



THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Financial Statements

June 30, 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
The Leukemia & Lymphoma Society, Inc.:

We have audited the accompanying consolidated statement of financial position of The Leukemia & Lymphoma Society, Inc. (LLS) as of June 30, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of LLS's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from LLS's 2010 consolidated financial statements and, in our report dated September 15, 2010, we expressed an unqualified opinion on those statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LLS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Leukemia & Lymphoma Society, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

September 15, 2011

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Financial Position
June 30, 2011
(with comparative amounts at June 30, 2010)
(in thousands)

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 17,866	\$ 21,196
Prepaid expenses and other assets	5,171	4,707
Legacies and contributions receivable, net (note 2)	19,614	18,417
Investments (note 3)	181,876	177,489
Fixed assets, less accumulated depreciation and amortization of \$8,606 and \$7,965, respectively	<u>5,413</u>	<u>5,132</u>
Total assets	<u>\$ 229,940</u>	<u>\$ 226,941</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 17,715	\$ 16,448
Deferred revenue	17,241	16,940
Grants payable (notes 4, 5, and 6)	<u>71,579</u>	<u>80,580</u>
Total liabilities	<u>106,535</u>	<u>113,968</u>
Commitments and contingencies (notes 4, 6, and 8)		
Net assets (note 9):		
Unrestricted	95,108	88,617
Temporarily restricted	24,405	20,668
Permanently restricted	<u>3,892</u>	<u>3,688</u>
Total net assets	<u>123,405</u>	<u>112,973</u>
Total liabilities and net assets	<u>\$ 229,940</u>	<u>\$ 226,941</u>

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Activities
Year ended June 30, 2011
(with summarized totals for the year ended June 30, 2010)
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
Revenue					
Campaign contributions	\$ 258,976	\$ 54,963	\$ 105	\$ 314,044	\$ 279,908
Less direct donor benefit costs	(38,070)	-	-	(38,070)	(36,635)
Net campaign contributions	220,906	54,963	105	275,974	243,273
Legacies	1,788	5,948	-	7,736	7,054
Donated services (note 1)	5,983	-	-	5,983	6,819
Net interest and dividend income (note 3)	2,311	152	-	2,463	4,430
Net increase in fair value of investments	14,396	760	127	15,283	11,335
Grant refunds	1,748	-	-	1,748	1,897
Net assets released from restrictions	60,009	(59,981)	(28)	-	-
Total revenue	307,141	1,842	204	309,187	274,808
Expenses (note 10)					
<i>Program Services:</i>					
Research	71,985	-	-	71,985	70,910
Patient and community service	109,496	-	-	109,496	83,406
Public health education	44,197	-	-	44,197	41,597
Professional education	7,979	-	-	7,979	8,073
Total program services	233,657	-	-	233,657	203,986
<i>Supporting Services:</i>					
Management and general	23,051	-	-	23,051	22,462
Fund raising	42,367	-	-	42,367	41,255
Total supporting services	65,418	-	-	65,418	63,717
Total expenses	299,075	-	-	299,075	267,703
Change in net assets before foreign currency translation adjustment and adoption of new accounting standard (note 9)	8,066	1,842	204	10,112	7,105
Foreign currency translation adjustment	320	-	-	320	221
Reclassification of net assets as a result of adoption of new accounting standard (note 9)	(1,895)	1,895	-	-	-
Change in net assets	6,491	3,737	204	10,432	7,326
Net Assets					
Beginning of year	88,617	20,668	3,688	112,973	105,647
End of year	\$ 95,108	\$ 24,405	\$ 3,892	\$ 123,405	\$ 112,973

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Functional Expenses
Year ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)
(in thousands)

