

AMC Cancer Research Center

Financial Statements

June 30, 2010 and 2009

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

**Board of Directors
AMC Cancer Research Center:**

We have audited the accompanying statements of financial position of AMC Cancer Research Center (the Center) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 AMC Cancer Research Center as of June 30, 2010 and 2009, 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.

KUNDINGER, CORDER & ENGLE, P.C.

September 7, 2010

AMC Cancer Research Center
Statements of Financial Position
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets:		
Cash and cash equivalents	\$ 2,187,247	2,702,676
Due from the University of Colorado Cancer Center (note 6)	37,279	–
Contributions receivable (note 3)	481,452	720,037
Prepaid expenses	3,480	–
Property and equipment, net (note 2)	19,216	5,528
Restricted cash (notes 4, 9 and 10)	250,381	369,300
Contributions receivable–remainder trusts (notes 4, 8 and 9)	230,260	205,323
Beneficial interest in perpetual trusts (notes 4, 8 and 10)	<u>2,375,396</u>	<u>2,231,873</u>
Total assets	<u>\$ 5,584,711</u>	<u>6,234,737</u>
Liabilities:		
Accrued expenses	\$ 378,804	98,855
Deferred grants payable (note 5)	9,672	9,672
Due to the University of Colorado Cancer Center (note 6)	–	4,407
Deferred gain on sale of assets (note 7)	<u>–</u>	<u>85,477</u>
Total liabilities	<u>388,476</u>	<u>198,411</u>
Net Assets:		
Unrestricted–undesignated	1,733,095	2,383,901
Unrestricted–board designated for faculty reserve (note 6)	<u>125,000</u>	<u>125,000</u>
Total unrestricted net assets	1,858,095	2,508,901
Temporarily restricted (note 9)	737,744	1,270,552
Permanently restricted (note 10)	<u>2,600,396</u>	<u>2,256,873</u>
Total net assets	5,196,235	6,036,326
Commitments (notes 6, 11 and 12)	<u>–</u>	<u>–</u>
Total liabilities and net assets	<u>\$ 5,584,711</u>	<u>6,234,737</u>

See accompanying notes to financial statements.

AMC Cancer Research Center
Statements of Activities
Years Ended June 30, 2010 and 2009

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2010	Unrestricted	Temporarily restricted	Permanently restricted	Total 2009
Revenue:								
Contributions	\$ 985,186	58,220	200,000	1,243,406	1,244,323	1,054,987	-	2,299,310
Special events revenue	248,002	-	-	248,002	141,098	-	-	141,098
Special events expense	(73,932)	-	-	(73,932)	(55,115)	-	-	(55,115)
Special events, net	174,070	-	-	174,070	85,983	-	-	85,983
Change in value of trusts (note 8)	-	24,937	143,523	168,460	-	(117,988)	(461,730)	(579,718)
Interest and other income	30,729	738	-	31,467	54,260	2,575	-	56,835
Net assets released from restrictions due to satisfaction of program restrictions (note 9)	616,703	(616,703)	-	-	570,771	(570,771)	-	-
Total revenue	1,806,688	(532,808)	343,523	1,617,403	1,955,337	368,803	(461,730)	1,862,410
Expenses:								
Contributions to the University of Colorado Cancer Center (note 6)	1,369,840	-	-	1,369,840	997,723	-	-	997,723
Program support (note 6)	555,154	-	-	555,154	539,359	-	-	539,359
Total program support	1,924,994	-	-	1,924,994	1,537,082	-	-	1,537,082
General and administrative	323,909	-	-	323,909	419,272	-	-	419,272
Fund raising	294,068	-	-	294,068	274,252	-	-	274,252
Total expenses	2,542,971	-	-	2,542,971	2,230,606	-	-	2,230,606
Change in net assets before gain on sale of assets	(736,283)	(532,808)	343,523	(925,568)	(275,269)	368,803	(461,730)	(368,196)
Gain on sale of assets (note 7)	85,477	-	-	85,477	173,810	-	-	173,810
Change in net assets	(650,806)	(532,808)	343,523	(840,091)	(101,459)	368,803	(461,730)	(194,386)
Net assets at beginning of year, as previously reported	2,508,901	1,270,552	2,256,873	6,036,326	2,610,923	901,186	2,718,603	6,230,712
Net asset reclassification based upon adoption of new accounting standard (note 10)	-	-	-	-	(563)	563	-	-
Net assets at beginning of year as restated	2,508,901	1,270,552	2,256,873	6,036,326	2,610,360	901,749	2,718,603	6,230,712
Net assets at end of year	\$ 1,858,095	737,744	2,600,396	5,196,235	2,508,901	1,270,552	2,256,873	6,036,326

