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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047
		2010
		Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 05-01-2010 and ending 04-30-2011		
B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization BARBARA ANN KARMANOS CANCER HOSPITAL	D Employer identification number 20-1649466
	Doing Business As	E Telephone number (800) 527-6266
	Number and street (or P O box if mail is not delivered to street address) 4100 John R	Room/suite
	G Gross receipts \$ 609,059,841	
	City or town, state or country, and ZIP + 4 Detroit, MI 482012013	
	F Name and address of principal officer Gerold Bepler MD 4100 John R Detroit, MI 482012013	H(a) Is this a group return for affiliates? ☐ Yes ☒ No H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀ (Insert no) ☐ 4947(a)(1) or ☐ 527		
J Website: ▶ www.karmanos.org		
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶		L Year of formation 2004
		M State of legal domicile MI

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities The Barbara Ann Karmanos Cancer Hospital is dedicated to the delivery of cancer care services, the treatment and care of cancer patients and the prevention of cancer		
	2 Check this box ☒ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	20
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	961
	6 Total number of volunteers (estimate if necessary)	6	356
	7a	0	
	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	77,393	53,655
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	579,834,118	609,736,764
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	27,561	3,792
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	219,089	-734,370
		580,158,161	609,059,841
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	210,047	298,903
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	59,791,409	65,508,723
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ☒ 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	511,979,355	538,270,420
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	571,980,811	604,078,046
	19 Revenue less expenses Subtract line 18 from line 12	8,177,350	4,981,795
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	76,644,563	76,384,436
	21 Total liabilities (Part X, line 26)	54,320,061	50,517,954
	22 Net assets or fund balances Subtract line 21 from line 20	22,324,502	25,866,482

Part II Signature Block					
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.					
Sign Here	Signature of officer			2012-03-15	
				Date	
Paid Preparer Use Only	Print/Type preparer's name			Preparer's signature	Date
	Firm's name ▶			Check if self-employed ☐	
	Firm's address ▶			PTIN	
			Firm's EIN ▶		
			Phone no ▶		

May the IRS discuss this return with the preparer shown above? (see instructions) ☐ Yes ☐ No

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

1

Briefly describe the organization’s mission

The Barbara Ann Karmanos Cancer Hospital is dedicated to the delivery of cancer care services, the treatment and care of cancer patients and the prevention of cancer. Additionally, Karmanos promotes, encourages, aids and performs scientific investigations and research addressing the cause, treatment and prevention of cancer. Essential cancer medical services are provided to the community.

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

Yes

checked

No

If “Yes,” describe these new services on Schedule O.

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

checked

No

If “Yes,” describe these changes on Schedule O.

4

Describe the exempt purpose achievements for each of the organization’s three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a

(Code) (Expenses \$ 153,233,231 including grants of \$) (Revenue \$ 172,968,976)

Inpatient Health Care Delivery & Management: Barbara Ann Karmanos Cancer Hospital is dedicated to the delivery of cancer care services, the treatment and care of cancer patients and the prevention of cancer. Additionally, Karmanos promotes, encourages, aids and performs scientific investigations and research addressing the cause, treatment and prevention of cancer. Essential cancer medical services are provided to the community. In FY2011, 26,633 patient days and 3,918 discharges for an average length of stay of 6.80 days. In addition, there were 268 bone marrow transplant cases, 1,757 inpatient surgical cases, 2,943 inpatient imaging cases and 504,236 Lab RVUs.

4b

(Code) (Expenses \$ 416,579,183 including grants of \$ 0) (Revenue \$ 425,331,736)

Ambulatory Services: The Barbara Ann Karmanos Cancer Hospital provided medical services to cancer patients including radiation oncology, chemotherapy, bone marrow transplant, mammography and hematology consultative, diagnostic and treatment services. Essential cancer and medical services are provided to the community. In fiscal year 2011, the following outpatient statistics were reported: clinical visits of 58,146, infusion patients, 29,634, imaging procedures, 57,072, pheresis patients, 3,143, radiation oncology inpatient and outpatient procedures, 29,123, outpatient surgical cases, 2,102, and outpatient lab RVUs, 1,097,062.

4c

(Code) (Expenses \$ 9,496,002 including grants of \$ 0) (Revenue \$ 8,880,504)

The Barbara Ann Karmanos Cancer Hospital promotes, aids and performs scientific investigations and research addressing the cause, treatment and prevention of cancer. Phase 1 clinical drug trials.

4d

Other program services (Describe in Schedule O)

(Expenses \$ 0 including grants of \$ 0) (Revenue \$ 0)

4e

Total program service expenses

\$ 579,308,416

Part IV

Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i>		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i>		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	Yes	
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i>		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i>		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i>		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i>		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i>		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If "Yes," complete Schedule F, Parts I and IV.</i>		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? <i>If "Yes," complete Schedule F, Parts II and IV.</i>		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U.S.? <i>If "Yes," complete Schedule F, Parts III and IV.</i>		No
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions).	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II . . .</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III . . .</i>	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J . . .</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25 . . .</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . .	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . .	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I . . .</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I . . .</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II . . .</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III . . .</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV . . .</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV . . .</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV . . .</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M . . .</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I . . .</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II . . .</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I . . .</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1 . . .</i>	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? . . .	35		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2 . . .</i> ☐ Yes ☒ No			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2 . . .</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

☐

			Yes	No	
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	0		
		1b	0		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	961		
	b If at least one is reported on line 2a, did the organization file all required federal employment tax returns?				
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).					
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?			3a		No
b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.			3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
	b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		No
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7 Organizations that may receive deductible contributions under section 170(c).					
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?			7a		
b If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		
d If "Yes," indicate the number of Forms 8282 filed during the year.			7d		
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9 Sponsoring organizations maintaining donor advised funds.					
a Did the organization make any taxable distributions under section 4966?			9a		
b Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10 Section 501(c)(7) organizations. Enter					
a Initiation fees and capital contributions included on Part VIII, line 12.			10a		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.			10b		
11 Section 501(c)(12) organizations. Enter					
a Gross income from members or shareholders.			11a		
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).			11b		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			12a		
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.			12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.					
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.			13a		
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.			13b		
c Enter the amount of reserves on hand.			13c		
14a Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.			14b		

Part VI

Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI ☒

Section A. Governing Body and Management			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a 20		
b	Enter the number of voting members included in line 1a, above, who are independent	1b 11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Does the organization have members or stockholders?	6		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)	15b	Yes	
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure	
17	List the States with which a copy of this Form 990 is required to be filed▶
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ Gary Morrison 4100 John R Detroit, MI 482012013 (313) 576-8662

Check if Schedule O contains a response to any question in this Part VII ☐ ☒

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

Form **990** (2010)

Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,863,216	879,432	30,000

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization▶56

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		No

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization		
(A) Name and business address		(B) Description of services	(C) Compensation
2	Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶0		