	Program Services					Supporting Services				Total		Direct donor benefit costs	
	Research	Patient and community service	Public health education	Professional education	Total	Management and general	Fund raising	Total	2011	2010	2011	2010	
Awards and grants	\$ 49,906	\$ -	\$ -	\$ -	\$ 49,906	\$ -	\$ -	\$ -	\$ 49,906	\$ 58,714	\$ -	\$ -	
Therapy acceleration program (note 6)	17,895	-	-	-	17,895	-	-	-	17,895	8,227	-	-	
Financial aid to patients	-	5,579	-	-	5,579	-	-	-	5,579	6,059	-	-	
Co-pay assistance (note 5)	-	37,947	-	-	37,947	-	-	-	37,947	14,003	-	-	
Donated services	1,023	4,960	-	-	5,983	-	-	-	5,983	6,819	-	-	
Salaries	1,525	28,549	16,968	4,072	51,114	7,512	9,146	16,658	67,772	65,650	-	-	
Employee benefits and taxes (note 7)	239	7,938	5,265	1,241	14,683	2,170	3,278	5,448	20,131	19,425	-	-	
Occupancy (note 8)	38	3,345	2,457	591	6,431	1,010	1,360	2,370	8,801	8,844	-	-	
Insurance	9	240	147	25	421	51	98	149	570	579	-	-	
Telephone	33	1,213	1,009	149	2,404	284	1,004	1,288	3,692	4,418	-	-	
Travel	88	1,306	920	241	2,555	515	544	1,059	3,614	2,101	10,500	11,633	
Printing and supplies	202	2,787	6,019	420	9,428	3,967	8,990	12,957	22,385	21,677	6,294	5,813	
Equipment rentals and maintenance	22	1,014	648	149	1,833	263	413	676	2,509	1,858	-	-	
Postage and shipping	17	1,036	3,896	136	5,085	1,861	6,376	8,237	13,322	13,022	-	-	
Meetings	509	1,705	607	114	2,935	252	259	511	3,446	4,547	10,266	8,965	
Professional fees	441	9,936	5,014	533	15,924	4,412	10,090	14,502	30,426	27,095	3,529	3,496	
Miscellaneous	6	1,175	693	195	2,069	546	406	952	3,021	2,885	7,481	6,728	
Depreciation and amortization	32	766	554	113	1,465	208	403	611	2,076	1,780	-	-	
Total expenses	\$ 71,985	\$ 109,496	\$ 44,197	\$ 7,979	\$ 233,657	\$ 23,051	\$ 42,367	\$ 65,418	\$ 299,075	\$ 267,703	\$ 38,070	\$ 36,635	

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Cash Flows
Year ended June 30, 2011
(with comparative amounts for the year ended June 30, 2010)
(in thousands)

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 10,432	\$ 7,326
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net increase in fair value of investments	(15,283)	(11,335)
Permanently restricted revenue collected	(105)	(84)
Depreciation and amortization	2,076	1,780
(Decrease) increase in allowance for uncollectible accounts	(426)	415
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(464)	(318)
Legacies and contributions receivable	(771)	3,920
Accounts payable and accrued expenses	1,267	1,766
Deferred revenue	301	1,461
Grants payable	(9,001)	(5,188)
Net cash used in operating activities	(11,974)	(257)
Cash flows from investing activities:		
Purchases of fixed assets	(2,357)	(2,296)
Purchases of investments	(49,023)	(119,968)
Sales of investments	59,919	115,437
Net cash provided by (used in) investing activities	8,539	(6,827)
Cash flows from financing activities:		
Permanently restricted contributions collected	105	84
Net cash provided by financing activities	105	84
Net decrease in cash and cash equivalents	(3,330)	(7,000)
Cash and cash equivalents at beginning of year	21,196	28,196
Cash and cash equivalents at end of year	\$ 17,866	\$ 21,196

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

1. Organization and Significant Accounting Policies

Organization

The Leukemia & Lymphoma Society, Inc. (LLS) is an international not-for-profit health agency dedicated to seeking the cause and cure of leukemia, lymphoma, Hodgkin's disease, and myeloma and improving the quality of life of patients and their families. LLS's principal activities include: awarding research grants; facilitating psychosocial support groups; providing financial aid to patients; answering phone requests for blood cancer information made to LLS's Information Resource Center; and disseminating educational information about blood cancers in the form of publications, internet sites, conference calls, and symposia sponsorship for both the medical community and the general public.

Tax-Exempt Status

LLS qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes under Internal Revenue Code Section 501(a). Additionally, since LLS is publicly supported, contributions to LLS qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

The Leukemia & Lymphoma Society of Canada, Inc. (LLSC) is registered as a charitable organization under the Income Tax Act (Canada) and is, therefore, not subject to income taxes if certain disbursement requirements are met.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of LLS, which encompasses the Home Office of LLS and its fifty-five chapters in the United States, LLSC and its four chapters in Canada, and LLS's not-for-profit affiliates, The Leukemia & Lymphoma Society Research Programs, Inc. and The Leukemia & Lymphoma Society Research Foundation. All significant intercompany and intra-LLS accounts and transactions have been eliminated in consolidation.

Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires LLS's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The significant estimates made in the preparation of these consolidated financial statements include the fair value of alternative investments, the allowance for uncollectible accounts, and the allocation of expenses. Actual results could differ from those estimates.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

1. Continued

Risks and Uncertainties

LLS invests in various investment securities. Investment securities are exposed to various risks such as interest rate, fluctuations in market security values, 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 statement of financial position.

