

CANCER ACTION, INC.

FINANCIAL STATEMENTS

December 31, 2008

IFFT & CO. PA

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cancer Action, Inc.
Overland Park, Kansas

We have audited the accompanying statement of financial position of Cancer Action, Inc. (a nonprofit organization) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cancer Action, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

iff + Co. PA

May 13, 2009

CANCER ACTION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 338,664
Investments	1,056,776
Inventories	6,662
Prepaid expenses	<u>5,513</u>
TOTAL CURRENT ASSETS	1,407,615
 PROPERTY AND EQUIPMENT	
Office equipment	160,269
Accumulated depreciation	<u>(111,052)</u>
NET PROPERTY AND EQUIPMENT	49,217
SECURITY DEPOSITS	<u>10,381</u>
TOTAL ASSETS	<u>\$ 1,467,213</u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	<u>\$ 10,990</u>
TOTAL CURRENT LIABILITIES	10,990
 NET ASSETS	
Unrestricted	
Undesignated	155,242
Board designated	1,284,360
Temporarily restricted	<u>16,621</u>
TOTAL NET ASSETS	<u>1,456,223</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,467,213</u>

The accompanying notes are an integral part of these financial statements.

CANCER ACTION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Memorials and donations	\$ 547,455	-	547,455
Special events	36,248	-	36,248
United Way support	120,658	-	120,658
Grants	7,017	307,586	314,603
Interest and dividend income	40,520	-	40,520
Unrealized loss on investments	(456,930)	-	(456,930)
Realized loss on investments	(3,936)	-	(3,936)
Miscellaneous income	1,540	-	1,540
Gain on sale of land and building	49,972	-	49,972
Net assets released from restrictions	<u>301,076</u>	<u>(301,076)</u>	<u>-</u>
Total revenues	643,620	6,510	650,130
 Expenses			
Patient services	852,939	-	852,939
Volunteer program	50,048	-	50,048
Education program	85,886	-	85,886
Management and general	72,838	-	72,838
Fundraising	<u>36,397</u>	<u>-</u>	<u>36,397</u>
Total expenses	<u>1,098,108</u>	<u>-</u>	<u>1,098,108</u>
 CHANGE IN NET ASSETS	(454,488)	6,510	(447,978)
 NET ASSETS, BEGINNING OF YEAR	<u>1,894,090</u>	<u>10,111</u>	<u>1,904,201</u>
 NET ASSETS, END OF YEAR	<u>\$ 1,439,602</u>	<u>16,621</u>	<u>1,456,223</u>

The accompanying notes are an integral part of these financial statements.

CANCER ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008

	Program Services				Supporting Services			Total Program, and Supporting Services
	Patient Services	Volunteer Program	Education Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 344,897	22,993	45,985	413,875	32,190	13,794	45,984	459,859
Employee benefits	41,695	2,779	5,560	50,034	4,101	1,670	5,771	55,805
Payroll taxes	26,833	1,788	3,578	32,199	2,504	1,073	3,577	35,776
Total salaries and related expenses	413,425	27,560	55,123	496,108	38,795	16,537	55,332	551,440
Specific assistance to individuals	243,118	-	4,323	247,441	-	-	-	247,441
Professional fees	15,963	1,064	2,128	19,155	7,873	639	8,512	27,667
Office operations	34,723	2,122	4,526	41,371	7,707	1,226	8,933	50,304
Occupancy	115,755	7,825	15,651	139,231	10,956	4,695	15,651	154,882
Printing and publications	5,031	1,089	1,789	7,909	312	2,178	2,490	10,399
Agency sponsored meetings	175	864	-	1,039	2,420	-	2,420	3,459
Volunteers banquet	-	7,503	-	7,503	-	-	-	7,503
Equipment and supplies	7,568	-	-	7,568	-	-	-	7,568
Staff training and development	1,235	92	-	1,327	-	-	-	1,327
Miscellaneous	1,133	941	372	2,446	3,392	10,530	13,922	16,368
Total before depreciation	838,126	49,060	83,912	971,098	71,455	35,805	107,260	1,078,358
Depreciation	14,813	988	1,974	17,775	1,383	592	1,975	19,750
Total	\$ 852,939	50,048	85,886	988,873	72,838	36,397	109,235	1,098,108

The accompanying notes are an integral part of these financial statements.

