AMC Cancer Research Center

Financial Statements

June 30, 2011 and 2010

(With Independent Auditor's Report Thereon)

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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, 2011 and 2010, 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, 2011 and 2010, 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 26, 2011

AMC Cancer Research Center
Statements of Financial Position
June 30, 2011 and 2010

		2011	2010
Assets:			
Cash and cash equivalents	$	1,662,436	2,187,247
Due from the University of Colorado Cancer Center (note 5)		37,142	37,279
Contributions receivable (note 3)		225,538	481,452
Prepaid expenses and other assets		58,061	3,480
Property and equipment, net (note 2)		11,229	19,216
Restricted cash (notes 4, 8 and 9)		241,190	250,381
Contributions receivable–remainder trusts (notes 4, 7 and 8)		247,300	230,260
Beneficial interest in perpetual trusts (notes 4, 7 and 9)		2,669,587	2,375,396
Total assets	$	5,152,483	5,584,711
Liabilities:			
Accrued expenses	$	354,910	378,804
Deferred grants payable		3,291	9,672
Total liabilities		358,201	388,476
Net Assets:			
Unrestricted–undesignated		1,237,645	1,733,095
Unrestricted–board designated for faculty reserve (note 5)		125,000	125,000
Total unrestricted net assets		1,362,645	1,858,095
Temporarily restricted (note 8)		537,050	737,744
Permanently restricted (note 9)		2,894,587	2,600,396
Total net assets		4,794,282	5,196,235
Commitments (notes 6, 10 and 11)			
Total liabilities and net assets	$	5,152,483	5,584,711

See accompanying notes to financial statements.

AMC Cancer Research Center
Statements of Activities
June 30, 2011 and 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2011	Unrestricted	Temporarily restricted	Permanently restricted	Total 2010
Revenue:								
Contributions	$ 793,267	94,932	–	888,199	985,186	58,220	200,000	1,243,406
Special events revenue	452,265	–	–	452,265	248,002	–	–	248,002
Special events expense	(100,372)	–	–	(100,372)	(73,932)	–	–	(73,932)
Special events, net	351,893	–	–	351,893	174,070	–	–	174,070
Change in value of trusts (note 7)	–	17,040	294,191	311,231	–	24,937	143,524	168,461
Interest and other income	27,587	120	–	27,707	30,729	738	–	31,467
Net assets released from restrictions due to satisfaction of program restrictions (note 8)	312,786	(312,786)	–	–	616,703	(616,703)	–	–
Total revenue	1,485,533	(200,694)	294,191	1,579,030	1,806,688	(532,808)	343,524	1,617,404
Expenses:								
Contributions to the University of Colorado Cancer Center (note 5)	1,116,820	–	–	1,116,820	1,369,840	–	–	1,369,840
Program support (note 5)	395,911	–	–	395,911	555,154	–	–	555,154
Total program support	1,512,731	–	–	1,512,731	1,924,994	–	–	1,924,994
General and administrative	218,587	–	–	218,587	323,909	–	–	323,909
Fund raising	249,665	–	–	249,665	294,068	–	–	294,068
Total expenses	1,980,983	–	–	1,980,983	2,542,971	–	–	2,542,971
Change in net assets before gain on sale of assets	(495,450)	(200,694)	294,191	(401,953)	(736,283)	(532,808)	343,523	(925,568)
Gain on sale of assets (note 6)	–	–	–	–	85,477	–	–	85,477
Change in net assets	(495,450)	(200,694)	294,191	(401,953)	(650,806)	(532,808)	343,523	(840,091)
Net assets at beginning 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
Net assets at end of year	$ 1,362,645	537,050	2,894,587	4,794,282	1,858,095	737,744	2,600,396	5,196,235

See accompanying notes to financial statements.

AMC Cancer Research Center
Statement of Functional Expenses
Year Ended June 30, 2011

