



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. (the Society) as of June 30, 2007, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the Society'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 the Society's 2006 consolidated financial statements and, in our report dated October 24, 2006, 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. Our audit included 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 the Society'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, 2007, 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.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary chapter information included in the schedules of financial position, activities, and functional expenses is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

KPMG LLP

October 24, 2007

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Financial Position
June 30, 2007

(with comparative amounts at June 30, 2006)
(in thousands)

	<u>2007</u>	<u>2006</u>
Assets		
Cash and cash equivalents	\$ 46,949	\$ 49,248
Accounts receivable	1,686	649
Legacies and contributions receivable (note 2)	4,321	6,129
Prepaid expenses	4,711	5,062
Investments, at fair value (note 3)	145,717	108,693
Fixed assets, less accumulated depreciation and amortization of \$10,435 and \$8,857	<u>4,656</u>	<u>4,249</u>
Total assets	<u>\$ 208,040</u>	<u>\$ 174,030</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 18,339	\$ 18,365
Deferred revenue	15,258	12,803
Grants payable (note 4)	<u>77,245</u>	<u>70,000</u>
Total liabilities	<u>110,842</u>	<u>101,168</u>
 Net assets:		
Unrestricted	85,691	64,628
Temporarily restricted (note 7)	8,634	5,403
Permanently restricted (note 7)	<u>2,873</u>	<u>2,831</u>
Total net assets	<u>97,198</u>	<u>72,862</u>
Total liabilities and net assets	<u>\$ 208,040</u>	<u>\$ 174,030</u>

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Activities
Year ended June 30, 2007
(with summarized totals for the year ended June 30, 2006)
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2007	2006
Revenue					
Campaign contributions	\$ 274,055	\$ 17,979	\$ 2	\$ 292,036	\$ 265,596
Less direct donor benefit costs	(42,455)	-	-	(42,455)	(38,556)
Net campaign contributions	231,600	17,979	2	249,581	227,040
Legacies	4,810	127	-	4,937	2,745
Donated services (note 1)	5,051	-	-	5,051	4,896
Net interest and dividend income (note 3)	6,140	111	-	6,251	3,788
Net increase in fair value of investments	7,367	71	40	7,478	1,538
Grant refunds	1,304	-	-	1,304	1,387
Net assets released from restrictions	15,057	(15,057)	-	-	-
Total revenue	271,329	3,231	42	274,602	241,394
Expenses (note 8)					
<i>Program Services:</i>					
Research	69,269	-	-	69,269	63,570
Patient and community service	66,844	-	-	66,844	62,912
Public health education	38,379	-	-	38,379	35,078
Professional education	7,931	-	-	7,931	8,020
Total program services	182,423	-	-	182,423	169,580
<i>Supporting Services:</i>					
Management and general	23,663	-	-	23,663	23,017
Fund raising	44,180	-	-	44,180	42,667
Total supporting services	67,843	-	-	67,843	65,684
Total expenses	250,266	-	-	250,266	235,264
Change in net assets	21,063	3,231	42	24,336	6,130
Net Assets					
Beginning of year	64,628	5,403	2,831	72,862	66,732
End of year	\$ 85,691	\$ 8,634	\$ 2,873	\$ 97,198	\$ 72,862

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Cash Flows

Year ended June 30, 2007

(with comparative amounts for the year ended June 30, 2006)

(in thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 24,336	\$ 6,130
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net increase in fair value of investments	(7,478)	(1,538)
Permanently restricted revenue collected	(2)	(112)
Depreciation and amortization	1,578	1,246
Changes in operating assets and liabilities:		
Accounts receivable	(1,037)	23
Legacies and contributions receivable	1,808	(1,103)
Prepaid expenses	351	(816)
Accounts payable and accrued expenses	(26)	698
Deferred revenue	2,455	2,048
Grants payable	7,245	13,226
Net cash provided by operating activities	<u>29,230</u>	<u>19,802</u>
Cash flows from investing activities:		
Purchases of fixed assets	(1,985)	(1,397)
Purchases of investments	(160,144)	(136,482)
Sales of investments	130,598	112,960
Net cash used in investing activities	<u>(31,531)</u>	<u>(24,919)</u>
Cash flows from financing activities:		
Permanently restricted contributions collected	<u>2</u>	<u>112</u>
Net cash provided by financing activities	<u>2</u>	<u>112</u>
Net decrease in cash and cash equivalents	(2,299)	(5,005)
Cash and cash equivalents at beginning of year	49,248	54,253
Cash and cash equivalents at end of year	<u>\$ 46,949</u>	<u>\$ 49,248</u>