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a	0				
	b	Membership dues	1b	0				
	c	Fundraising events	1c	0				
	d	Related organizations	1d	0				
	e	Government grants (contributions)	1e	0				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	53,655				
	g	Noncash contributions included in lines 1a-1f \$		0				
	h	Total. Add lines 1a-1f		53,655				
	Program Service Revenue	2a	Business Code					
		Outpatient medical services	621400	419,832,410	419,832,410	0	0	
b		Inpatient medical services	622000	172,968,976	172,968,976	0	0	
c		Drug clinical studies	900099	8,880,504	8,880,504	0	0	
d		Professional medical services	621400	5,499,326	5,499,326	0	0	
e		Professional services revenue - related	900099	2,555,548	2,555,548	0	0	
f		All other program service revenue		0	0	0	0	
g		Total. Add lines 2a-2f		609,736,764				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)						
				3,792	3,792	0	0	
	4	Income from investment of tax-exempt bond proceeds . . .						
				0	0	0	0	
	5	Royalties						
				0	0	0	0	
	6a	Gross Rents	(i) Real	(ii) Personal				
			12,867	0				
	b	Less rental expenses		0				
	c	Rental income or (loss)		12,867				
	d	Net rental income or (loss)			12,867	12,867	0	0
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			0	0				
	b	Less cost or other basis and sales expenses		0				
	c	Gain or (loss)		0				
	d	Net gain or (loss)			0	0	0	0
8a	Gross income from fundraising events (not including \$ 0 of contributions reported on line 1c) See Part IV, line 18							
		a	0					
b	Less direct expenses	b	0					
c	Net income or (loss) from fundraising events . . .			0		0	0	
9a	Gross income from gaming activities See Part IV, line 19 . . .	a	0					
b	Less direct expenses	b	0					
c	Net income or (loss) from gaming activities . . .			0	0	0	0	
10a	Gross sales of inventory, less returns and allowances							
		a	0					
b	Less cost of goods sold	b	0					
c	Net income or (loss) from sales of inventory . . .			0	0	0	0	
Miscellaneous Revenue			Business Code					
11a	Investment Loss - Crittenton		900099	-1,025,631	-1,025,631	0	0	
b	Valet Parking		900099	85,077	85,077	0	0	
c	Miscellaneous Income		900099	193,317	193,317	0	0	
d	All other revenue			0	0	0	0	
e	Total. Add lines 11a-11d			-747,237				
12	Total revenue. See Instructions			609,059,841	609,006,186	0	0	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
2	Grants and other assistance to individuals in the U S See Part IV, line 22	298,903	298,903		
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	569,037	569,037	0	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0	0	0	0
7	Other salaries and wages	52,368,358	50,466,521	1,901,837	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,313,352	1,260,209	53,143	0
9	Other employee benefits	7,783,291	6,973,734	809,557	0
10	Payroll taxes	3,474,685	3,336,237	138,448	0
a	Fees for services (non-employees) Management	0	0	0	0
b	Legal	435,384	363,620	71,764	0
c	Accounting	171,842	58,230	113,612	0
d	Lobbying	0	0	0	0
e	Professional fundraising services See Part IV, line 17	0			0
f	Investment management fees	0	0	0	0
g	Other	93,171,787	81,462,199	11,709,588	0
12	Advertising and promotion	1,443,673	138,994	1,304,679	0
13	Office expenses	41,138,678	40,955,918	182,760	0
14	Information technology	6,555,131	0	6,555,131	0
15	Royalties	0	0	0	0
16	Occupancy	5,784,841	5,733,709	51,132	0
17	Travel	133,207	123,371	9,836	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
19	Conferences, conventions, and meetings	38,795	35,294	3,501	0
20	Interest	1,499,202	292,518	1,206,684	0
21	Payments to affiliates	62,753	62,753		0
22	Depreciation, depletion, and amortization	4,123,187	3,600,775	522,412	0
23	Insurance	943,511	822,742	120,769	0
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Bad debt expense	9,308,681	9,308,681	0	0
b	Permits & licenses	70,858	68,678	2,180	0
c	Dues & memberships	85,941	79,949	5,992	0
d	Educational & training & misc	57,112	52,185	4,927	0
e	Contractual Allowances	373,204,805	373,204,805	0	0
f	All other expenses	41,032	39,354	1,678	
25	Total functional expenses. Add lines 1 through 24f	604,078,046	579,308,416	24,769,630	0
26	Joint costs. Check here ☒ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			3,224,545	1	6,641,680
	2	Savings and temporary cash investments			9,064,703	2	0
	3	Pledges and grants receivable, net			2,575,570	3	2,488,550
	4	Accounts receivable, net			14,231,011	4	22,442,485
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Schedule L			0	6	0
	7	Notes and loans receivable, net			0	7	0
	8	Inventories for sale or use			1,626,500	8	2,254,253
	9	Prepaid expenses and deferred charges			666,184	9	1,619,296
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	40,540,842			
	b	Less: accumulated depreciation	10b	18,168,952	23,814,995	10c	22,371,890
	11	Investments—publicly traded securities			0	11	0
	12	Investments—other securities. See Part IV, line 11			0	12	0
	13	Investments—program-related. See Part IV, line 11			20,878,134	13	113,000
	14	Intangible assets			0	14	0
	15	Other assets. See Part IV, line 11			562,921	15	18,453,282
16	Total assets. Add lines 1 through 15 (must equal line 34)			76,644,563	16	76,384,436	
Liabilities	17	Accounts payable and accrued expenses			26,464,705	17	29,064,899
	18	Grants payable			0	18	
	19	Deferred revenue			211,076	19	161,600
	20	Tax-exempt bond liabilities			0	20	0
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			26,665,242	23	20,361,455
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	25	Other liabilities. Complete Part X of Schedule D			979,038	25	930,000
	26	Total liabilities. Add lines 17 through 25			54,320,061	26	50,517,954
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			20,685,938	27	24,324,610
	28	Temporarily restricted net assets			1,638,564	28	1,541,872
	29	Permanently restricted net assets			0	29	0
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			22,324,502	33	25,866,482
34	Total liabilities and net assets/fund balances			76,644,563	34	76,384,436	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	609,059,841
2	Total expenses (must equal Part IX, column (A), line 25)	2	604,078,046
3	Revenue less expenses Subtract line 2 from line 1	3	4,981,795
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	22,324,502
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-1,439,815
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	25,866,482

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization BARBARA ANN KARMANOS CANCER HOSPITAL	Employer identification number 20-1649466
--	--

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h
- a

☐

Type I
- b

☐

Type II
- c

☐

Type III - Functionally integrated
- d

☐

Type III - Other
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
(ii) a family member of a person described in (i) above?
(iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support test—2009. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
17a 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶		
b 10%-facts-and-circumstances test—2009. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶		
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶		

Part IIIPart III

Support Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here 						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 		

Part IV

Supplemental Information. Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Additional Data

Software ID: 10000077

Software Version: v1.00

EIN: 20-1649466

Name: BARBARA ANN KARMANOS CANCER HOSPITAL

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Charles E Becker Chairman	1	X						0	0	0
Leslie Bowman Board Member	1	X						0	0	0
Armando R Cavazos Board Member	1	X						0	0	0
Myron Frasier Board Member	1	X						0	0	0
Thomas A Goss Board Member	1	X						0	0	0
S Scott Hunter Board Member	1	X						0	0	0
Denise Ilitch Board Member	1	X						0	0	0
Timothy Monahan Board Member	1	X						0	0	0
Valerie Parisi MD Board Member	1	X						0	0	0
Philip A Philip MD Board Member	1	X						0	0	0
W James Prowse Board Member	1	X						0	0	0
Anthony Rusciano Board Member	1	X						0	0	0
Alan S Schwartz Board Member	1	X						0	0	0
Nettie H Seabrooks Board Member	1	X						0	0	0
Maureen L Stapleton Board Member	1	X						0	0	0
Jane R Thomas PhD Board Member	1	X						0	0	0
Samuel Thomas Board Member	1	X						0	0	0
Manuel Valdivieso MD Medical Director	1	X						0	0	0
George H Yoo MD Chief Medical Director	40	X			X			0	0	0
Gerold Bepler President	40			X	X			0	381,020	0
Sharon L Lukas Chief of Staff	40			X	X			0	114,592	0
Cynthia Sikina Treasurer	40			X	X			0	167,771	0
Debra Herring VP, Clinics	40				X			162,048	0	0
Gary Morrison Chief Operating Officer	40				X			0	216,049	0
Karen Goldman VP, Cancer Patient Services/CNO	40				X			176,243	0	0

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Kathleen Carolin VP, Operations	40				X			150,105	0	0
Sharon Helmer MD Breast Imaging	40					X		514,586	0	30,000
Garrett Walworth Radiologist	40					X		482,122	0	0
Natasha Robinette Radiologist	40					X		474,209	0	0
Michael Petrich Radiologist	40					X		452,096	0	0
Hussein Aoun Radiologist	40					X		451,807	0	0

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

► **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.**
► **Attach to Form 990. ► See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
BARBARA ANN KARMANOS CANCER HOSPITAL

Employer identification number
20-1649466

Part I

Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?	☐ Yes ☐ No
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit	☐ Yes ☐ No

Part II

Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

2

Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
2a	Total number of conservation easements
2b	Total acreage restricted by conservation easements
2c	Number of conservation easements on a certified historic structure included in (a)
2d	Number of conservation easements included in (c) acquired after 8/17/06

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ► _____

4

Number of states where property subject to conservation easement is located ► _____

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ► _____

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ► \$ _____

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9

In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization’s financial statements that describes the organization’s accounting for conservation easements

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i)	Revenues included in Form 990, Part VIII, line 1	► \$ _____ 0
(ii)	Assets included in Form 990, Part X	► \$ _____ 50,000