See accompanying notes to financial statements.

AMC Cancer Research Center
Statement of Functional Expenses
Year Ended June 30, 2010

	Program services		Supporting services				Total expenses
	Contributions to the UCCC	Program support	Total program support	General and administrative	Fund raising	Total supporting services	
Salaries	\$ -	163,629	163,629	121,231	92,575	213,806	377,435
Payroll taxes	-	14,032	14,032	8,788	7,938	16,726	30,758
Benefits	-	16,348	16,348	10,238	9,249	19,487	35,835
Professional services	-	143,531	143,531	108,322	57,847	166,169	309,700
Rent	-	188,106	188,106	31,351	18,811	50,162	238,268
Supplies expense	-	-	-	8,748	1,149	9,897	9,897
Fund raising	-	-	-	-	84,543	84,543	84,543
Postage and shipping	-	-	-	4,976	7,191	12,167	12,167
Printing	-	-	-	2,270	13,859	16,129	16,129
Depreciation	-	-	-	4,240	-	4,240	4,240
Moving expense	-	14,251	14,251	655	-	655	14,906
Telephone	-	2,162	2,162	10,755	3,913	14,668	16,830
Dues and subscriptions	-	-	-	2,777	17,081	19,858	19,858
Travel and entertainment	-	-	-	4,912	6,263	11,175	11,175
Contributions to the UCCC	1,369,840	-	1,369,840	-	33,850	33,850	1,403,690
Insurance	-	7,258	7,258	-	226	226	7,484
Repairs and maintenance	-	5,837	5,837	4,646	301	4,947	10,784
Miscellaneous	-	-	-	-	13,204	13,204	13,204
Total functional expenses	1,369,840	555,154	1,924,994	323,909	368,000	691,909	2,616,903
Less expenses included with revenue in the statement of activities	-	-	-	-	(73,932)	(73,932)	(73,932)
Total expenses	\$ 1,369,840	555,154	1,924,994	323,909	294,068	617,977	2,542,971

See accompanying notes to financial statements.

AMC Cancer Research Center
Statement of Functional Expenses
Year Ended June 30, 2009

	Program services			Supporting services			Total expenses
	Contributions to the UCCC	Program support	Total program support	General and administrative	Fund raising	Total supporting services	
Salaries	\$ -	103,266	103,266	40,449	148,343	188,792	292,058
Payroll taxes	-	8,201	8,201	2,844	11,558	14,402	22,603
Benefits	-	2,103	2,103	57,628	4,852	62,480	64,583
Professional services	-	47,380	47,380	194,425	40,564	234,989	282,369
Rent	-	349,442	349,442	58,240	23,296	81,536	430,978
Supplies expense	-	-	-	8,820	1,610	10,430	10,430
Fund raising	-	-	-	-	60,234	60,234	60,234
Postage and shipping	-	-	-	4,823	3,247	8,070	8,070
Printing	-	-	-	1,901	6,495	8,396	8,396
Depreciation	-	-	-	6,010	-	6,010	6,010
Telephone	-	3,217	3,217	16,694	3,044	19,738	22,955
Dues and subscriptions	-	-	-	2,098	14,717	16,815	16,815
Travel and entertainment	-	1,141	1,141	2,888	9,837	12,725	13,866
Contributions to the UCCC	997,723	-	997,723	-	-	-	997,723
Insurance	-	6,052	6,052	1,009	403	1,412	7,464
Repairs and maintenance	-	7,599	7,599	11,664	717	12,381	19,980
Miscellaneous	-	10,958	10,958	9,779	450	10,229	21,187
Total functional expenses	997,723	539,359	1,537,082	419,272	329,367	748,639	2,285,721
Less expenses included with revenue in the statement of activities	-	-	-	-	(55,115)	(55,115)	(55,115)
Total expenses	\$ 997,723	539,359	1,537,082	419,272	274,252	693,524	2,230,606

See accompanying notes to financial statements.