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Functional Expenses
Year ended June 30, 2007
(with comparative totals for the year ended June 30, 2006)
(in thousands)

	Program Services					Supporting Services					Direct donor benefit costs	
	Research	Patient and community service	Public health education	Professional education	Total	Management and general	Fund raising	Total	Total			
									2007	2006		
									2007	2006		
Awards and grants	\$66,540	\$ -	\$ -	\$ -	\$66,540	\$ -	\$ -	\$ -	\$66,540	\$61,585	\$ -	\$ -
Financial aid to patients	-	6,003	-	-	6,003	-	-	-	6,003	5,098	-	-
Donated services	724	4,327	-	-	5,051	-	-	-	5,051	4,896	-	-
Salaries	802	28,156	13,798	4,119	46,875	7,868	9,588	17,456	64,331	60,546	-	-
Employee benefits and taxes (note 5)	128	6,403	3,760	1,094	11,385	1,954	2,910	4,864	16,249	14,853	-	-
Occupancy	21	3,091	1,972	588	5,672	1,058	1,397	2,455	8,127	7,657	-	-
Insurance	8	247	170	41	466	79	150	229	695	791	-	-
Telephone	23	2,256	1,032	176	3,487	321	1,302	1,623	5,110	4,457	-	-
Travel	56	1,210	718	222	2,206	417	512	929	3,135	2,924	14,605	13,623
Printing and supplies	156	2,954	6,114	398	9,622	4,150	9,758	13,908	23,530	22,593	6,536	6,097
Equipment rentals and maintenance	10	751	474	138	1,373	250	359	609	1,982	2,747	-	-
Postage and shipping	50	1,012	4,242	163	5,467	2,320	7,376	9,696	15,163	15,033	-	-
Meetings	222	2,660	1,207	312	4,401	564	695	1,259	5,660	5,167	8,875	8,072
Professional fees	507	6,863	4,315	517	12,202	4,342	9,659	14,001	26,203	24,651	6,893	5,539
Miscellaneous	5	335	198	65	603	165	141	306	909	1,020	5,546	5,225
Depreciation and amortization	17	576	379	98	1,070	175	333	508	1,578	1,246	-	-
Total expenses	\$69,269	\$66,844	\$38,379	\$7,931	\$182,423	\$23,663	\$44,180	\$67,843	\$250,266	\$235,264	\$42,455	\$38,556

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2007

(with comparative amounts as of and for the year ended June 30, 2006)

1. Organization and Significant Accounting Policies

Organization

The Leukemia & Lymphoma Society, Inc. (the "Society") 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. The Society'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 the Society'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.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Society, which encompasses the Home Office of the Society and its sixty four chapters, The Leukemia & Lymphoma Society of Canada, Inc. ("LLSC"), and the Society's not-for-profit affiliates, The Leukemia & Lymphoma Society Research Programs, Inc. and The Leukemia & Lymphoma Society Research Foundation. All significant inter-company and intra-Society accounts and transactions have been eliminated in consolidation.

Tax-Exempt Status

The Society 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 the Society is publicly-supported, contributions to the Society qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

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.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2007

(with comparative amounts as of and for the year ended June 30, 2006)

1. Continued

Net Asset Classifications

To ensure observance of limitations and restrictions placed on the use of resources available to the Society, 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 the Board of Directors, for the Society 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, as well as amounts relating to term endowment or deferred giving arrangements in which the funds must be maintained intact over the lifetimes of the donors.

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 may be unrestricted or temporarily restricted, depending upon the donor-imposed restrictions.

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 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

The Society has determined that certain of the donated services it receives meet the criteria for recognition in the financial statements. Specifically, the donated services of family support group facilitators and research grant reviewers have been valued and are reported as both revenue and expense.

Cash Equivalents

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

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2007

(with comparative amounts as of and for the year ended June 30, 2006)

1. Continued

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Society's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Summarized Financial Information

The financial statements are presented with 2006 summarized or comparative information. With respect to the statement of activities, such prior year information is not presented by net asset class and, in the statement of functional expenses, 2006 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Society's 2006 consolidated financial statements from which the summarized information was derived. Certain reclassifications have been made to the 2006 comparative information to conform to the current year presentation.