Summarized Financial Information

The consolidated financial statements are presented with 2010 summarized or comparative information. With respect to the consolidated statement of activities, such prior year information is not presented by net asset class and, in the consolidated statement of functional expenses, 2010 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with LLS's 2010 consolidated financial statements from which the summarized information was derived.

Subsequent Events

LLS evaluated subsequent events after the statement of financial position date of June 30, 2011 through September 15, 2011, which was the date the consolidated financial statements were issued, and concluded that no additional disclosures are required.

Net Asset Classifications

To ensure observance of limitations and restrictions placed on the use of resources available to LLS, funds that have similar characteristics have been classified into three net asset categories as follows:

Unrestricted net assets: Consist of funds that are fully available, at the discretion of LLS's Board of Directors, for LLS to utilize in any of its programs or supporting services.

Temporarily restricted net assets: Consist of funds that are restricted by donors for a specific time period or purpose.

Permanently restricted net assets: Consist of funds that contain donor-imposed restrictions requiring that the principal be invested in perpetuity and that only the income be used. Income earned on these funds are recorded as temporarily restricted net assets and are released from restriction when the donor stipulated purpose has been fulfilled and/or the amount has been appropriated in compliance with the Board-approved spending policy (note 9).

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

1. Continued

Foreign Currency Translation

LLSC uses the Canadian dollar as its functional currency. Accordingly, the currency impact of the translation of the financial statements of LLSC to U.S. dollars is included as a translation adjustment in the consolidated statement of activities.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 unobservable inputs for the asset or liability.

LLS follows the provisions of Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820), for certain alternative investments that do not have readily determinable fair values, including hedge funds, limited partnerships, and other funds. This guidance allows, as a practical expedient, for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value, using net asset value per share or its equivalent, as reported by the investment managers.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of LLS's interest therein, its classification in Level 2 or 3 is based on LLS's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

1. Continued

Contributions and Deferred Revenue

Contributions are recorded as revenue, at their fair value, when received or promised unconditionally. Contributions received with donor restrictions that limit their use are reported as either temporarily or permanently restricted revenue. When a donor restriction is met through the passage of time or fulfillment of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Conditional contributions are recognized as revenue when the conditions have been substantially met.

Deferred revenue includes amounts received for special events that will be held subsequent to the fiscal year-end.

Donated Services

LLS has determined that certain of the donated services it receives meet the criteria for recognition in the consolidated financial statements. Specifically, the donated services of family support group facilitators and research grant reviewers in the amount of \$5,983,000 in 2011 and \$6,819,000 in 2010 have been valued and are reported as both revenue and expense.

Cash Equivalents

Cash equivalents consist of short-term investments with an original maturity of three months or less from date of purchase, except for amounts held for long-term purposes reported as investments.

Investments

Investments are stated at fair value based upon quoted market prices, except for the fair values of funds of hedge funds and limited partnerships, which are based on net asset values provided by the fund managers and general partners, respectively, based upon the underlying net assets of the funds consistent with the concepts of ASC 820. These values are reviewed and evaluated by management.

Fixed Assets and Depreciation

Fixed assets, which consist principally of equipment, software, and leasehold improvements, are recorded at cost, if purchased, or at fair value at date of donation, if contributed, and are depreciated or amortized using the straight-line method over the estimated useful lives of the assets or the terms of the leases, if shorter.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

1. Continued

Income Taxes

LLS recognizes the effect of income tax positions only if those tax positions are more likely than not to be sustained. Income generated from activities unrelated to LLS's exempt purpose is subject to tax under Internal Revenue Code Section 511. LLS did not recognize any unrelated business income tax liability for the years ended June 30, 2011 and 2010.

Professional Fees

Professional fees included in the consolidated financial statements principally include fund-raising counsel fees, data processing services, contracted software development, and legal and auditing fees.

2. Legacies and Contributions Receivable

LLS's legacies and contributions receivable at June 30, 2011 and 2010 consist of unconditional promises to give and legacies for which the underlying wills have been declared valid by the probate court and no other conditions are required to be met. Amounts are scheduled to be received as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Less than one year	\$17,905	\$16,675
1 to 5 years	2,710	3,157
After 5 years	104	232
Subtotal	<u>20,719</u>	<u>20,064</u>
Less allowance for uncollectible accounts	(738)	(1,164)
Less discount to present value (5%)	<u>(367)</u>	<u>(483)</u>
Total	<u>\$19,614</u>	<u>\$18,417</u>

Approximately, 66% and 54% of LLS's legacies and contributions receivable are from one estate at June 30, 2011 and 2010, respectively.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

3. Investments

The following tables present LLS's fair value hierarchy of investments measured at fair value on an annual basis as of June 30, 2011 and 2010 (in thousands).