AMC Cancer Research Center
Statements of Cash Flows
Year Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (840,091)	(194,386)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in value of trusts	(168,460)	579,718
Gain on sale of assets	(85,477)	(173,810)
Depreciation	4,240	6,010
Loss on disposal of property and equipment	-	10,941
Decrease (increase) in receivables	201,306	(712,060)
Increase in prepaid expenses	(3,480)	-
Increase in accounts payable and accrued expenses	275,542	56,821
Decrease in deferred grants payable	-	(201,813)
Contributions restricted for endowments	200,000	260,879
Net cash used in operating activities	(416,420)	(367,700)
Cash flows from investing activities:		
Purchases of equipment	(17,928)	-
Decrease in restricted cash	118,919	234,139
Net cash provided by investing activities	100,991	234,139
Cash flows from financing activities:		
Contributions restricted for endowments	(200,000)	(260,879)
Net cash used in financing activities	(200,000)	(260,879)
Net decrease in cash and cash equivalents	(515,429)	(394,440)
Cash and cash equivalents at beginning of year	2,702,676	3,097,116
Cash and cash equivalents at end of year	\$ 2,187,247	2,702,676

See accompanying notes to financial statements.

AMC Cancer Research Center

Notes to Financial Statements

June 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

(a) General

AMC Cancer Research Center (the Center) is a Colorado non-profit corporation that is primarily engaged in financial resource development and support of the University of Colorado Cancer Center (the UCCC). Previously, the American Medical Center was a national not-for-profit research institute dedicated to the prevention and control of cancer and other chronic diseases. Effective July 1, 2005, the American Medical Center affiliated with the UCCC and as part of the affiliation, all grants were transferred to the UCCC and all scientific activity was assumed by the UCCC. See note 5. The American Medical Center was then merged into the Center and is now operating as a fund raising organization.

Substantially all of the Center's revenue is derived from contributions.

(b) Basis of Accounting

The Center's financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

Information regarding the financial position and activities of the Center is reported according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

(d) Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC Topic, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification (FASB ASC) as the sole source of authoritative generally accepted accounting principles (GAAP). Pursuant to provisions of this standard, the Center has updated references to GAAP in its financial statements.

(e) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(f) Cash Equivalents

For purposes of the statements of cash flows, the Center considers all unrestricted highly liquid investments with initial maturities of three months or less to be cash equivalents.

AMC Cancer Research Center
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the statements of activities.

(h) Accounts Receivable

The Center considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful amounts is considered necessary. Accounts deemed uncollectible are charged to bad debt expense when that determination is made.

(i) Contributions Receivable

Contributions receivable are recognized as revenue when the pledge is received. Conditional pledges are recognized when the conditions on which they depend are substantially met. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

(j) Property and Equipment

The Center follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets ranging from three to seven years.

(k) Contributed Property and Services

Contributed property and equipment are recorded as unrestricted support at their estimated fair value at date of donation. Donated goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. There were no donated materials or services for the years ended June 30, 2010 and 2009. A number of volunteers have donated time in connection with the Center's activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria of recognition.

(l) Fair Value Measurements

The Center has adopted the *Fair Value Measurements and Disclosures* Topic of FASB ASC which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

AMC Cancer Research Center
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Concentrations of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of cash, cash equivalents and restricted cash. The Center places its cash, cash equivalents and restricted cash with creditworthy, high quality, financial institutions. A portion of the funds are not insured by the FDIC or similar entity. Credit risk associated with cash invested is limited because the investments are comprised of short-term money market funds, certificates of deposit and treasury inflated protected securities (TIPS).