2. Legacies and Contributions Receivable

The Society's legacies and contributions receivable at June 30, 2007 and 2006 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>2007</u>	<u>2006</u>
Less than one year	\$ 3,197	\$ 5,028
1 to 5 years	622	1,169
After 5 years	<u>778</u>	<u>-</u>
	4,597	6,197
Less discount to present value (discount rate – 5%)	<u>(276)</u>	<u>(68)</u>
Total	<u>\$ 4,321</u>	<u>\$ 6,129</u>

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2007

(with comparative amounts as of and for the year ended June 30, 2006)

3. Investments

The following is a summary of investments at June 30, 2007 and 2006 (in thousands):

	2007		2006	
	Cost or Donated Value	Fair Value	Cost or Donated Value	Fair Value
Money market funds	\$1,419	\$1,419	\$7,192	\$7,192
Corporate notes and bonds	42,744	42,323	38,958	38,127
Common stocks and mutual funds	29,072	35,395	27,728	31,927
Government obligations	47,409	47,186	24,317	24,112
Other	17,309	19,394	6,312	7,335
Total	<u>\$137,953</u>	<u>\$145,717</u>	<u>\$104,507</u>	<u>\$108,693</u>

Debt and equity securities are recorded at fair value as determined by quoted market prices. Mutual funds are recorded at fair value using published unit values. Other investments at June 30, 2007 consist principally of limited partnerships, the underlying holdings of which are principally marketable securities. Investment expenses of \$436,000 and \$335,000 have been netted against interest and dividend income for the years ended June 30, 2007 and 2006, respectively.

4. Awards and Grants

Awards and grants for research are recognized as expense in the year approved by the Society's Board of Directors. Multi-year grants, which are generally two to five years in length, are approved on an annual basis and may be terminated at the discretion of the Society's Board of Directors. In addition to unconditional grants payable of \$77,245,000 at June 30, 2007, the Society has grant commitments of \$106,000,000 that are conditioned upon future events and, accordingly, are not recorded.

5. Pension Plan

The Society has a noncontributory, 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. Expense under this plan aggregated \$3,133,000 and \$3,020,000 for the years ended June 30, 2007 and 2006, respectively.

On July 1, 2006, the Society adopted a 457 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 this plan approximated \$194,000 for the year ended June 30, 2007. The assets and liabilities of this plan amounted to approximately \$285,000 and are included in investments and accounts payable in the accompanying 2007 statement of financial position.

The Leukemia & Lymphoma Society, Inc.

Notes to Consolidated Financial Statements

June 30, 2007

(with comparative amounts as of and for the year ended June 30, 2006)

6. Lease Commitments

The leases for premises which the Society's Home Office and chapters occupy expire on various dates through December 31, 2012 and provide for certain payments subject to escalation and periodic rate increases relating to real estate taxes, operating expenses and utilities.

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

Year ending June 30:	
2008	\$6,827
2009	6,284
2010	5,491
2011	3,146
2012	1,362
Thereafter	209
Total	<u>\$23,319</u>

7. 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, 2007 and 2006 (in thousands):

	2007		2006	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Research	\$1,907	\$2,825	\$3,614	\$2,784
Patient service	6,662	-	1,766	-
Other	65	48	23	47
Total	<u>\$8,634</u>	<u>\$2,873</u>	<u>\$5,403</u>	<u>\$2,831</u>

8. Joint Costs Allocation

In 2007 and 2006, the Society incurred joint costs for informational materials and activities that included fund raising appeals as follows (in thousands):

	2007	2006
Fund raising	\$14,069	\$13,661
Patient and community service	1,038	1,051
Public health education	11,652	11,067
Total	<u>\$26,759</u>	<u>\$25,779</u>

Chapter Supplementary Information

The Leukemia & Lymphoma Society, Inc.
Tennessee Chapter

Schedule of Financial Position
June 30, 2007
(with comparative amounts at June 30, 2006)

Assets	<u>2007</u>	<u>2006</u>
Cash	\$ 32,755	\$ 12,071
Contributions receivable	19,760	18,833
Prepaid expenses	5,509	8,335
Equipment and leasehold improvements, less accumulated depreciation and amortization of \$4,827 and \$3,183	<u>5,087</u>	<u>6,731</u>
Total assets	\$ <u><u>63,111</u></u>	\$ <u><u>45,970</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 38,723	\$ 60,049
Deferred revenue	<u>69,385</u>	<u>70,503</u>
Total liabilities	108,108	130,552
Net assets (deficit) - unrestricted	<u>(44,997)</u>	<u>(84,582)</u>
Total liabilities and net assets	\$ <u><u>63,111</u></u>	\$ <u><u>45,970</u></u>