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a	Revenues included in Form 990, Part VIII, line 1	► \$ _____ 0
b	Assets included in Form 990, Part X	► \$ _____ 0

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3

Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☒ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes☒ No

Part IV

Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes☐ No

b

If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance				
b	Contributions				
c	Investment earnings or losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i)

unrelated organizations

3a(i)

☐ Yes☐ No

(ii)

related organizations

3a(ii)

☐ Yes☐ No

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

☐ Yes☐ No

4

Describe in Part XIV the intended uses of the organization's endowment funds

Part VI

Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	0	1,544,809		1,544,809
b Buildings	0	17,910,517	7,237,019	10,673,498
c Leasehold improvements	0	3,280,895	1,716,882	1,564,013
d Equipment	0	15,568,246	8,312,212	7,256,034
e Other	0	2,236,375	902,839	1,333,536
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				22,371,890

Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements		
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1609,059,841
2	Total expenses (Form 990, Part IX, column (A), line 25)	2604,078,046
3	Excess or (deficit) for the year Subtract line 2 from line 1	34,981,795
4	Net unrealized gains (losses) on investments	40
5	Donated services and use of facilities	50
6	Investment expenses	60
7	Prior period adjustments	70
8	Other (Describe in Part XIV)	8-1,439,811
9	Total adjustments (net) Add lines 4 - 8	9-1,439,811
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	103,541,984

Part XIIReconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements	1236,499,902
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments2a0	
b	Donated services and use of facilities2b0	
c	Recoveries of prior year grants2c0	
d	Other (Describe in Part XIV)2d-373,204,809	
e	Add lines 2a through 2d	2e-373,204,809
3	Subtract line 2e from line 1	3609,704,711
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	
a	Investment expenses not included on Form 990, Part VIII, line 7b4a0	
b	Other (Describe in Part XIV)4b-644,870	
c	Add lines 4a and 4b	4c-644,870
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5609,059,841

Part XIIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements	1230,810,488
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	
a	Donated services and use of facilities2a0	
b	Prior year adjustments2b0	
c	Other losses2c0	
d	Other (Describe in Part XIV)2d-373,204,805	
e	Add lines 2a through 2d	2e-373,204,805
3	Subtract line 2e from line 1	3604,015,293
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:	
a	Investment expenses not included on Form 990, Part VIII, line 7b4a0	
b	Other (Describe in Part XIV)4b62,753	
c	Add lines 4a and 4b	4c62,753
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5604,078,046

Part XIVSupplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
SchD_P03_S00_L04	Schedule D, Part III, Line 4	Artwork is displayed for patient enjoyment and relaxation
SchD_P11_S00_L08	Schedule D, Part XI, Line 8	Write down of investment in Crittenton JV (\$2,050,000), offset by other changes in unrestricted and temporarily restricted net assets \$610,189
SchD_P12_S00_L02d	Schedule D, Part XII, Line 2d	Contractual allowances deducted from revenue on audited financial statements (\$373,204,805). Remaining is rounding of (\$4).
SchD_P12_S00_L04b	Schedule D, Part XII, Line 4b	Transfer from Restricted Accounts (\$644,870), rounding to balance \$5.
SchD_P13_S00_L02d	Schedule D, Part XIII, Line 2d	Contractual allowances deducted from revenue on audited financial statements (\$373,204,805).
SchD_P13_S00_L04b	Schedule D, Part XIII, Line 4b	Transfers to Affiliates

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
BARBARA ANN KARMANOS CANCER HOSPITAL

Employer identification number
20-1649466

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	Yes	
b	If "Yes," is it a written policy?	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ % b Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☒ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ % c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		No
6a	Does the organization prepare a community benefit report during the tax year?		No
6b	If "Yes," did the organization make it available to the public?		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			133,453	0	133,453	0 02 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			15,046,048	14,507,771	538,277	0 09 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			38,389,682	16,615,758	21,773,924	3 6 %
d Total Financial Assistance and Means-Tested Government Programs	0	0	53,569,183	31,123,529	22,445,654	3 71 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			5,503,990	1,617,898	3,886,092	0 64 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j Total Other Benefits	0	0	5,503,990	1,617,898	3,886,092	0 64 %
k Total. Add lines 7d and 7j	0	0	59,073,173	32,741,427	26,331,746	4 35 %

Part II

Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy	2	9,935			
8	Workforce development					
9	Other					
10	Total	2	9,935	0	0	0 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	3,412,185	
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	133,453	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	47,493,229	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	54,899,691	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-7,406,462	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other			

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes	

Part IV

Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 1

1	Barbara Ann Karmanos Cancer Hospital 4100 John R Detroit, MI 48201
---	--

Other (Describe)

X

X

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 1

Name and address		Type of Facility (Describe)
1	Crittenton Karmanos Health Services 1901 Star Batt Drive Rochester Hills, MI 48307	Outpatient radiation oncology
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g, open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07	Schedule H, Part I, Line 7	Cost of charge ratio

Identifier	ReturnReference	Explanation
SchH_P01_S00_L072f	Schedule H, Part I, Line 7, Column f	Not applicable

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07g	Schedule H, Part I, Line 7g	Not applicable

Identifier	ReturnReference	Explanation
SchH_P02_S00_L00	Schedule H, Part II	Professional health education services include providing cancer information and education to 1,780 patients and family members In 2011, 8,155 women were screened for breast and cervical cancer as part of our partnership with the Breast and Cervical Cancer control Programs for eligible uninsured and underinsured women

Identifier	ReturnReference	Explanation
SchH_P03_S0A_L04	Schedule H, Part III, Section A, Line 4	Accounts receivable for patient services, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts has been established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and industry standards and adjusted for economic conditions and other trends affecting the Hospital's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

Identifier	ReturnReference	Explanation
SchH_P03_S0B_L08	Schedule H, Part III, Section B, Line 8	Shortfall of Medicare cost over Medicare payments of (\$7,406,462) should be included as a community benefit The majority of our Medicare patients are crossover patients with Medicaid as secondary

Identifier	ReturnReference	Explanation
SchH_P03_S0C_L09b	Schedule H, Part III, Section C, Line 9b	The policy follows the Medicare Reimbursement manual, Part I, Section 312 "Providers can deem Medicare beneficiaries indigent or medically indigent when such individuals have also been determined eligible for Medicaid as either categorically needy individuals or medically needy individuals, respectively Once indigence is determined and the provider concludes that there had been no improvement in the beneficiary's financial condition, the debt may be deemed uncollectible "

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L18	Schedule H, Part V , Section B, Line 18	Karmanos Cancer Center does not have an emergency room

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L19	Schedule H, Part V, Section B, Line 19	Karmanos Cancer Center uses Blue Cross/Blue Shield of Michigan rates for these services

Identifier	ReturnReference	Explanation
SchH_P06_S00_L02	Schedule H, Part VI, Line 2	The review of SEER data in our immediate service areas of Wayne, Oakland and Macomb counties with particular attention to the morbidity and mortality rates in certain age and ethnic groups Collaborative work with other NCI designated facilities to track trends in other like communities In the past, focus groups and cold calls have been used to assess community needs

Identifier	ReturnReference	Explanation
SchH_P06_S00_L03	Schedule H, Part VI, Line 3	All patients receive a copy of their patient rights upon registration as a new patient. Patients are asked about health care coverage when scheduling an appointment and verified during the pre-registration process. Those patients without health insurance or that are underinsured are then directed to special grant programs or to a Financial Counselor for application to other programs.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L04	Schedule H, Part VI, Line 4	Located in mid-town Detroit, Michigan, the Barbara Ann Karmanos Cancer Institute and Barbara Ann Karmanos Cancer Hospital (Karmanos) is one of 40 National Cancer Institute-designated comprehensive cancer center in the United States For four consecutive years, the Karmanos Cancer Center has topped the list of preferred hospitals in southeast Michigan for cancer care, according to a survey by the National Research Corporation We are a unique, urban-based center of research, patient care and education dedicated to the prevention, early detection, treatment and eventual eradication of cancer In 2011, Karmanos provided services to 285,241 individuals representing the 83 counties in the state of Michigan, and 46 of the 50 states in the United States

Identifier	ReturnReference	Explanation
SchH_P06_S00_L05	Schedule H, Part VI, Line 5	Karmanos offers education and awareness programs presented by its physicians and researchers, community education staff members, and trained volunteers. These experts present information on cancer prevention, risk and its reduction, and testing guidelines. Programs are available to businesses, religious congregations and social/community groups in southeastern Michigan. Educational Programs and Educational Materials include, but are not limited to, General Cancer Information, Breast Cancer, Cervical Cancer, Clinical Trials, Colorectal Cancer, Lung Cancer, Prostate Cancer and Skin Cancer. Karmanos also offers free fact sheets on the most common forms of cancer and topics of interest. These are geared to persons concerned about their cancer risk and interested in prevention and early detection - not to persons diagnosed with cancer. Topics include: Breast Cancer, Cervical Cancer, Clinical Trials, Colon Cancer, Lung Cancer, Men's Cancer Screenings, Nutrition & Physical Activity, Ovarian Cancer, Prostate Cancer, Skin Cancer, Testicular Cancer and Women's Cancer Screenings.