(n) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(o) Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(p) Tax Exempt Status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. Accordingly, the accompanying financial statements contain no provision for income taxes.

(q) Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Center's financial statements were available to be issued on September 7, 2010, and this is the date through which subsequent events were evaluated. The Center did not identify any subsequent events requiring disclosure.

(2) Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Furniture, fixtures and equipment	\$ 43,979	26,050
Less accumulated depreciation	(24,763)	(20,522)
	<u>\$ 19,216</u>	<u>5,528</u>

AMC Cancer Research Center
Notes to Financial Statements, Continued

(3) Contributions Receivable

Pledges are recorded in the statements of financial position as contributions receivable. Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.5%. The following is a summary of unconditional contributions receivable at June 30:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 240,015	239,121
Receivable in one to five years	<u>250,000</u>	<u>500,000</u>
Total contributions receivable	490,015	739,121
Less discounts to net present value	<u>(8,563)</u>	<u>(19,084)</u>
Net contributions receivable	<u>\$ 481,452</u>	<u>720,037</u>

(4) Fair Value Measurements

The Center adopted the *Fair Value Measurements and Disclosures* Topic of FASB ASC which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. The standard establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Assets measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include mutual funds, listed equities, listed derivatives, cash, and cash equivalents. The Center’s Level I investments consist of cash and cash equivalents.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. For the Center, Level 2 investments consist of government and corporate obligations, mortgage-backed securities and money-market funds within the remainder and perpetual trusts, and money-market funds within the restricted cash accounts. Fair value for beneficial interest in charitable trusts (Level 2) is determined by calculating the present value of future distributions expected to be received, using published life expectancy tables and a discount rate of 5%.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt. The Center does not have any Level 3 investments.

AMC Cancer Research Center
Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

In certain cases, the inputs used to measure fair value may fall in to different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following table summarizes the Center's investments by the above fair value hierarchy levels as of June 30, 2010:

<u>Description</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Restricted cash and temporary investments	\$ 250,381	250,381	-	-
Contributions receivable-remainder trusts	230,260	-	230,260	-
Beneficial interest in perpetual trusts	<u>2,375,396</u>	<u>-</u>	<u>2,375,396</u>	<u>-</u>
Total	<u>\$ 2,856,037</u>	<u>250,381</u>	<u>2,605,656</u>	<u>-</u>

The following table summarizes the Center's investments by the above fair value hierarchy levels as of June 30, 2009:

<u>Description</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Restricted cash and temporary investments	\$ 369,300	369,300	-	-
Contributions receivable-remainder trusts	205,323	-	205,323	-
Beneficial interest in perpetual trusts	<u>2,231,873</u>	<u>-</u>	<u>2,231,873</u>	<u>-</u>
Total	<u>\$ 2,806,496</u>	<u>369,300</u>	<u>2,437,196</u>	<u>-</u>

(5) Deferred Grants Payable

Deferred grants payable at June 30, 2010 and 2009, respectively, totaled \$9,672 and \$9,672 and consisted of cash advances for grants that had not been spent at year-end.

AMC Cancer Research Center
Notes to Financial Statements, Continued

(6) University of Colorado Cancer Center Agreements

The Center entered into an Affiliation Agreement dated July 1, 2005, with the University of Colorado in which substantially all the Center's assets, personnel, research grants and intellectual property were transferred to the University of Colorado Cancer Center. The Affiliation Agreement requires the Center and the UCCC to annually negotiate in good faith and exercise their best efforts to enter into a written funding commitment that will identify the financial support that the Center will provide for the UCCC for the year beginning July 1, 2006. The Center agrees to disburse these funds at such times as the UCCC provides supported requests. For the years ended June 30, 2010 and 2009, respectively, the Center provided the UCCC support totaling \$1,369,840 and \$997,723 for cancer research operations. At June 30, 2010, the Center had a receivable from UCCC of \$37,279 and at June 30, 2009, the Center had a payable to UCCC of \$4,407. The Center also incurred program expenses on behalf of UCCC totaling \$555,154 in 2010 and \$539,359 in 2009.