	Program services			Supporting services			
	Contributions to the UCCC	Program support	Total program support	General and administrative	Fund raising	Total supporting services	Total expenses
Salaries	$ –	159,240	159,240	67,301	115,582	182,883	342,123
Payroll taxes	–	13,077	13,077	4,936	9,443	14,379	27,456
Benefits	–	20,394	20,394	14,460	13,422	27,882	48,276
Professional services	–	172,669	172,669	79,208	24,667	103,875	276,544
Rent	–	19,621	19,621	4,228	15,393	19,621	39,242
Supplies expense	–	50	50	9,644	3,327	12,971	13,021
Fund raising	–	–	–	–	104,613	104,613	104,613
Marketing and advertising	–	–	–	–	10,368	10,368	10,368
Postage and shipping	–	–	–	4,786	7,276	12,062	12,062
Printing	–	–	–	1,833	9,371	11,204	11,204
Depreciation	–	–	–	7,987	–	7,987	7,987
Telephone	–	5,496	5,496	1,099	6,214	7,313	12,809
Dues and subscriptions	–	–	–	2,180	16,567	18,747	18,747
Travel and entertainment	–	98	98	3,722	5,999	9,721	9,819
Contributions to the UCCC	1,116,820	–	1,116,820	–	–	–	1,116,820
Insurance	–	–	–	2,953	1,771	4,724	4,724
Repairs and maintenance	–	–	–	357	–	357	357
Miscellaneous	–	5,266	5,266	13,893	6,024	19,917	25,183
Total functional expenses	1,116,820	395,911	1,512,731	218,587	350,037	568,624	2,081,355
Less expenses included with revenue in the statement of activities	–	–	–	–	(100,372)	(100,372)	(100,372)
Total expenses	$ 1,116,820	395,911	1,512,731	218,587	249,665	468,252	1,980,983

See accompanying notes to financial statements.

AMC Cancer Research Center

Statement of Functional Expenses

Year Ended June 30, 2010

	Program services			Supporting services			
	Contributions to the UCCC	Program support	Total program support	General and administrative	Fund raising	Total supporting services	Total expenses
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
Statements of Cash Flows
Year Ended June 30, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Change in net assets	$	(401,953)	(840,091)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Change in value of trusts		(311,231)	(168,460)
Gain on sale of assets		–	(85,477)
Depreciation		7,987	4,240
Decrease in receivables		256,051	201,306
Increase in prepaid expenses		(54,581)	(3,480)
Increase (decrease) in accounts payable and accrued expenses		(23,894)	275,542
Decrease in deferred grants payable		(6,381)	–
Contributions restricted for endowments		–	200,000
Net cash used in operating activities		(534,002)	(416,420)
Cash flows from investing activities:			
Purchases of equipment		–	(17,928)
Decrease in restricted cash		9,191	118,919
Net cash provided by investing activities		9,191	100,991
Cash flows from financing activities:			
Contributions restricted for endowments		–	(200,000)
Net cash used in financing activities		–	(200,000)
Net decrease in cash and cash equivalents		(524,811)	(515,429)
Cash and cash equivalents at beginning of year		2,187,247	2,702,676
Cash and cash equivalents at end of year	$	1,662,436	2,187,247

See accompanying notes to financial statements.

(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) 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.

(e) 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.

(f) Investments

The Center reports investments at fair value. Fair value is determined as more fully described under the fair value measurements policy below. The Center's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Unrealized gains and losses are included in the change in net assets in the statements of activities.

(1) Summary of Significant Accounting Policies, Continued

(g) 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.

(h) 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.

(i) 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.

(j) 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, 2011 and 2010. 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.

(k) 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).

(l) 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.

(m) 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.

(1) Summary of Significant Accounting Policies, Continued

(n) Tax Exempt Status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and contributions received qualify for the charitable contribution deduction. However, income from activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. The Center incurred no unrelated business income tax during 2011 and 2010.

The Center follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Center to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Center believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. If incurred, interest and penalties associated with uncertain tax positions would be recorded in the period assessed. The Center's *Return of Organization Exempt from Income Tax* (Form 990) for the previous three years are subject to examination by the IRS, generally for three years after initial filing.

(o) Subsequent Events

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 26, 2011, 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:

	2011	2010
Furniture, fixtures and equipment	$ 43,979	43,979
Less accumulated depreciation	(32,750)	(24,763)
	$ 11,229	19,216

(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:

	2011	2010
Receivable in less than one year	$ 225,538	240,015
Receivable in one to five years	–	250,000
Total contributions receivable	225,538	490,015
Less discounts to net present value	–	(8,563)
Net contributions receivable	$ 225,538	481,452

(4) Fair Value Measurements

The carrying amount reported in the statements of financial position for cash and cash equivalents, receivables, accounts payable and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments.

