	9,675	—	270,609
Net depreciation on investments	2,771,708	—	—	2,771,708
Changes in operating assets and liabilities				
Intercompany receivable	48,382	—	439,108	487,490
Increase in grants and contributions receivable	(502,644)	—	—	(502,644)
Decrease in prepaid expenses and other assets	105,111	80	—	105,191
Increase in accounts payable and accrued liabilities:	29,106	43,940	—	73,046
Intercompany payable	—	(48,382)	(439,108)	(487,490)
Decrease in refundable advances	(35,327)	—	—	(35,327)
Increase in co-payment assistance obligations:	—	6,297,101	—	6,297,101
Decrease in deferred rent	(5,483)	—	—	(5,483)
Decrease in accrued postretirement benefit costs	(21,185)	—	—	(21,185)
Increase in annuities payable	6,297	—	—	6,297
Net cash provided by operating activities	<u>2,895,142</u>	<u>8,271,975</u>	<u>—</u>	<u>11,167,117</u>
Cash flows from investing activities:				
Proceeds from sales of investments	18,020,016	5,475,000	—	23,495,016
Purchases of investments	(20,309,451)	(13,698,000)	—	(34,007,451)
Purchase of property and equipment	(421,556)	(3,458)	—	(425,014)
Net cash used in investing activities	<u>(2,710,991)</u>	<u>(8,226,458)</u>	<u>—</u>	<u>(10,937,449)</u>
Net increase in cash and cash equivalents	184,151	45,517	—	229,668
Cash and cash equivalents at beginning of year	464,385	68,894	—	533,279
Cash and cash equivalents at end of year	<u>\$ 648,536</u>	<u>114,411</u>	<u>—</u>	<u>762,947</u>

See accompanying independent auditors' report.