The Leukemia & Lymphoma Society, Inc.
Tennessee Chapter

Schedule of Activities
Year ended June 30, 2007
(with comparative totals for the year ended June 30, 2006)

	Unrestricted	Temporarily Restricted	2007	2006
Revenue				
Campaign contributions	\$ 2,609,395	\$ 2,042	\$ 2,611,437	\$ 2,124,427
Less direct donor benefit costs	(409,675)	-	(409,675)	(330,281)
Net campaign contributions	2,199,720	2,042	2,201,762	1,794,146
Net assets released from restrictions	2,042	(2,042)	-	-
Total revenue	2,201,762	-	2,201,762	1,794,146
Expenses, including remittances to Home Office				
<i>Program Services:</i>				
Research	434,779	-	434,779	353,315
Patient and community service	696,439	-	696,439	532,621
Public health education	318,031	-	318,031	284,994
Professional education	85,122	-	85,122	76,866
Total program services	1,534,371	-	1,534,371	1,247,796
<i>Supporting Services:</i>				
Management and general	228,408	-	228,408	215,281
Fund raising	399,398	-	399,398	372,112
Total supporting services	627,806	-	627,806	587,393
Total expenses	2,162,177	-	2,162,177	1,835,189
Change in net assets	39,585	-	39,585	(41,043)
Net assets (deficit)				
Beginning of year	(84,582)	-	(84,582)	(43,539)
End of year	\$ (44,997)	\$ -	\$ (44,997)	\$ (84,582)

The Leukemia & Lymphoma Society, Inc.
Tennessee Chapter

Schedule of Functional Expenses
Year ended June 30, 2007
(with comparative totals for the year ended June 30, 2006)

	Program Services					Supporting Services					Direct donor benefit costs	
	Research	Patient and community service	Public health education	Professional education	Total	Management and general	Fund raising	Total	Total			
									2007	2006		
									2007	2006		
Financial aid to patients	-	\$103,153	-	-	\$103,153	-	-	-	\$103,153	\$85,196	-	-
Salaries	-	199,593	118,482	39,443	357,518	66,700	81,465	148,165	505,683	473,621	-	-
Employee benefits and taxes	-	35,780	21,240	7,071	64,091	11,957	14,605	26,562	90,653	76,207	-	-
Occupancy	-	19,977	11,859	3,948	35,784	6,676	8,154	14,830	50,614	47,778	-	-
Telephone	-	3,335	1,980	659	5,974	1,114	1,361	2,475	8,449	8,223	-	-
Travel	-	9,750	5,788	1,927	17,465	3,258	3,980	7,238	24,703	28,202	139,010	121,190
Printing and supplies	-	6,669	3,782	1,991	12,442	31,653	38,853	70,506	82,948	77,787	61,194	42,314
Equipment rentals and maintenance	-	4,782	2,839	945	8,566	1,598	1,951	3,549	12,115	16,275	-	-
Postage and shipping	-	5,377	3,050	1,605	10,032	25,522	31,327	56,849	66,881	65,847	-	-
Meetings	-	3,181	1,889	629	5,699	1,063	1,299	2,362	8,061	9,082	72,571	60,673
Professional fees	-	7,770	4,407	2,319	14,496	36,878	45,267	82,145	96,641	96,133	83,173	63,642
Miscellaneous	-	2,386	1,416	472	4,274	797	974	1,771	6,045	6,145	53,727	42,462
Depreciation and amortization	-	649	385	128	1,162	217	265	482	1,644	1,644	-	-
Subtotal	-	402,402	177,117	61,137	640,656	187,433	229,501	416,934	1,057,590	992,140	409,675	330,281
Remittances to Home Office	434,779	294,037	140,914	23,985	893,715	40,975	169,897	210,872	1,104,587	843,049	-	-
Total expenses	\$434,779	\$696,439	\$318,031	\$85,122	\$1,534,371	\$228,408	\$399,398	\$627,806	\$2,162,177	\$1,835,189	\$409,675	\$330,281