The Center and UCCC have a separate funding policy arrangement for Center faculty employed by the UCCC. Under the funding agreement, the Center is required (contingent upon the availability of funds) to support up to 25% of the salary of certain UCCC employees in the event one of these employees is unable to cover all of their respective salary from grants or contracts at the UCCC during the years ended June 30, 2010 and 2009. Accordingly, a board designated faculty reserve totaling \$125,000 was established (but not funded) during the year ended June 30, 2007 by the Center board to account for the employees who did not require the 25% salary coverage.

(7) Sale-Leaseback

On December 30, 2002, the Center sold land, buildings and land improvements with a net book value of \$5,687,718 and received net proceeds from the sale totaling \$6,904,389, resulting in a gain on sale of assets of \$1,216,671. Concurrently, the Center entered into a lease agreement for the property with the buyer. The gain on the sale is included in deferred gain on sale of assets and is being amortized over the seven-year life of the lease. At June 30, 2010 and 2009, respectively, the unamortized balances of the deferred gain were \$0 and \$85,477 and the gain on sale of assets was \$85,477 and \$173,810 in 2010 and 2009, respectively. The lease agreement was terminated effective January 18, 2010.

(8) Trusts

The Center is the beneficiary of various irrevocable charitable remainder annuity trusts administered by third parties. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the benefactor's lifetime). Upon the termination of annuity payments to the grantor, the Center will receive its respective remaining share of principal and income from the trust. The Center's interest in the trusts is shown in the statements of financial position at June 30, 2010 and 2009, respectively, as contributions receivable – remainder trusts totaling \$230,260 and \$205,323. On an annual basis, the Center revalues the assets of the remainder trusts based on current market values and for the years ended June 30, 2010 and 2009, respectively, the changes in value of the remainder trusts were an increase of \$24,937 and a decrease of (\$117,988).

AMC Cancer Research Center
Notes to Financial Statements, Continued

(8) Trusts, Continued

The Center is also a beneficiary of numerous perpetual trusts administered by third parties. A perpetual trust is an arrangement in which a donor establishes and funds a trust which grants the not-for-profit organization the irrevocable right to receive income earned on the trust assets in perpetuity, but never receive the assets held by the trust. The AICPA Audit and Accounting Guide, *Not-for-Profit-Organizations*, requires perpetual trusts to be reported in the financial statements. The Center's interest in the trusts is shown in the statements of financial position at June 30, 2010 and 2009 as a beneficial interest in perpetual trusts of \$2,375,396 and \$2,231,873, respectively. On an annual basis, the Center revalues the assets of the perpetual trusts based on current market values and during the years ended June 30, 2010 and 2009, respectively, the changes in value of the perpetual trusts were an increase of \$143,523 and a decrease of (\$461,730).

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of pledges and other donations that are restricted by the donor for certain activities, generally specific areas of cancer research. The following is a summary of the Center's temporarily restricted net assets at June 30:

	<u>2010</u>	<u>2009</u>
Funds received and restricted by donors for cancer research	\$ 26,032	345,192
Contributions receivable	481,452	720,037
Contribution's receivable-remainder trusts (note 8)	<u>230,260</u>	<u>205,323</u>
Total temporarily restricted net assets	<u>\$ 737,744</u>	<u>1,270,552</u>

The Center had established separate cash and money market accounts for the following temporarily restricted gifts received at June 30:

	<u>2010</u>	<u>2009</u>
Elisabeth Dudley Bunn Endowed Chair	\$ 1,124	260,936
Other restricted gifts	<u>24,908</u>	<u>84,256</u>
Total temporarily restricted cash	<u>\$ 26,032</u>	<u>345,192</u>

Net assets totaling \$616,703 and \$570,771 during 2010 and 2009, respectively, were released from donor restrictions by incurring expenses satisfying the related restricted purposes of the donor.