CANCER ACTION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (447,978)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	19,750
Gain on sale of land and building	(49,972)
Unrealized loss on investments	456,930
Realized loss on investments	3,936
Changes in operating assets and liabilities	
Inventories	916
Prepaid expenses	(1,630)
Security deposits	(1,600)
Accounts payable	<u>1,826</u>
NET CASH USED IN OPERATING ACTIVITIES	(17,822)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(27,266)
Proceeds from sale of investments	180,000
Acquisitions of property and equipment	(10,452)
Proceeds from sale of land and building	<u>155,338</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>297,620</u>
NET INCREASE IN CASH	279,798
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>58,866</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 338,664</u>

The accompanying notes are an integral part of these financial statements.

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Cancer Action, Inc. (the Organization) is a not-for-profit organization serving the greater Kansas City metropolitan area. The Organization, founded in 1959, is a caring community of professionals and volunteers dedicated to increase the quality of life for cancer patients and their caregivers, provide direct client services, and promote the education and early detection of cancer.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions but may be subject to Board designations.
- Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets – Net assets that are restricted to investment in perpetuity. The Organization had no permanently restricted net assets at December 31, 2008.

Restricted and unrestricted revenue and support

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Contributed services and materials

Contributions of assets other than cash are recorded at their estimated fair value.

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Description of Programs

Patient Services – Patient services provided by the Organization are free of charge and are available to anyone with a cancer diagnosis in the Kansas City area. Services provided include practical and direct services, financial assistance programs, educational and emotional support, and wellness and survivorship programs.

Volunteer Program – This program coordinates the time and efforts provided by volunteers in performing patient services through the Organization’s offices, in the community, at home, or for special events.

Education Program – This program educates the public on how to reduce their risk of cancer by providing life-saving information on the prevention and early detection of cancer. In addition, this program provides accurate, up-to-date information on cancer related topics for cancer patients and their families.

Cash and Cash Equivalents

The Organization considers highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value. Unrealized gains and losses are recorded in the accompanying statement of activities.

Inventories

Inventories consist of nutrition supplements and medical equipment and supplies. All inventories are valued at the lower of cost or market, with cost being determined using the first-in, first-out (FIFO) method.

Property and Equipment

The Organization capitalizes all significant acquisitions of property and equipment, which are recorded at cost. Depreciation is computed using the straight-line and accelerated methods over the estimated useful lives of the assets. Donated property and equipment are recorded at their estimated fair value on the date of donation.

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures that materially extend the life of an asset are capitalized.

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Organization qualifies as tax exempt under Section 501(c) (3) of the Internal Revenue Code.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Investments are held by two community foundations and consisted of the following at December 31, 2008:

Restricted money market	\$ 1,855
Fixed income securities	258,744
Equity securities	698,438
Other	<u>97,739</u>
	<u>\$ 1,056,776</u>

NOTE 3 - UNRESTRICTED DESIGNATED NET ASSETS

Unrestricted net assets designated by the Organization are available to fund Organization expenses deemed acceptable by the Board of Directors.

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2008 of \$16,621 were available for Education Program expenses.

NOTE 5 - OPERATING LEASES

The Organization leases its headquarters and branch offices under non-cancelable operating lease agreements that expire at various dates through December 2012. The Organization also leases office equipment under an operating lease agreement expiring in August 2011. Total rent expense for the year ended December 31, 2008 was \$135,370.

Future minimum annual rental payments required under these operating leases at December 31, 2008 are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2009	\$ 146,097
2010	146,097
2011	52,614
2012	<u>37,116</u>
	<u>\$ 381,924</u>

NOTE 6 - RETIREMENT PLAN

The Organization sponsors a prototype 401(k) plan for the benefit of all employees at least age twenty-one with one year of service. Participants may defer a portion of their salary up to the maximum allowed by law as a contribution to the plan. The Organization may also elect to contribute a discretionary amount as determined by the Board of Directors on an annual basis. Contributions to the plan were \$21,645 for the year ended December 31, 2008.

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 7 - CONCENTRATION OF RISK

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 accompanying statement of financial position.

Additionally, at December 31, 2008, the Organization has cash equivalents of \$227,584 in a money market account not covered by the Federal Deposit Insurance Corporation.

NOTE 8 - RECLASSIFICATION

The Organization's financial statements as of and for the year ended December 31, 2007, classified certain amounts as temporarily restricted net assets, which were actually unrestricted net assets with Board designations. Accordingly, prior year net asset amounts of \$1,670,376 have been reclassified as of January 1, 2008, to properly reflect the correct nature of the restrictions.