



THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Financial Statements

June 30, 2012

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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, 2012, 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 2011 consolidated financial statements and, in our report dated September 15, 2011, 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, 2012, 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 21, 2012

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Financial Position
June 30, 2012
(with comparative amounts at June 30, 2011)
(in thousands)

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents	\$ 25,972	\$ 17,866
Prepaid expenses and other assets	6,716	5,171
Legacies and contributions receivable, net (note 2)	5,413	19,614
Investments (note 3)	184,084	181,876
Fixed assets, less accumulated depreciation and amortization of \$11,374 and \$8,606, respectively	<u>6,854</u>	<u>5,413</u>
Total assets	<u><u>\$ 229,039</u></u>	<u><u>\$ 229,940</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 20,196	\$ 17,715
Deferred revenue	17,737	17,241
Grants payable (notes 4, 5 and 6)	<u>73,966</u>	<u>71,579</u>
Total liabilities	<u>111,899</u>	<u>106,535</u>
Commitments and contingencies (notes 4, 6, and 8)		
Net assets (note 9):		
Unrestricted	101,620	95,108
Temporarily restricted	12,163	24,405
Permanently restricted	<u>3,357</u>	<u>3,892</u>
Total net assets	<u>117,140</u>	<u>123,405</u>
Total liabilities and net assets	<u><u>\$ 229,039</u></u>	<u><u>\$ 229,940</u></u>

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Activities
Year ended June 30, 2012
(with summarized totals for the year ended June 30, 2011)
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2012	2011
Revenue					
Campaign contributions	\$ 262,114	\$ 68,041	\$ 257	\$ 330,412	\$ 314,044
Less direct donor benefit costs	(39,173)	-	-	(39,173)	(38,070)
Net campaign contributions	222,941	68,041	257	291,239	275,974
Legacies	3,165	1,884	-	5,049	7,736
Donated services (note 1)	5,328	-	-	5,328	5,983
Net interest and dividend income (note 3)	2,057	84	11	2,152	2,463
Net (decrease) increase in fair value of investments (note 3)	(7)	(212)	64	(155)	15,283
Grant refunds	1,477	-	-	1,477	1,748
Net assets released from restrictions/redesignation	82,906	(82,039)	(867)	-	-
Total revenue	317,867	(12,242)	(535)	305,090	309,187
Expenses (note 10)					
<i>Program Services:</i>					
Research	73,512	-	-	73,512	71,985
Patient and community service	115,727	-	-	115,727	109,496
Public health education	44,772	-	-	44,772	44,197
Professional education	8,785	-	-	8,785	7,979
Total program services	242,796	-	-	242,796	233,657
<i>Supporting Services:</i>					
Management and general	24,869	-	-	24,869	23,051
Fund raising	43,557	-	-	43,557	42,367
Total supporting services	68,426	-	-	68,426	65,418
Total expenses	311,222	-	-	311,222	299,075
Change in net assets before foreign currency translation adjustment	6,645	(12,242)	(535)	(6,132)	10,112
Foreign currency translation adjustment	(133)	-	-	(133)	320
Change in net assets	6,512	(12,242)	(535)	(6,265)	10,432
Net Assets					
Beginning of year	95,108	24,405	3,892	123,405	112,973
End of year	\$ 101,620	\$ 12,163	\$ 3,357	\$ 117,140	\$ 123,405

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Functional Expenses
Year ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)
(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	2012	2011	2012	2011
Awards and grants	\$ 54,527	\$ -	\$ -	\$ -	\$ 54,527	\$ -	\$ -	\$ -	\$ 54,527	\$ 49,906	\$ -	\$ -
Therapy acceleration program (note 6)	13,871	-	-	-	13,871	-	-	-	13,871	17,895	-	-
Financial aid to patients	-	3,057	-	-	3,057	-	-	-	3,057	5,579	-	-
Co-pay assistance (note 5)	-	45,961	-	-	45,961	-	-	-	45,961	37,947	-	-
Donated services	1,150	4,178	-	-	5,328	-	-	-	5,328	5,983	-	-
Salaries	1,972	28,845	17,498	4,588	52,903	8,034	9,903	17,937	70,840	67,772	-	-
Employee benefits and taxes (note 7)	276	7,755	5,195	1,303	14,529	2,433	3,633	6,066	20,595	20,131	-	-
Occupancy (note 8)	42	3,400	2,522	675	6,639	1,066	1,456	2,522	9,161	8,801	-	-
Insurance	9	262	135	19	425	59	107	166	591	570	-	-
Telephone	35	1,214	918	136	2,303	307	988	1,295	3,598	3,692	-	-
Travel	94	1,403	1,082	293	2,872	613	678	1,291	4,163	3,614	9,801	10,500
Printing and supplies	197	2,615	5,413	413	8,638	3,997	8,489	12,486	21,124	22,385	6,867	6,294
Equipment rentals and maintenance	19	1,026	598	153	1,796	279	427	706	2,502	2,509	-	-
Postage and shipping	9	921	3,418	110	4,458	1,604	5,727	7,331	11,789	13,322	-	-
Meetings	633	1,976	803	138	3,550	394	411	805	4,355	3,446	11,129	10,266
Professional fees	607	10,531	5,471	535	17,144	4,982	10,395	15,377	32,521	30,426	3,682	3,529
Miscellaneous	26	1,647	1,030	295	2,998	754	719	1,473	4,471	3,021	7,694	7,481
Depreciation and amortization	45	936	689	127	1,797	347	624	971	2,768	2,076	-	-
Total expenses	<u>\$ 73,512</u>	<u>\$ 115,727</u>	<u>\$ 44,772</u>	<u>\$ 8,785</u>	<u>\$ 242,796</u>	<u>\$ 24,869</u>	<u>\$ 43,557</u>	<u>\$ 68,426</u>	<u>\$ 311,222</u>	<u>\$ 299,075</u>	<u>\$ 39,173</u>	<u>\$ 38,070</u>