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
BARBARA ANN KARMANOS CANCER HOSPITAL

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2010

Open to Public
Inspection

Employer identification number
20-1649466

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No
- 2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed. ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance

2

Enter total number of section 501(c)(3) and government organizations ▶

3

Enter total number of other organizations ▶

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) Provide lodging for cancer patients that come from out of town Lodging paid to the following local facilities include, Antheneum Hotel, Inn on Ferry Street, Omni Detroit Hotel	492	96,386	0	Book	
(2) Direct cash assistance provided to patients for treatments	240	87,658	0	Book	
(3) Direct cash assistance for patients for food, travel and parking	182	74,500	0	Book	
(4) Rent paid on behalf of cancer patients	1	590	0	Book	
(5) Transportation paid to local cab company on behalf of cancer patients	2339	39,769	0	Book	

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
SchI_P01_S00_L02	Schedule I, Part I, Line 2	Monitor monthly by reviewing the activity and monthly account reconciliations

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
BARBARA ANN KARMANOS CANCER HOSPITAL

Employer identification number
20-1649466

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)		
1b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	☒ Compensation committee ☒ Written employment contract ☒ Independent compensation consultant ☒ Compensation survey or study ☒ Form 990 of other organizations ☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
4a	Receive a severance payment or change-of-control payment from the organization or a related organization?		No
4b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?		No
4c	Participate in, or receive payment from, an equity-based compensation arrangement?		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
5a	The organization?		No
5b	Any related organization?		No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
6a	The organization?		No
6b	Any related organization?		No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Gerold Bepier	(i)	0	0	0	0	0	0	0
	(ii)	379,933	0	1,087	0	23,366	404,386	0
(2) Cynthia Sikina	(i)	0	0	0	0	0	0	0
	(ii)	167,029	0	742	0	14,087	181,858	0
(3) Gary Morrison	(i)	0	0	0	0	0	0	0
	(ii)	214,404	0	1,645	0	12,550	228,599	0
(4) Karen Goldman	(i)	172,680	0	3,564	0	18,991	195,235	0
	(ii)	0	0	0	0	0	0	0
(5) Kathleen Carolin	(i)	149,000	0	1,105	0	12,030	162,135	0
	(ii)	0	0	0	0	0	0	0
(6) Sharon Helmer	(i)	483,827	30,000	759	0	24,615	539,201	0
	(ii)	0	0	0	0	0	0	0
(7) Garrett Walworth	(i)	481,852	0	270	0	23,033	505,155	0
	(ii)	0	0	0	0	0	0	0
(8) Natasha Robinette	(i)	474,047	0	162	0	22,951	497,160	0
	(ii)	0	0	0	0	0	0	0
(9) Michael Petrich	(i)	451,952	0	144	0	16,884	468,980	0
	(ii)	0	0	0	0	0	0	0
(10) Hussein Aoun	(i)	451,663	0	144	0	16,882	468,689	0
	(ii)	0	0	0	0	0	0	0
(11) Debra Herring	(i)	158,682	0	3,367	0	12,530	174,579	0
	(ii)	0	0	0	0	0	0	0
(12)								
(13)								
(14)								
(15)								
(16)								

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
SchJ_P01_S00_L03	Schedule J, Part I, Line 3	The KCI Board Chairman established a formal Compensation Committee that is responsible for the review of compensation for the CEO, including the administration of the short term incentive program when the funds are available to distribute under the plan. Any salary increase program is reviewed and approved by the KCI-KCC Finance Committee and the KCI-KCC Board of Directors as part of the annual budget process.

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons
▶ Complete if the organization answered
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047
2010
Open to Public Inspection

Name of the organization
BARBARA ANN KARMANOS CANCER HOSPITAL

Employer identification number
20-1649466

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$

Part II

Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total ▶ \$										

Part III

Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b)Relationship between interested person and the organization	(c)Amount of grant or type of assistance

Part IV

Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Alan S Schwartz	Board Member	398,499	Partner in firm that provides legal services to KCC		No

Part V

Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization BARBARA ANN KARMANOS CANCER HOSPITAL	Employer identification number 20-1649466
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Identifier	Return Reference	Explanation
F990_P06_S0B_L11a	Form 990, Part VI, Section B, Line 11a	The review process for Form 990 includes distribution and review of the Form 990 to the Finance Committee of the Board of Directors and the Board of Directors at their respective meetings

Identifier	Return Reference	Explanation
F990_P06_S0B_L12c	Form 990, Part VI, Section B, Line 12c	Annual conflict of interest questionnaires are completed by Board members, Officers, and Executive Administration. Conflicts are summarized and reported to the Nominating and Governance Committee. Conflicts are compared to our vendor list to ensure all potential transactions that involve a conflict of interest are disclosed.

Identifier	Return Reference	Explanation
F990_P06_S0B_L15	Form 990, Part VI, Section B, Line 15	The KCI Board Chairman established a formal Compensation Committee that is responsible for the review of compensation for the CEO, including the administration of the short term incentive plan program when the funds are available to distribute under the plan. Any salary increase program is reviewed and approved by the KCI-KCC Finance Committee and the KCI-KCC Board of Directors as part of the annual budget process.

Identifier	Return Reference	Explanation
F990_P06_S0C_L19	Form 990, Part VI, Section C, Line 19	The Barbara Ann Karmanos Cancer Hosptal governing documents, conflict of interest statements and financial statements are available to the public upon request

Identifier	Return Reference	Explanation
F990_P11_S00_L05	Form 990, Part XI, Line 5	Sale of Karmanos Cancer Hospital membership interest in joint venture w ith Crittenton Net w rite dow n of promissory note and the investment (\$2,050,000), offset by other changes in unrestricted and temporarily restricted net assets \$610,189

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
BARBARA ANN KARMANOS CANCER HOSPITAL

Employer identification number
20-1649466

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Karmanos Cancer Institute 4100 John R Detroit, MI 48201 38-1613280	Parent company of Cancer Hospital	MI	501(c)(3)	509(a)(3)	N/A		No

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1

During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a

Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to other organization(s)

c

Gift, grant, or capital contribution from other organization(s)

d

Loans or loan guarantees to or for other organization(s)

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

Lease of facilities, equipment, or other assets to other organization(s)

j

Lease of facilities, equipment, or other assets from other organization(s)

k

Performance of services or membership or fundraising solicitations for other organization(s)

l

Performance of services or membership or fundraising solicitations by other organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

Other transfer of cash or property to other organization(s)

r

Other transfer of cash or property from other organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

No

2

If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

Part VII **Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation
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Barbara Ann Karmanos Cancer Institute and Subsidiary

**Consolidated Financial Report
with Additional Information
April 30, 2011**

Draft

Barbara Ann Karmanos Cancer Institute and Subsidiary

Contents

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Independent Auditor's Report

To the Board of Directors
Barbara Ann Karmanos Cancer Institute
and Subsidiary

We have audited the accompanying consolidated balance sheet of Barbara Ann Karmanos Cancer Institute and Subsidiary (the "Institute") as of April 30, 2011 and 2010 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Barbara Ann Karmanos Cancer Institute and Subsidiary at April 30, 2011 and 2010 and the consolidated results of their operations, changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011 on our consideration of Barbara Ann Karmanos Cancer Institute and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