(10) Permanently Restricted Net Assets

The Center's permanently restricted net assets at June 30 consisted of the following:

	<u>2010</u>	<u>2009</u>
Robert and Mary Bronstein Lymphoma or Hodgkin's Research Endowment	\$ 25,000	25,000
Alan and Edith Wolff Endowment	200,000	-
Beneficial interest in perpetual trusts (note 8)	<u>2,375,396</u>	<u>2,231,873</u>
Total permanently restricted net assets	<u>\$ 2,600,396</u>	<u>2,256,873</u>

AMC Cancer Research Center
Notes to Financial Statements, Continued

(10) Permanently Restricted Net Assets, Continued

The Robert and Mary Bronstein Lymphoma or Hodgkin's Research Endowment is held in a money market account balance totaling \$25,744 and \$25,704 at June 30, 2010 and 2009, respectively. The Alan and Edith Wolff Endowment is held in a money market account balance totaling \$200,000 and \$0 at June 30, 2010 and 2009, respectively. Up to 5% of the value of the Alan and Edith Wolff Endowment shall be distributed from the Wolff Endowment annually for general purpose use by the Center.

The Center adopted FASB Staff Position, *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*. The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008. The effect of restating the financial statements as of July 1, 2008 due to the required reclassification was to decrease unrestricted net assets and increase temporarily restricted net assets by \$563.

The Center has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the Center and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other Center resources
- (7) The investment policies of the Center.

The Center's donor-restricted endowment funds consisted of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Unrestricted net assets	\$ -	-
Temporarily restricted net assets	744	704
Permanently restricted net assets	<u>225,000</u>	<u>25,000</u>
Total donor-restricted endowment funds	<u>\$ 225,744</u>	<u>25,704</u>

AMC Cancer Research Center
Notes to Financial Statements, Continued

(10) Permanently Restricted Net Assets, Continued

Following are the changes in the endowment net assets for the years ended June 30, 2009 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 563	–	25,000	25,563
Net asset reclassification based on adoption of new standard	<u>(563)</u>	<u>563</u>	<u>–</u>	<u>–</u>
Endowment net assets after reclassification	–	563	25,000	25,563
Investment income	<u>–</u>	<u>141</u>	<u>–</u>	<u>141</u>
Endowment net assets at June 30, 2009	<u>–</u>	<u>704</u>	<u>25,000</u>	<u>25,704</u>
Contributions	–	–	200,000	200,000
Investment income	<u>–</u>	<u>40</u>	<u>–</u>	<u>40</u>
Endowment net assets at June 30, 2010	<u>\$ –</u>	<u>744</u>	<u>225,000</u>	<u>225,744</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation. In accordance with generally accepted accounting principles, any deficiencies would be reported in unrestricted net assets. At June 30, 2010 and 2009, there were no such deficiencies.

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity. The Center has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable and sustainable level of distribution to the Center that supports current needs and provides for growth in assets and income over time. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return that is, net of spending, greater than the rate of inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives and to preserve principal, the Center relies on an investment strategy in which investment returns are achieved through current yield (interest).

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

Over the long-term, the Center anticipates that a spending policy will be developed to allow its endowment to grow, thus maintaining the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

AMC Cancer Research Center
Notes to Financial Statements, Continued

(11) Commitments

The Center previously had a cancelable operating lease for research and office space that expired January 18, 2010. The Center entered into a thirteen-month lease agreement in a new location effective January 15, 2010. Rent expense was \$378,935 and \$712,313 during the years ended June 30, 2010 and 2009, respectively. The Center's future minimum lease payments are \$24,358 as of June 30, 2010.

The UCCC and certain other third parties subleased space from the Center on a monthly basis during the years ended June 30, 2010 and 2009, respectively, and received rental income totaling \$140,667 and \$276,002. The sublease payments under the Center's prior lease expired during the year ended June 30, 2010.

(12) Pension Plan

The Center's defined contribution plan (the Plan) offers all employees who have attained age 21 and work at least twenty hours per week a means of investing pre-tax income in a tax-sheltered annuity. Employer contributions to the Plan are made as follows: 100% matching on the first 2% of employee contributions, 50% on the next 2%, and 25% of the next 2%. Employee contributions in excess of 6% are not matched. Employer contributions to the Plan for the years ended June 30, 2010 and 2009 were \$6,084 and \$11,966, respectively.