	<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash	\$ 839	\$ 839	\$ -	\$ -
Fixed income:				
Long duration fixed income	57,910	57,910	-	-
Short duration fixed income	42,826	42,826	-	-
Other	1,039	1,039	-	-
Equities:				
Large cap equity	16,703	16,703	-	-
International equity	6,552	6,552	-	-
Small cap equity	4,534	4,534	-	-
Small/mid cap equity	835	835	-	-
Alternative investments:				
Funds of hedge funds	35,503	-	35,503	-
Limited partnership equity indices	15,135	-	15,135	-
	<u>\$181,876</u>	<u>\$131,238</u>	<u>\$ 50,638</u>	<u>\$ -</u>
	<u>2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash	\$ 537	\$ 537	\$ -	\$ -
Fixed income:				
Long duration fixed income	53,153	53,153	-	-
Short duration fixed income	41,787	41,787	-	-
Other	3,498	-	3,498	-
Equities:				
Large cap equity	14,149	14,149	-	-
All cap equity	5,572	5,572	-	-
International equity	3,521	3,283	238	-
Small cap equity	8,175	8,175	-	-
Small/mid cap equity	641	-	641	-
Alternative investments:				
Funds of hedge funds	35,004	-	19,462	15,542
Limited partnership equity indices	11,452	-	11,002	450
	<u>\$ 177,489</u>	<u>\$ 126,656</u>	<u>\$ 34,841</u>	<u>\$ 15,992</u>

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

3. Continued

Investment expenses of \$752,000 and \$580,000 have been netted against interest and dividend income for the years ended June 30, 2011 and 2010, respectively. The unrealized gains and losses were \$7,428,000 and \$10,344,000 for the years ended June 30, 2011 and 2010, respectively.

LLS invests in certain alternative investments, through “funds of hedge funds” investments, which invest in multiple strategies through a portfolio of hedge fund managers to provide diversification and reduce manager risk. These strategies create indirect exposure to LLS through short sales of securities, trading in future and forward contracts, and other derivative products. Derivatives are investment contracts used to hedge risk. While these financial instruments may contain varying degrees of risk, LLS’s risk with respect to such transactions is limited to its capital balance in each investment.

The underlying holdings of the limited partnership equity indices are principally domestic and international marketable securities.

LLS’s alternative investments contain various redemption restrictions with required written notice ranging from 70 to 95 days. As of June 30, 2011, the following table summarizes the composition of such investments at fair value by the various redemption provisions (in thousands):

<u>Redemption Period</u>	<u>Amount</u>
Monthly	\$17,901
Quarterly	<u>32,737</u>
Total	<u>\$50,638</u>

As of June 30, 2011 and 2010, LLS has no unfunded commitments on its alternative investments.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

3. Continued

The following table presents a reconciliation for all Level 3 assets measured at fair value as of June 30, 2011 and 2010 (in thousands).

	<u>Level 3 Assets</u>	
	<u>2011</u>	<u>2010</u>
Balance at July 1	\$15,992	\$16,303
Purchases	-	15,750
Investment expense	(211)	(131)
Net increase in fair value	1,118	286
Transfers to Level 2	<u>(16,899)</u>	<u>(16,216)</u>
Balance at June 30	<u>\$ -</u>	<u>\$15,992</u>

4. Awards and Grants

Awards and grants for research are recognized as expense in the year approved by LLS's Board of Directors. Multiyear grants, which are generally two to five years in length, are approved on an annual basis and may be terminated at the discretion of LLS's Board of Directors. In addition to unconditional grants payable of \$66,098,000 at June 30, 2011, LLS has grant commitments of \$63,500,000 that are conditioned upon future events and, accordingly, are not recorded.

5. Co-Pay Assistance Program

The Co-Pay Assistance program offers assistance to patients in meeting their insurance co-pay obligations for prescription medications or private/public health insurance premiums. Amounts awarded under the program are expensed in the year approved based on the available funding in the program. Approximately \$3,931,000 and \$4,374,000 were included in the grants payable balances for amounts awarded but unpaid at June 30, 2011 and 2010, respectively.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

6. Therapy Acceleration Program (TAP)

TAP is LLS's strategic initiative to speed the development of blood-cancer treatments and supportive diagnostics by creating business alliances with biotechnology and pharmaceutical companies. TAP provides funding for investigational new drug-enabling studies and clinical-stage projects. TAP contracts are recognized as an expense in the year program milestones are achieved. Approximately \$1,550,000 and \$1,375,000 were included in the grants payable balances for milestones achieved but unpaid at June 30, 2011 and 2010, respectively. Multiyear contracts, which are generally two to three years in length, are reviewed against milestones on a quarterly basis and may be terminated at the discretion of LLS's Board of Directors. LLS has contract commitments of \$25,169,000 at June 30, 2011 that are conditioned upon future events and, accordingly, are not recorded.