August 15, 2011

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidated Balance Sheet

	April 30, 2011	April 30, 2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 18,434,693	\$ 25,618,146
Patient service receivables - Net (Note 2)	21,489,354	13,646,316
Contributions receivable (Note 4)	2,836,602	2,785,565
Affiliation receivables (Note 11)	2,979,571	2,400,114
Donor pledges collateralizing debt (Note 9)	2,000,000	6,225,000
Other receivables	3,683,724	3,546,990
Prepaid expenses and other	3,484,243	2,860,890
Inventory	2,265,456	1,643,247
Total current assets	57,173,643	58,726,268
Investments (Note 5)	17,152,726	15,790,172
Land, Buildings, and Equipment - Net (Note 7)	207,711	30,704,789
Contributions Receivable - Net of current portion (Note 4)	13,111,865	13,986,965
Donor Pledges Collateralizing Debt - Net of current portion (Note 9)	4,200,000	-
Other Noncurrent Assets	3,753,345	4,983,853
Total assets	125,645,780	\$ 124,192,047
Liabilities and Net Assets		
Current Liabilities		
Current portion of notes payable and lease obligations (Note 8)	\$ 2,891,594	\$ 7,370,417
Current portion of donor-collateralized debt (Note 9)	2,000,000	19,138,532
Accounts payable and accrued expenses	18,111,655	13,799,361
Accrued payroll	7,531,584	7,313,597
Affiliation payable (Note 11)	18,962,248	17,121,861
Other current liabilities	3,846,639	3,839,551
Total current liabilities	53,343,720	68,583,319
Long-term Notes Payable and Lease Obligations - Net of current portion (Note 8)	17,600,666	6,691,038
Donor-collateralized Debt - Net of current portion (Note 9)	4,200,000	-
Long-term Affiliation Payable - Net of current portion (Note 11)	3,872,374	6,172,374
Other Liabilities	1,491,338	1,893,858
Total liabilities	80,508,098	83,340,589
Net Assets		
Unrestricted	(5,520,461)	(12,982,869)
Unrestricted - Board designated	-	3,872,122
Temporarily restricted (Note 14)	36,195,663	34,969,696
Permanently restricted (Note 14)	14,462,480	14,992,509
Total net assets	45,137,682	40,851,458
Total liabilities and net assets	\$ 125,645,780	\$ 124,192,047

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidated Statement of Operations

	Year Ended	
	April 30, 2011	April 30, 2010
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue (Note 3)	\$ 228,211,537	\$ 215,193,769
Other (Note 15)	22,515,047	26,118,032
Net assets released from restrictions	10,583,201	4,340,769
Total unrestricted revenue, gains, and other support	261,309,785	245,652,570
Expenses		
Salaries and wages	70,338,323	65,198,359
Employee benefits (Note 10)	7,022,365	16,005,407
Supplies	7,914,883	7,032,607
Pharmaceutical supplies	3,773,677	31,212,366
Contracted services	26,171,100	25,079,936
Purchased services - DMC	60,602,033	59,562,196
Clinical arrangements	8,465,641	8,574,727
Professional fees	2,318,182	2,051,870
Lease expense (Note 17)	5,827,475	3,965,498
Occupancy	4,233,063	3,737,110
Insurance	1,126,262	1,322,281
Depreciation	5,663,679	5,766,821
Interest expense	1,755,565	2,222,114
Provision for bad debts	9,321,606	6,388,623
Other	4,629,424	3,499,801
Total expenses (Note 16)	258,491,836	241,619,716
Operating Income	2,817,949	4,032,854
Change in Unrealized Gains on Investments (Note 5)	283,641	2,799,547
Impairment and Write-off of Fixed Assets (Note 12)	-	(1,791,178)
Net Gain on Business Ventures (Notes 18 and 19)	1,210,960	-
Excess of Revenue Over Expenses Before Transfers	4,312,550	5,041,223
Transfers to WSU	(1,854,211)	(1,074,020)
Excess of Revenue Over Expenses	2,458,339	3,967,203
Net Assets Released from Restrictions for Capital Acquisitions	288,913	633,267
Other Equity Transfers (Note 1)	843,034	1,055,683
Increase in Unrestricted Net Assets	<u>\$ 3,590,286</u>	<u>\$ 5,656,153</u>

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidated Statement of Changes in Net Assets

	Year Ended	
	April 30, 2011	April 30, 2010
Unrestricted Net Assets		
Excess of revenue over expenses	\$ 2,458,339	\$ 3,967,203
Net assets released from restrictions for capital acquisitions	288,913	633,267
Other equity transfers	843,034	1,055,683
Increase in Unrestricted Net Assets	3,590,286	5,656,153
Temporarily Restricted Net Assets		
Restricted contributions (Note 4)	9,254,848	9,221,775
Restricted investment income	2,107,402	877,107
Net assets released from restriction	(10,893,249)	(4,974,036)
Other equity transfers	143,077	(1,649,145)
Increase in Temporarily Restricted Net Assets	1,225,967	3,475,701
Permanently Restricted Net Assets		
Restricted contributions	69,971	34,021
Other equity transfers	(600,000)	593,462
(Decrease) Increase in Permanently Restricted Net Assets	(530,029)	627,483
Increase in Net Assets	4,286,224	9,759,337
Net Assets - Beginning of year	40,851,458	31,092,121
Net Assets - End of year	\$ 45,137,682	\$ 40,851,458

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidated Statement of Cash Flows

	Year Ended	
	April 30, 2011	April 30, 2010
Cash Flows from Operating Activities		
Increase in net assets	\$ 4,286,224	\$ 9,759,337
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation	5,663,679	5,766,821
Impairment of fixed assets	-	1,791,178
Donated stock	(1,874,545)	(2,018,843)
Realized gains on investments	(1,079,048)	(498,957)
Unrealized gains on investments	(283,641)	(2,799,547)
Net gain on investment	(1,210,960)	-
Net loss (gain) on disposal of miscellaneous furniture and equipment	3,515	(2,500)
Provision for bad debts	9,321,606	6,388,623
Change in the present value of contributions receivable	791,487	937,161
Changes in assets and liabilities which provided (used) cash		
Patient service receivables	(17,164,844)	(3,636,730)
Affiliation receivables	(579,457)	417,572
Contributions receivable	(13,894)	481,470
Other current assets	(7,382,296)	(2,477,033)
Donor pledges collateralizing debt	25,000	605,000
Other noncurrent assets	2,441,468	(446,151)
Accounts payable and accrued expenses	4,312,294	539,285
Affiliation payables	(459,613)	980,603
Accrued payroll and other current liabilities	(1,356,098)	1,330,127
Other noncurrent liabilities	179,135	565,848
Net cash provided by operating activities	1,620,212	17,683,264
Cash Flows from Investing Activities		
Purchase of property and equipment	(5,170,136)	(4,238,213)
Proceeds from sale of property and equipment	-	2,500
Purchase of investments	(10,020,458)	(2,059,145)
Proceeds from sale and maturities of investments	11,895,138	3,798,764
Net cash used in investing activities	(3,295,456)	(2,496,094)
Cash Flows from Financing Activities		
Proceeds from long-term debt	17,843,021	-
Principal payment on long-term debt	(10,412,698)	(3,326,429)
Payments on donor guaranteed borrowings	(12,938,532)	(5,363,762)
Net cash used in financing activities	(5,508,209)	(8,690,191)
Net (Decrease) Increase in Cash and Cash Equivalents	(7,183,453)	6,496,979
Cash and Cash Equivalents - Beginning of year	25,618,146	19,121,167
Cash and Cash Equivalents - End of year	\$ 18,434,693	\$ 25,618,146
Supplemental Cash Flow Information		
Cash paid for interest	\$ 1,755,565	\$ 2,222,114
Purchase of equipment under long-term financing	-	471,771
Donated stock in payment of contribution receivable	1,874,545	2,018,843
Investment loss in joint venture	2,050,000	-
Sale of rights in affiliate in exchange for stock	3,260,960	-

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies

Barbara Ann Karmanos Cancer Institute (the "Institute") is a not-for-profit organization which provides support for laboratory research into causes and treatments of cancer, epidemiology research which can be used to track risk factors, clinical research to improve treatment in cancer patients, community research to prevent cancer in healthy populations or to diagnose it at earlier treatable stages, and provides clinical services to cancer patients and their families such as hospice, diagnostic testing, equipment, and supplies. The Institute's services are primarily funded by research grants and contracts, revenue generated from providing services to cancer patients, and contributions from individuals, corporations, and other private foundations including the United Way Community Services of Southeastern Michigan and other regional United Way units.