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.

Consolidated Statement of Cash Flows

Year ended June 30, 2012

(with comparative amounts for the year ended June 30, 2011)

(in thousands)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (6,265)	\$ 10,432
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net decrease (increase) in fair value of investments	155	(15,283)
Permanently restricted contributions collected	(257)	(105)
Depreciation and amortization	2,768	2,076
Increase (decrease) in allowance for uncollectible accounts	40	(426)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,545)	(464)
Legacies and contributions receivable, net	14,161	(771)
Accounts payable and accrued expenses	2,481	1,267
Deferred revenue	496	301
Grants payable	2,387	(9,001)
Net cash provided by (used in) operating activities	14,421	(11,974)
Cash flows from investing activities:		
Purchases of fixed assets	(4,209)	(2,357)
Purchases of investments	(94,729)	(49,023)
Sales of investments	92,366	59,919
Net cash (used in) provided by investing activities	(6,572)	8,539
Cash flows from financing activities:		
Permanently restricted contributions collected	257	105
Net cash provided by financing activities	257	105
Net increase (decrease) in cash and cash equivalents	8,106	(3,330)
Cash and cash equivalents at beginning of year	17,866	21,196
Cash and cash equivalents at end of year	\$ 25,972	\$ 17,866

See accompanying notes to consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

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 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.

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, 2012 and 2011.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of LLS, which encompasses the Home Office of LLS and its fifty-six chapters in the United States, LLSC and its five 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, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

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 consolidated statement of financial position.

LLS's principal source of revenue is amounts contributed by the general public. Accordingly, LLS's operations are impacted by individual contributions, which are impacted by general economic conditions, employment levels and other factors over which LLS has little or no control. In addition, five contributors provided support to the co-pay program in 2012.

Summarized Financial Information

The consolidated financial statements are presented with 2011 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, 2011 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with LLS's 2011 consolidated financial statements from which the summarized information was derived.

Subsequent Events

LLS evaluated subsequent events after the consolidated statement of financial position date of June 30, 2012 through September 21, 2012, 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 and/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 except where donor specified. 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, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

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), which 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.

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 and/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.

The Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

1. Continued

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 \$5,328,000 in 2012 and \$5,983,000 in 2011 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. Investments in equity securities and mutual funds are determined by utilizing quoted year end closing prices. Alternative investments are stated at net asset values provided by the fund managers or general partners 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.

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.

Recently Issued Accounting Standards

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. A nonpublic entity is required to apply the ASU prospectively for annual periods beginning after December 15, 2011. LLS expects that the adoption of ASU 2011-04 will not have a material impact on its consolidated financial statements.

The Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

2. Legacies and Contributions Receivable

LLS's legacies and contributions receivable at June 30, 2012 and 2011 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):

	2012	2011
Less than one year	\$ 3,766	\$ 17,905
1 to 5 years	2,300	2,710
After 5 years	712	104
Subtotal	<u>6,778</u>	<u>20,719</u>
Less allowance for uncollectible accounts	(778)	(738)
Less discount to present value (1.5% to 5%)	<u>(587)</u>	<u>(367)</u>
Total	<u><u>\$ 5,413</u></u>	<u><u>\$ 19,614</u></u>

Approximately 66% of LLS's legacies and contributions receivable was from one estate at June 30, 2011, which was received in 2012.

The Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

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, 2012 and 2011 (in thousands):

	2012	Level 1	Level 2	Level 3
Money market funds and cash	\$ 956	\$ 956	\$ —	\$ —
Fixed income (mutual funds):				
Long duration	70,220	70,220	—	—
Short duration	37,159	37,159	—	—
Other	1,061	1,061	—	—
Equities and other mutual funds:				
Large cap	11,484	11,484	—	—
International	15,958	15,958	—	—
Small/mid cap	4,491	4,491	—	—
Alternative investments:				
Funds of hedge funds	37,501	-	34,459	3,042
Limited partnership equity indices	5,254	-	5,254	—
	<u>\$ 184,084</u>	<u>\$ 141,329</u>	<u>\$ 39,713</u>	<u>\$ 3,042</u>
	2011	Level 1	Level 2	Level 3
Money market funds and cash	\$ 839	\$ 839	\$ —	\$ —
Fixed income (mutual funds):				
Long duration	57,910	57,910	—	—
Short duration	42,826	42,826	—	—
Other	1,039	1,039	—	—
Equities and other mutual funds:				
Large cap	16,703	16,703	—	—
International	6,552	6,552	—	—
Small/mid cap	5,369	5,369	—	—
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>

The Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

3. Continued

Investment expenses of \$625,000 and \$752,000 have been netted against interest and dividend income for the years ended June 30, 2012 and 2011, respectively. The unrealized (losses) and gains were (\$5,514,000) and \$7,428,000 for the years ended June 30, 2012 and 2011, 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, after the initial holding period. As of June 30, 2012, the following table summarizes the composition of such investments at fair value by the various redemption provisions (in thousands):

Redemption Period:	Funds of Hedge Funds	Limited Partnerships
Monthly	\$ -	\$ 5,254
Quarterly	34,459	-
Annual	3,042	-
Total	<u>\$ 37,501</u>	<u>\$ 5,254</u>

As of June 30, 2012 and 2011, LLS has no unfunded commitments on its alternative investments.

The Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

3. Continued

The following table presents a reconciliation for all Level 3 assets measured at fair value as of June 30, 2012 and 2011 (in thousands):

	Level 3 Assets	
	2012	2011
Balance at July 1	\$ -	\$ 15,992
Purchases	3,135	-
Investment expense	-	(211)
Net (decrease) increase in fair value	(93)	1,118
Transfers to Level 2 due to expiration of lock-up period	-	(16,899)
Balance at June 30	<u>\$ 3,042</u>	<u>\$ -</u>

4. Awards and Grants

Awards and grants for research are recognized as expense when approved by LLS's Board of Directors and conditions have been satisfied. 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. LLS has unconditional grants payable of \$68,315,000 and \$66,098,000 at June 30, 2012 and 2011, respectively.

In addition, LLS has grant commitments of \$48,875,000 and \$63,500,000 at June 30, 2012 and 2011, respectively, 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 and/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 \$5,651,000 and \$3,931,000 were included in the grants payable balances for amounts awarded but unpaid at June 30, 2012 and 2011, respectively.

The Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

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 contract commitments are recognized as an expense in the year program milestones are achieved. Approximately \$1,550,000 was included in the grants payable balances for milestones achieved but unpaid at June 30, 2011. No amounts were payable at June 30, 2012. 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.

In addition, LLS has contract commitments of \$19,078,000 and \$25,169,000 at June 30, 2012 and 2011, respectively, 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 \$3,967,000 and \$3,823,000 for the years ended June 30, 2012 and 2011, 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 \$157,000 and \$167,000 for the years ended June 30, 2012 and 2011, 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 \$1,196,000 and \$973,000 at June 30, 2012 and 2011, respectively.

8. Lease Commitments

The leases for premises, which LLS's Home Office and chapters occupy, expire on various dates through September 30, 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 Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

8. Continued

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

<u>Year ending June 30:</u>	
2013	\$ 7,840
2014	6,593
2015	5,904
2016	4,059
2017	1,714
Thereafter	450
Total	<u>\$ 26,560</u>

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, 2012 and 2011 (in thousands):

	<u>2012</u>		<u>2011</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Time restrictions	\$ 1,150	\$ -	\$ 15,259	\$ -
Research	7,898	3,139	5,450	3,016
Patient service	2,718	-	3,608	730
Other	397	218	88	146
Total	<u>\$ 12,163</u>	<u>\$ 3,357</u>	<u>\$ 24,405</u>	<u>\$ 3,892</u>

LLS follows the provisions of 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.

The Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

9. Continued

The following table presents changes in the donor-restricted endowment funds for the year ended June 30, 2012 (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at July 1	\$ —	\$ 3,280	\$ 3,892	\$ 7,172
Investment income	—	77	11	88
Net (depreciation) appreciation	—	(202)	64	(138)
Contributions	—	-	257	257
Net assets redesignated by donor	—	-	(867)	(867)
Endowment net assets at June 30	<u>\$ —</u>	<u>\$ 3,155</u>	<u>\$ 3,357</u>	<u>\$ 6,512</u>

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
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 redesignated by donor	—	—	(28)	(28)
Reclassification upon enactment of NYPMIFA	(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 Leukemia & Lymphoma Society, Inc.
Notes to Consolidated Financial Statements
June 30, 2012
(with comparative amounts as of and for the year ended June 30, 2011)

10. Joint Costs Allocation

For the years ended June 30, 2012 and 2011, LLS incurred joint costs for informational materials and activities that included fund raising appeals as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Fund raising	\$ 11,509	\$ 12,543
Patient and community service	1,049	1,078
Public health education	9,522	10,725
Total	<u>\$ 22,080</u>	<u>\$ 24,346</u>