

CANCER ACTION, INC.

FINANCIAL STATEMENTS

December 31, 2009 and 2008

IFFT & CO. PA

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Cancer Action, Inc. (a not-for-profit organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 audits provide 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, effective January 1, 2009, the Organization adopted the provisions of *FASB Accounting Standards Codification*[™] (ASC) 855, *Subsequent Events* and ASC 740, *Accounting for Uncertainty in Income Taxes*.

IFFT & Co. PA

July 7, 2010

CANCER ACTION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 254,894	338,664
Grants receivable	4,500	-
Investments	970,498	1,056,776
Inventories	2,896	6,662
Prepaid expenses	<u>2,969</u>	<u>5,513</u>
TOTAL CURRENT ASSETS	1,235,757	1,407,615
PROPERTY AND EQUIPMENT		
Office equipment	186,501	160,269
Accumulated depreciation	<u>(131,461)</u>	<u>(111,052)</u>
NET PROPERTY AND EQUIPMENT	55,040	49,217
SECURITY DEPOSITS	<u>10,381</u>	<u>10,381</u>
TOTAL ASSETS	<u>\$ 1,301,178</u>	<u>1,467,213</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,265	10,990
Accrued expenses	4,346	-
Current portion of capital lease obligation	<u>4,716</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	18,327	10,990
CAPITAL LEASE OBLIGATION, less current portion	<u>18,309</u>	<u>-</u>
TOTAL LIABILITIES	36,636	10,990
NET ASSETS		
Unrestricted		
Undesignated	46,169	155,242
Board designated	1,177,061	1,284,360
Temporarily restricted	<u>41,312</u>	<u>16,621</u>
TOTAL NET ASSETS	<u>1,264,542</u>	<u>1,456,223</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,301,178</u>	<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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Memorials and donations	\$ 177,638	-	177,638
Program income	5,163	-	5,163
Special events	49,975	-	49,975
United Way support	124,716	-	124,716
Grants	4,500	219,700	224,200
Interest and dividend income	25,291	-	25,291
Unrealized gain on investments	195,790	-	195,790
Realized loss on investments	(58,022)	-	(58,022)
Miscellaneous income	2,028	-	2,028
Net assets released from restrictions	<u>195,009</u>	<u>(195,009)</u>	<u>-</u>
Total revenues	722,088	24,691	746,779
Expenses			
Patient services	668,064	-	668,064
Volunteer program	41,102	-	41,102
Education program	80,377	-	80,377
Management and general	97,456	-	97,456
Fundraising	<u>51,461</u>	<u>-</u>	<u>51,461</u>
Total expenses	<u>938,460</u>	<u>-</u>	<u>938,460</u>
CHANGE IN NET ASSETS	(216,372)	24,691	(191,681)
NET ASSETS, BEGINNING OF YEAR	<u>1,439,602</u>	<u>16,621</u>	<u>1,456,223</u>
NET ASSETS, END OF YEAR	<u>\$ 1,223,230</u>	<u>41,312</u>	<u>1,264,542</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

	Unrestricted	Temporarily Restricted	Total
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	301,076	(301,076)	-
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	36,397	-	36,397
Total expenses	1,098,108	-	1,098,108
CHANGE IN NET ASSETS	(454,488)	6,510	(447,978)
NET ASSETS, BEGINNING OF YEAR	1,894,090	10,111	1,904,201
NET ASSETS, END OF YEAR	\$ 1,439,602	16,621	1,456,223

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

CANCER ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

	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	\$ 299,995	20,000	40,000	359,995	28,000	12,005	40,005	400,000
Employee benefits	28,527	1,902	3,804	34,233	2,990	1,141	4,131	38,364
Payroll taxes	20,210	1,347	2,695	24,252	6,436	808	7,244	31,496
Total salaries and related expenses	348,732	23,249	46,499	418,480	37,426	13,954	51,380	469,860
Specific assistance to individuals	154,440	789	10,517	165,746	-	-	-	165,746
Professional fees	4,834	322	644	5,800	33,255	193	33,448	39,248
Office operations	24,285	1,528	4,610	30,423	6,937	1,841	8,778	39,201
Occupancy	104,583	6,971	13,943	125,497	10,378	4,183	14,561	140,058
Printing and publications	6,953	1,448	2,392	10,793	1,974	2,586	4,560	15,353
Agency sponsored meetings	276	923	-	1,199	1,298	-	1,298	2,497
Volunteers banquet	-	4,170	-	4,170	-	-	-	4,170
Equipment and supplies	9,292	540	-	9,832	-	-	-	9,832
Staff training and development	329	17	33	379	143	35	178	557
Special events	-	-	-	-	-	20,464	20,464	20,464
Interest expense	-	-	-	-	824	-	824	824
Miscellaneous	75	268	4	347	2,795	7,100	9,895	10,242
Total before depreciation and amortization	653,799	40,225	78,642	772,666	95,030	50,356	145,386	918,052
Depreciation and amortization	14,265	877	1,735	16,877	2,426	1,105	3,531	20,408
Total	\$ 668,064	41,102	80,377	789,543	97,456	51,461	148,917	938,460