Effective December 1, 2005, the Institute purchased cancer hospital operations from The Detroit Medical Center and established Barbara Ann Karmanos Cancer Hospital d/b/a Karmanos Cancer Center (the "Center"). The Center's sole member is the Institute and will be referred to herein as subsidiary. The Center is a not-for-profit organization which is dedicated to the delivery of cancer care services, the treatment and care of cancer patients, and the prevention of cancer.

Agreements with The Detroit Medical Center (DMC) and Wayne State University (WSU) help the Institute provide integrated cancer research and treatment opportunities for the southeastern Michigan area and to maintain the National Cancer Institute designation of Barbara Ann Karmanos Cancer Institute Comprehensive Cancer Center as one of 40 throughout the nation. Although the Institute is not under common control under either DMC or WSU, these agreements are referred to as affiliation agreements throughout the consolidated financial statements.

There is a coordinated effort among the Institute, DMC, and WSU for education, research, clinical services, community outreach, and development activities.

Basis of Presentation - The consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Healthcare Organizations*.

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of Barbara Ann Karmanos Cancer Institute and Subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents - Cash and cash equivalents include cash and investments in highly liquid investments purchased with an original maturity of three months or less.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable for patient services, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts has been established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and industry standards and adjusted for economic conditions and other trends affecting the Institute's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. The allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors (see Note 3).

Contributions - Contributions, including promises to give and beneficial interests in lead trusts, are recorded as receivables at fair value when received and recognized as revenue concurrently. Conditional promises made by or received by the Institute are not recorded as expenses or revenues until the conditions affecting the obligation have been satisfied.

The Institute reports gifts of cash and other assets as restricted support if they are received with donor stipulations or under circumstances that limit the use of the donated assets. When a donor 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 consolidated statement of changes in net assets as net assets released from restrictions.

The Institute reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Institute reports the expiration of donor restrictions when the assets are placed in service.

Inventory - Inventories, which consist mostly of pharmaceutical products and medical and office supplies, are stated at cost, determined on a first-in, first-out basis or market.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Investments - Investments in equity securities with readily determinable fair value, investments in debt securities, and funds held in escrow are measured at fair value in the consolidated balance sheet. Investments held by Wayne State University are held in a pooled investment account that is measured at fair value. Investment income or loss (including realized and changes in unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue (under) over expenses unless the income or loss is restricted by donor or law. Changes in unrealized gains or losses on investments are excluded from income from operations.

Substantially all of the Institute's investment portfolio is classified as trading, with unrealized gains and losses included in excess of revenue (under) over expenses.

Risks and Uncertainties - The Institute utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Concentration of Credit Risk Arising from Deposit Accounts - Custodial credit risk is the risk that in the event of a bank failure, the Institute's deposits may not be returned to it. The Institute's policy related to custodial credit risk of bank deposits is to maintain all deposits in a high quality institution. The Institute maintains balances in its deposit accounts to adequately cover current operating payment expenses and, as a result, generally requires balances not exceed the FDIC insurance limits of \$250,000. As of April 30, 2010, the Institute had an uninsured balance of \$24,565,197. Effective December 31, 2010, the FDIC adopted a final rule amending its deposit insurance regulations to adopt Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), providing for unlimited deposit insurance for "noninterest-bearing transaction accounts" through December 31, 2012. As of April 30, 2011, the uninsured cash balances total \$17,884,368.

Land, Building, and Equipment - Land, building, and equipment acquisitions are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expenses when incurred.

Donor Pledges Collateralizing Debt - Donor pledges collateralizing debt are comprised of pledges that have been committed to support and guarantee the bank line of credit (see Note 9).

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Classification of Net Assets - Net assets of the Institute are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Institute's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Additionally, the board of directors has periodically directed management to designate unrestricted campaign pledge payments from donors to be used for future payments on bank indebtedness. These funds are classified on the consolidated balance sheet as unrestricted board-designated net assets. The board retains control over board-designated net assets, and may, at its discretion, subsequently use them for other purposes. Donor-imposed restrictions that expire in the past or that can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Net Patient Service Revenue - The Institute has agreements with third-party payors that provide for payments to the Institute at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and other for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Grants and Contracts - Support is recognized as revenue when expenditures are incurred for the specific purposes established under a grant or contract.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Charity Care and Community Benefit - The Institute provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Institute does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Institute maintains records to identify and monitor the level of charity care provided. These records include the amount of charges forgone for services and supplies rendered under its charity care policy. For the years ended April 30, 2011 and 2010, charity care services amounted to approximately \$364,000 and \$635,000, respectively.

In addition, under arrangements with various governmental insurance programs, the Institute provides significant care to the local indigent population for which reimbursement for services rendered is generally less than the cost of providing such services. For the years ended April 30, 2011 and 2010, this amounted to a net shortfall of approximately \$24,500,000 and \$18,100,000, respectively.

As part of its obligation to the local communities, the Institute provides numerous other educational and patient and family programs that benefit the communities and are generally performed at no charge. The Institute provides those services through the following: access to the National Cancer Institute's Cancer Information Service and toll-free phone number; educational presentations, materials, and displays for prevention and early detection of cancer; general educational sessions; publications highlighting new initiatives in cancer research, treatment, and education; and a resource center featuring videos, literature, and special programs and resources for smoking cessation.

Additionally, the Institute makes a significant investment in cancer research. Over 300 Institute investigators conduct all forms of research into the prevention, detection, and causes of cancer including basic, clinical, translational, epidemiological, and behavioral research. For 2011 and 2010, the Institute's investment in research activities exceeded all associated revenue sources by \$5,200,000 and \$4,200,000, respectively.

Fund-raising Events - Fund-raising events direct expenses were approximately \$1,915,233 and \$1,583,000 for the years ended April 30, 2011 and 2010, respectively, and are included with expenses on the consolidated statement of operations.

Transfers to WSU - The Institute has certain commitments to fund cancer research. These research activities take place at WSU where the principal investigators are employed and their cancer research is sponsored. The Institute transfers funds to WSU to help cover those research related expenditures.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Excess of Revenue Over Expenses - The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include net assets released from restrictions for capital acquisitions. Other equity transfers represent changes in donor designations and net losses on investments held in donor-restricted endowment funds and are excluded from excess of revenue over expenses.

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

Tax Status - The Institute and its subsidiary are nonprofit, tax-exempt organizations under Section 501(a) and Section 501(c)(3) of the Internal Revenue Code; accordingly, no tax provision is reflected in the consolidated financial statements.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including August 15, 2011, which is the date the consolidated financial statements were available to be issued.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 2 - Patient Service Receivables

The details of net patient service receivables and third-party settlements are set forth below

	2011	2010
Medicare	\$ 6,658,729	\$ 5,291,122
Medicaid	(369,475)	(373,057)
Blue Cross/Blue Shield of Michigan	1,220,020	(3,563,015)
Managed care	752,364	6,819,394
Commercial	2,845,596	5,924,029
Other	2,092,120	(452,157)
Total net patient service receivable and third party settlements	<u>\$ 11,489,354</u>	<u>\$ 13,646,316</u>

The allowance for contractual adjustments and settlements was \$51,995,941 and \$64,794,290 as of April 30, 2011 and 2010, respectively. The allowance for uncollectible accounts was \$8,696,495 and \$8,911,977 as of April 30, 2011 and 2010, respectively.

Certain of the hospital net patient service receivables are collateral for a bank line of credit (see Note 8).