7. Pension Plan

LLS has a defined contribution 403(b) pension plan covering all employees meeting age and service requirements. Contributions are based on a percentage of each eligible employee's salary and years of service. Expenses under this plan aggregated \$3,823,000 and \$4,072,000 for the years ended June 30, 2011 and 2010, respectively.

LLS has a 457(b) deferred compensation plan (the 457 Plan), for its executive staff. The 457 Plan is a nonqualified deferred compensation plan subject to the provisions of the Internal Revenue Code Section 457. Expenses under the 457 Plan approximated \$167,000 and \$120,000 for the years ended June 30, 2011 and 2010, respectively. The assets and liabilities of the 457 Plan are included in investments and accounts payable in the accompanying consolidated statement of financial position and amounted to approximately \$973,000 and \$546,000 at June 30, 2011 and 2010, respectively.

8. Lease Commitments

The leases for premises, which LLS's Home Office and chapters occupy, expire on various dates through August 31, 2018 and provide for certain payments subject to escalation and periodic rate increases relating to real estate taxes, operating expenses, and utilities. The Home Office lease expires in March 2016.

The approximate minimum aggregate future annual rental commitments are summarized as follows (in thousands):

<u>Year ending June 30:</u>	
2012	\$7,864
2013	6,242
2014	5,285
2015	4,771
2016	3,098
Thereafter	909
Total	<u>\$28,169</u>

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets and the income earned on permanently restricted net assets are available for the following purposes at June 30, 2011 and 2010 (in thousands):

	2011		2010	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Time restrictions	\$15,259	\$ -	\$12,344	\$ -
Research	5,450	3,016	3,983	3,123
Patient service	3,608	730	4,180	516
Other	88	146	161	49
Total	<u>\$24,405</u>	<u>\$3,892</u>	<u>\$20,668</u>	<u>\$ 3,688</u>

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), which imposes guidelines on the management and investment of endowment funds. LLS has interpreted the relevant law as allowing LLS to appropriate for expenditure or accumulate so much of an endowment fund as LLS determines is prudent considering the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. LLS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to protect the original value of the gift. Under this policy, the endowment assets are invested in a manner that is intended to produce results consistent with LLS's overall investment strategy.

Accounting guidance associated with the enactment of NYPMIFA as set forth in Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities*, requires the portion of the donor restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. The adoption of the ASC's guidance resulted in a \$1,895,000 reclassification from unrestricted to temporarily restricted net assets in 2011.

The Leukemia & Lymphoma Society, Inc.

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June 30, 2011

(with comparative amounts as of and for the year ended June 30, 2010)

9. Continued

The following table presents changes in the donor-restricted endowment funds for the year ended June 30, 2011 (in thousands).

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at July 1	\$1,895	\$ 362	\$3,688	\$5,945
Investment income	-	152	-	152
Net appreciation	-	760	127	887
Contributions	-	111	105	216
Net assets released	-	-	(28)	(28)
Reclassification upon adoption of ASC 958-205	(\$1,895)	1,895	-	-
Endowment net assets at June 30	<u>\$ -</u>	<u>\$3,280</u>	<u>\$3,892</u>	<u>\$7,172</u>

The following table presents changes in the donor-restricted endowment funds for the year ended June 30, 2010 (in thousands).

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at July 1	\$1,396	\$397	\$3,500	\$5,293
Investment (expense) income	(74)	65	104	95
Net appreciation	473	-	-	473
Contributions	-	-	84	84
Net assets released	100	(100)	-	-
Endowment net assets at June 30	<u>\$1,895</u>	<u>\$362</u>	<u>\$3,688</u>	<u>\$5,945</u>

10. Joint Costs Allocation

For the years ended June 30, 2011 and 2010, LLS incurred joint costs for informational materials and activities that included fund raising appeals as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Fund raising	\$12,543	\$12,114
Patient and community service	1,078	1,049
Public health education	10,725	10,537
Total	<u>\$24,346</u>	<u>\$23,700</u>