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	
Salaries and wages	\$ 344,897	22,993	45,985	413,875	32,190	13,794	459,859
Employee benefits	41,695	2,779	5,560	50,034	4,101	1,670	55,805
Payroll taxes	26,833	1,788	3,578	32,199	2,504	1,073	35,776
Total salaries and related expenses	413,425	27,560	55,123	496,108	38,795	16,537	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	27,667
Office operations	34,723	2,122	4,526	41,371	7,707	1,226	50,304
Occupancy	115,755	7,825	15,651	139,231	10,956	4,695	154,882
Printing and publications	5,031	1,089	1,789	7,909	312	2,178	10,399
Agency sponsored meetings	175	864	-	1,039	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	16,368
Total before depreciation and amortization	838,126	49,060	83,912	971,098	71,455	35,805	1,078,358
Depreciation and amortization	14,813	988	1,974	17,775	1,383	592	19,750
Total	\$ 852,939	50,048	85,886	988,873	72,838	36,397	1,098,108

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

CANCER ACTION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (191,681)	(447,978)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	20,408	19,750
Gain on sale of land and building	-	(49,972)
Unrealized (gain) loss on investments	(195,790)	456,930
Realized loss on investments	58,022	3,936
Changes in operating assets and liabilities		
Grants receivable	(4,500)	-
Inventories	3,766	916
Prepaid expenses	2,544	(1,630)
Security deposits	-	(1,600)
Accounts payable	(1,725)	1,826
Accrued expenses	<u>4,346</u>	<u>-</u>
NET CASH USED IN OPERATING ACTIVITIES	(304,610)	(17,822)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	155,338
Acquisitions of property and equipment	-	(10,452)
Purchases of investments	(15,954)	(27,266)
Proceeds from sale of investments	240,000	180,000
Other	<u>290</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	224,336	297,620
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	<u>(3,496)</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	(3,496)	-
NET CHANGE IN CASH	(83,770)	279,798
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>338,664</u>	<u>58,866</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 254,894</u>	<u>338,664</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 824</u>	<u>-</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of equipment through capital lease obligation	<u>\$ 26,521</u>	<u>-</u>

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

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 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, 2009 and 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.

Grant Revenues

The Organization receives a significant amount of revenue in the form of grants. The Organization recognizes grant funds received or receivable as revenue at the time the grant is awarded.

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Services and Materials

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

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.

Grants Receivable

The Organization’s receivables are due from grants and are recorded at amounts due, net of an allowance for doubtful accounts. Grants receivable are generally due at the donor’s discretion. Grants outstanding beyond the time agreed are considered past due. The Organization determines its allowance by considering a number of factors, including the length of time grants receivable are past due, the Organization’s previous loss history, the grantor’s current ability to pay its obligations to the Organization, and the condition of the general economy as a whole. The Organization writes off receivables when they become uncollectible. The Organization considered grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded.

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.

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Income Taxes

The Organization is generally tax exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been included in the accompanying financial statements.

The Organization adopted the provisions of *FASB Accounting Standards Codification*[™] (ASC) 740, *Income Taxes*, on January 1, 2009. ASC 740 requires that the Organization recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority.

The Organization is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Organization is no longer subject to income tax examinations by the applicable tax authorities for the years before 2006. If any were to be incurred, the Organization's policy is to record penalties and interest assessed by income taxing authorities as operating expenses.

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.

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Fair Value Measurements

The Organization classifies its investments into Level 1, which refers to securities traded in an active market; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction; and Level 3, which refers to securities not traded in an active market and for which no significant observable market inputs are available. At December 31, 2009 and 2008, the Organization's portfolio investments were classified as follows, based on fair values.

<u>Fair Value Measurement at Reporting Date Using</u>	<u>2009</u>	<u>2008</u>
Level 1	\$ -	-
Level 2	970,498	1,056,776
Level 3	-	-
	<u>\$ 970,498</u>	<u>1,056,776</u>

Subsequent Events

Subsequent events have been evaluated through July 7, 2010, which is the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments are held by two community foundations in pooled investment funds and consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Restricted money market pool	\$ 93,140	1,855
Fixed income securities pool	370,046	258,744
Equity securities pool	503,136	698,438
Other	4,176	97,739
	<u>\$ 970,498</u>	<u>1,056,776</u>

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3 - CAPITAL LEASE OBLIGATION

Property and equipment included the following asset under a capital lease at December 31, 2009:

Equipment	\$	26,521
Accumulated amortization		<u>(3,978)</u>
		<u>\$ 22,543</u>

Amortization expense for the year ended December 31, 2009 was \$3,978.

Future minimum lease payments required under the capital lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 5,760
2011	5,760
2012	5,760
2013	5,760
2014	<u>2,701</u>
Future minimum lease payments	25,741
Less amount representing interest	<u>2,716</u>
	23,025
Less current maturities	<u>4,716</u>
	<u>\$ 18,309</u>

NOTE 4 - UNRESTRICTED DESIGNATED NET ASSETS

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

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2009 and 2008 were available as follows:

	<u>2009</u>	<u>2008</u>
Patient services	\$ 41,312	-
Education	<u>-</u>	<u>16,621</u>
	<u>\$ 41,312</u>	<u>16,621</u>

CANCER ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 6 - OPERATING LEASES

The Organization leases its headquarters and branch offices under non-cancelable operating lease agreements that expire at various dates through December 2012. Total rent expense for the year ended December 31, 2009 was \$129,042.

Future minimum rental payments required under these operating leases were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 138,810
2011	47,756
2012	<u>37,116</u>
	<u>\$ 223,682</u>

NOTE 7 - 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 \$4,535 for the year ended December 31, 2009.

NOTE 8 - 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, 2009, the Organization has cash equivalents of \$206,564 in a money market fund account not covered by the Federal Deposit Insurance Corporation.