Note 3 - Patient Service Revenue

The Institute has agreements with third-party payors that provide for reimbursement at discounted amounts from established rates. A summary of the basis of reimbursement with these third-party payors follows:

- **Medicare** - Inpatient, acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are primarily reimbursed based on a prospectively determined amount per ambulatory payment classification. Approximately 23 percent of the Institute's net patient service revenue is received from the Medicare program.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 3 - Patient Service Revenue (Continued)

- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Outpatient services are reimbursed on an established fee-for-service methodology. Effective January 1, 2011 and January 1, 2010, the Medicaid payment rate was estimated to total 56.4 percent and 57.6 percent, respectively, of the Medicare payment rate. Inpatient bone marrow transplant cases are paid on a cost basis. Approximately 9 percent of the Institute's net patient service revenue is received from the Medicaid program.
- **Blue Cross/Blue Shield of Michigan** - Inpatient, acute-care services are reimbursed at prospectively determined rates per discharge. Outpatient services are reimbursed on fee-for-service, percentage of charges basis, and cost basis depending on type of service provided. Approximately 35 percent of the Institute's net patient service revenue is received from the Blue Cross/Blue Shield of Michigan program.
- **Other Third-party Payors** - The Institute has also entered into agreements with certain commercial carriers, health maintenance organizations, and preferred provider organizations. The bases for reimbursement under these agreements are discounts from established charges, prospectively determined rates per discharge, percentage of hospital charges, and prospectively determined daily rates.

Fees for professional and patient services, net of contractual and other adjustments, for the years ended April 30, 2011 and 2010 are as follows:

	2011	2010
Hospital services	\$ 221,989,293	\$ 208,819,967
Hospice services	2,911,697	3,308,033
Professional radiological services	3,051,615	2,877,967
Other professional services	154,283	119,386
Total patient services revenue	228,106,888	215,125,353
Other services	104,649	68,416
Total	\$ 228,211,537	\$ 215,193,769

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 4 - Contributions Receivable

Unconditional promises to give as of April 30, 2011 and 2010 are as follows

	2011	2010
To be received in		
One year or less	\$ 2,836,602	\$ 2,785,565
Two to five years	7,556,882	7,819,993
Over five years	11,717,492	13,096,180
Total	22,110,976	23,701,738
Less		
Present value discount	6,889,217	6,889,217
Allowance for uncollectible pledges	18,308	39,991
Net unconditional promises to give	\$ 15,203,451	\$ 16,772,530

Contributions receivable have donor-imposed restrictions for use or time restrictions. Donor-imposed restrictions regarding the use of funds are typically for research, clinical and outreach programs, facilities, and various other projects.

Approximately 80 percent and 81 percent of the net receivable balance is due from three significant contributors at April 30, 2011 and 2010, respectively.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 5 - Investments

Investments are reported at fair value. Fair value is generally determined using quoted market prices. The composition of investments at April 30, 2011 and 2010 is set forth in the following tables.

	2011	2010
Purpose		
Unrestricted	\$ (1,910,138)	\$ (2,781,685)
Donor temporarily restricted investments	3,092,614	4,389,786
Donor permanently restricted investments	13,970,250	14,182,071
Total investments	<u>\$ 17,152,726</u>	<u>\$ 15,790,172</u>
Debt mutual funds	\$ 3,996,600	\$ 3,729,462
Equity mutual funds	8,433,117	7,683,838
Investments held by Wayne State University	3,341,826	3,217,352
Other	2,268,183	1,055,296
Funds held in escrow	113,000	104,224
Total	<u>\$ 17,152,726</u>	<u>\$ 15,790,172</u>

Investments held by the Institute consist of the Miller and Anna Prentis Endowment Fund, which is held in a pooled investment account.

Investment income and gains and losses are comprised of the following for the years ended April 30, 2011 and 2010:

	2011	2010
Unrestricted investment income (loss)		
Investment income (loss) included in other revenue, net of fees	\$ (1,334,328)	\$ 93,521
Realized loss on investments	(52,729)	(14,177)
Change in net unrealized gains on investments	283,641	2,799,547
Temporarily restricted investment income		
Realized interest and dividend income	975,625	363,973
Realized gain on investments	1,131,777	513,134
Total	<u>\$ 1,003,986</u>	<u>\$ 3,755,998</u>

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Institute's assets measured at fair value on a recurring basis at April 30, 2011 and 2010, and the valuation techniques used by the Institute to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Institute's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 6 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at April 30, 2011

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at April 30, 2011
Debt mutual funds	\$ -	\$ 2,996,600	-	\$ 2,996,600
Equity mutual funds	8,433,117	-	-	8,433,117
Investments held by Wayne State University	-	-	3,341,826	3,341,826
Multi-strategy hedge fund	-	-	1,390,729	1,390,729
Other	877,454	-	-	877,454
Funds held in escrow - Money market funds	113,000	-	-	113,000

Assets Measured at Fair Value on a Recurring Basis at April 30, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at April 30, 2010
Debt mutual funds	\$ -	\$ 3,729,462	\$ -	\$ 3,729,462
Equity mutual funds	7,683,837	-	-	7,683,837
Investments held by Wayne State University	-	-	3,217,353	3,217,353
Multi-strategy hedge fund	-	-	358,765	358,765
Other	696,532	-	-	696,532
Funds held in escrow - Money market funds	104,223	-	-	104,223

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 6 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended April 30, 2011 and 2010 are as follows

	Investments held by Wayne State University	Multi-strategy hedge fund
Balance at April 30, 2010	\$ 3,217,353	\$ 358,765
Purchases		960,000
Total unrealized (losses) gains included in change in net assets	(338,667)	71,964
Net transfers in	457,840	-
Balance at April 30, 2011	\$ 3,341,826	\$ 1,390,729

	Investments held by Wayne State University	Multi-strategy hedge fund
Balance at April 30, 2010	\$ 2,773,396	\$ 190,004
Purchases	-	150,000
Total unrealized gains included in change in net assets	718,568	18,761
Net transfers out	(274,611)	-
Balance at April 30, 2011	\$ 3,217,353	\$ 358,765

Observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The investments held under Wayne State University are categorized as Level 3 assets. The fair value of the Institute's interest in these investments is equal to the net asset value of the fund given there are no restrictions on redemptions or withdrawal penalties in place by the trustee. The multi-strategy hedge fund is also categorized as a Level 3 asset. The multi-strategy hedge fund invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investment have been estimated using the net asset value per share of the investment.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 7 - Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following for the years ended April 30, 2011 and 2010

	2011	2010	Depreciable Life - Years
Land	\$ 1,553,405	\$ 1,553,405	-
Buildings and building improvements	19,067,489	18,527,295	5-30
Transportation equipment	83,968	83,968	4-8
Leasehold improvements	3,230,599	3,230,599	10-12
Furniture - Artwork	1,222,079	1,222,079	5-20
Software, office, and computer equipment	15,641,242	13,466,915	3-20
Medical equipment	14,715,654	14,447,132	3-15
Construction in progress	2,114,074	2,114,074	-
Total cost	58,298,899	54,645,047	
Accumulated depreciation	(28,091,568)	(23,940,258)	
Net land, buildings, and equipment	<u>\$ 30,207,331</u>	<u>\$ 30,704,789</u>	

Medical equipment includes leased assets at April 30, 2011 and 2010 of \$4,985,051, net of accumulated amortization of \$2,878,839 and \$2,129,408, respectively

Computer equipment includes leased assets at April 30, 2011 and 2010 of \$215,815, net of accumulated amortization of \$122,314 and \$133,310, respectively

At April 30, 2011, construction in progress included \$1,938,668 of accumulated costs related to the Eclipsys contract and the patient financial management system (see Note 12)

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 8 - Notes Payable and Lease Obligations

Notes payable and installment obligations are comprised of the following for the years ended April 30, 2011 and 2010

	2011	2010
Equipment financing through seller, monthly principal and interest payments of \$68,660 over 84 months, interest rate at 6 percent through November 2012	\$ 1,241,542	\$ 1,967,172
Real estate and equipment financing through seller, monthly principal and interest payments of \$68,660 over 84 months, interest rate at 6 percent through November 2012 Outstanding amounts were paid in February 2011		1,967,172
Equipment financing, monthly principal and interest payments of \$51,438 over 72 months, interest rate at 10 percent	585,038	1,114,545
Bank line of credit, collateralized by certain hospital accounts receivable, monthly interest payments at 5.5 percent Outstanding amounts are due at maturity November 30, 2010	-	4,527,000
Membership interest in joint venture financing through seller Interest rate at LIBOR plus 0.5 percent, principal and interest payments to be paid in a lump sum by August 2013	581,655	1,581,173
Bank line of credit, collateralized by certain hospital accounts receivable, monthly interest payments at 5 percent Outstanding amounts are due at maturity on December 1, 2013	8,519,021	-
Bank term loan, collateralized by certain properties and other assets, monthly interest payments at 5 percent Outstanding amounts are due at maturity on December 1, 2013	7,437,500	-
Notes payable	18,364,756	11,157,062
Capital lease obligations	2,127,504	2,904,393
Total notes payable and capital lease obligations	20,492,260	14,061,455
Less current portion	2,891,594	7,370,417
Total long-term portion	\$ 17,600,666	\$ 6,691,038

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 8 - Notes Payable and Lease Obligations (Continued)

Minimum principal payments on notes payable and aggregate payments, including estimated interest due on capital lease obligations for the years subsequent to April 30, 2011, are as follows

<u>Years Ending April 30</u>	<u>Notes Payable</u>	<u>Capital Leases</u>
2012	\$ 2,105,427	\$ 973,912
2013	1,802,807	837,835
2014	456,522	510,518
Subtotal	<u>\$ 4,364,756</u>	<u>2,322,265</u>
Less amount representing interest under capital lease obligations		<u>194,761</u>
Total		<u>\$ 2,127,504</u>

Subsequent to year end, the Institute was in default on the bank term loan related to certain conditions surrounding the collateral and received a waiver from the bank through December 31, 2011.