The Center reports required types of financial instruments in accordance with fair value accounting standards. Fair value is 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. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require the Center to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting depending on lock up and notice periods associated with the underlying funds. Instruments 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 instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange, listed derivatives, cash and cash equivalents. The Center's Level 1 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. Fair value for beneficial interest in charitable remainder 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 3.5%.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. 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.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument'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.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments 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. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Center's financial statements.

(4) Fair Value Measurements, Continued

The following table summarizes the Center's investments by the above fair value hierarchy levels as of June 30, 2011:

Description	Fair Value	(Level 1)	(Level 2)	(Level 3)
Restricted cash and temporary investments	$ 241,190	241,190	–	–
Contributions receivable–remainder trusts	247,300	–	247,300	–
Beneficial interest in perpetual trusts	2,669,587	–	2,669,587	–
Total	$ 3,158,077	241,190	2,916,887	–

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

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

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuation techniques during the current year.

(5) 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, 2011 and 2010, respectively, the Center provided the UCCC support totaling $1,116,820 and $1,369,840 for cancer research operations. At June 30, 2011 and 2010, the Center had a receivable from UCCC of $37,142 and $37,279, respectively. The Center also incurred program expenses on behalf of UCCC totaling $395,911 in 2011 and $555,154 in 2010.

(5) University of Colorado Cancer Center Agreements, Continued

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, 2011 and 2010. 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.

(6) Sale-Leaseback

On December 30, 2002, the Center sold land, buildings and land improvements which resulted 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 was included in deferred gain on sale of assets and was amortized over the seven-year life of the lease. The gain was fully amortized during the year ended June 30, 2010 when the Center recognized an $85,477 gain on sale of assets. The lease agreement was terminated effective January 18, 2010.

(7) 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, 2011 and 2010, respectively, as contributions receivable – remainder trusts totaling $247,300 and $230,260. 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, 2011 and 2010, respectively, the changes in value of the remainder trusts were increases of $17,040 and 24,937.

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, 2011 and 2010 as a beneficial interest in perpetual trusts of $2,669,587 and $2,375,396, 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, 2011 and 2010, respectively, the changes in value of the perpetual trusts were increases of $294,191 and $143,524.

(8) 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:

	2011	2010
Endowment fund earnings, not yet expended	$ 781	744
Contributions restricted by donors, not yet expended	63,431	25,288
Contributions receivable (note 3)	225,538	481,452
Contribution's receivable–remainder trusts (note 7)	247,300	230,260
Total temporarily restricted net assets	$ 537,050	737,744

Net assets totaling $312,786 and $616,703 during 2011 and 2010, respectively, were released from donor restrictions by incurring expenses satisfying the related restricted purposes of the donor.

(9) Permanently Restricted Net Assets

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

	2011	2010
Robert and Mary Bronstein Lymphoma or Hodgkin's Research Endowment	$ 25,000	25,000
Alan and Edith Wolff Endowment	200,000	200,000
Beneficial interest in perpetual trusts (note 7)	2,669,587	2,375,396
Total permanently restricted net assets	$ 2,894,587	2,600,396

The Robert and Mary Bronstein Lymphoma or Hodgkin's Research Endowment is held in a money market account balance totaling $25,781 and $25,744 at June 30, 2011 and 2010, respectively. The Alan and Edith Wolff Endowment is held in a money market account balance totaling $200,432 and $200,000 at June 30, 2011 and 2010, 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 State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008. 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.

(9) Permanently Restricted Net Assets, Continued

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is 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 will consider 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:

	2011	2010
Unrestricted net assets	$ 432	–
Temporarily restricted net assets	781	744
Permanently restricted net assets	225,000	225,000
Total donor-restricted endowment funds	$ 226,213	225,744

Following are the changes in the endowment net assets for the years ended June 30, 2011 and 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2009	$ –	704	25,000	25,704
Contributions	–	–	200,000	200,000
Investment income	–	40	–	40
Endowment net assets at June 30, 2010	–	744	225,000	225,744
Investment income	432	37	–	469
Endowment net assets at June 30, 2011	$ 432	781	225,000	226,213

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, 2011 and 2010, there were no such deficiencies.

(9) Permanently Restricted Net Assets, Continued

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.

(10) 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. During the year ended June 30, 2011 the lease was extended through 2013. Rent expense was $39,242 and $378,935 during the years ended June 30, 2011 and 2010, respectively. The Center's future minimum lease payments at June 30, 2011 total $42,318 and $25,144 due in fiscal years 2012 and 2013, respectively.

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

(11) 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, 2011 and 2010 were $6,643 and $6,084, respectively.