Note 9 - Donor-collateralized Debt

Donor-collateralized debt is comprised of the following for the years ended April 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Promissory notes A-C, interest payable quarterly at an interest rate of 2.50 percent over the LIBOR based rate through December 1, 2012, at which time the principal sum is due to a financial institution, guaranteed by various donors	\$ 3,300,000	\$ 3,300,000
Promissory notes D-F, interest payable quarterly at an interest rate of 2.50 percent over the LIBOR based rate through December 1, 2012, at which time the principal sum is due to a financial institution, guaranteed by various donors	450,000	450,000

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 9 - Donor-collateralized Debt (Continued)

	2011	2010
Promissory notes I, K, and L, interest payable quarterly at an interest rate of 2.50 percent over the LIBOR based rate through December 1, 2012, at which time the principal sum is due to a financial institution, guaranteed by various donors. Note M was paid in full in fiscal year 2011.	\$ 450,000	\$ 475,000
Promissory notes G, H, and J, interest payable quarterly at an interest rate of 2.0 percent over the LIBOR based rate through November 30, 2011, at which time the principal sum is due to a financial institution, guaranteed by various donors.	2,000,000	2,000,000
Pledge-based bank line of credit note, interest payable monthly at an interest rate of 3.75 percent over LIBOR, minimum LIBOR floor 2.0 percent, monthly principal payments based on a 60-month amortization beginning December 1, 2008 through November 30, 2010, at which time the entire unpaid balance was due, guaranteed by a combination of donor pledges and straight loan guarantees from seven different donors. This note matured during 2011, with the remaining balance at that time refinanced (Note 8).	-	12,913,532
Subtotal	6,200,000	19,138,532
Less current portion	2,000,000	19,138,532
Total long-term portion	<u>\$ 4,200,000</u>	<u>\$ -</u>

Donors have committed to support and guarantee various components of donor-collateralized debt. These pledges are reflected as donor pledges collateralizing debt in the consolidated balance sheet and follow the maturity schedules of the debt instruments.

The Institute has notes payable that are subject to certain financial covenants calculated on a quarterly basis. As of April 30, 2011, the Institute was in compliance with the debt covenants.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 10 - Employee Benefit Plans

Employees of the Institute, upon attaining age 21 and two years of credited service, may participate on a voluntary basis in contributory, defined contribution money purchase pension plans. The Institute made an annual contribution to one of the plans of \$1,734,720 and \$1,827,730 for the years ended April 30, 2011 and 2010, respectively.

In addition to the above plans, the Institute provides certain healthcare benefits to retirees who have at least 10 years of credited service. The postretirement benefit plan was frozen effective December 31, 1999. Employees retiring after December 31, 1999 will not receive healthcare benefits. Actual cash payments related to the retiree benefit program were \$93,842 and \$110,711 for the years ended April 30, 2011 and 2010, respectively.

Note 11 - Transactions Under Affiliation Agreements

Consistent with affiliation agreements, funds flow between certain organizations for a variety of programmatic and operating purposes. The following revenues from certain affiliates were recorded by the Institute:

	2011	2010
Revenue received from		
DMC	\$ 574,366	\$ 765,807
WSU	1,326,360	1,102,446
Other	1,436,961	1,185,677
Total	<u>\$ 3,337,687</u>	<u>\$ 3,053,930</u>

The Institute provides certain patient services to DMC at amounts which approximate costs and the revenues for these services are included above.

During 2011 and 2010, \$4,448,965 and \$4,368,531, respectively, was received from WSU and is included in grants and contracts revenue.

At April 30, 2011 and 2010, net receivables of \$2,979,571 and \$2,400,114, respectively, were due from DMC and WSU. At April 30, 2011 and 2010, the Institute owed WSU approximately \$1,500,000 for advances received to help with construction projects.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 11 - Transactions Under Affiliation Agreements (Continued)

After the purchase of cancer hospital operations from DMC, the Center continues to purchase certain clinical ancillary and non-ancillary services from DMC at agreed-upon rates which approximate DMC cost. The initial term of the services agreement is five years and any service can be terminated upon mutual agreement during the term of the lease. The Institute is currently re-negotiating its purchase agreement with DMC. The current agreement has been extended on a rolling 180-day period during re-negotiations.

Expenses and transfers recorded by the Institute include ancillary and non-ancillary services from DMC, leased facilities from both DMC and WSU, and research support consistent with affiliation agreements as follows:

	2011	2010
DMC	\$ 73,813,451	\$ 71,943,149
WSU	6,999,061	6,149,134
Total	<u>\$ 80,812,512</u>	<u>\$ 78,092,283</u>

Affiliation payables included \$13,250,923 and \$5,634,747 for DMC and WSU, respectively, at April 30, 2011 and \$13,250,924 and \$3,817,888 for DMC and WSU, respectively, at April 30, 2010 of amounts owed to affiliates for operating expenses. Noncurrent affiliation payables included \$2,399,379 and \$1,472,995 for DMC and WSU, respectively, at April 30, 2011 and \$499,370 and \$2,672,995 for DMC and WSU, respectively, at April 30, 2010.

Note 12 - Commitments and Contingencies

The Institute receives funds from various organizations to finance cancer research and other services to the community. Accordingly, the Institute's compliance with applicable grant requirements may be subject to further verification by the grantors at some future date. Although expenditures that may be disallowed by the granting organizations cannot be determined at this time, the management of the Institute believes that the amount, if any, would not be material.

In July 2008, the Institute signed a seven-year contract with Eclipsys for new, enterprise-wide clinical and patient financial management systems and to outsource its information technology services at a cost of approximately \$66,800,000. In July 2009, the Institute notified Eclipsys of its intention not to proceed with the implementation of the clinical system.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 12 - Commitments and Contingencies (Continued)

In February 2010, the Institute signed a contract revision providing for continued outsourcing of its information technology services for a 10-year term and the implementation of a patient financial management system for a seven-year term. As part of the contract revision, the parties agreed not to implement the enterprise-wide clinical system. Payments under the new contract will aggregate approximately \$54,000,000 through February 2020. At April 30, 2011, the remaining commitment under the contract was approximately \$43,500,000. Included in the impairment and write-off of fixed assets in the consolidated statement of operations for the year ended April 30, 2010 is \$1,600,000 from discontinuing the implementation of the clinical system and changing the patient financial management system to a different software product, of which \$1,300,000 related to costs capitalized during fiscal year 2009.

Note 13 - Medical Malpractice Claims

The Institute, from time to time, is subject to claims and suits arising in the normal course of its operations. In the opinion of management, resolution of these claims and suits will not have a material effect on the consolidated financial statements of the Institute.

The Institute is insured against medical malpractice claims under a claims-based policy, whereby only the claims made to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred.

Should the claims-made policy not be renewed, claims based on the occurrences during the claims-made term but reported subsequently, may be uninsured. The Institute has the option to purchase tail coverage to cover claims based on occurrences during the claims-made term but reported subsequently.

The Institute is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled that have exceeded policy coverage limits. The cost of this insurance policy represents the Institute's cost for such claims for the year and has been charged to operations as a current expense.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 14 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at April 30, 2011 and 2010

	2011	2010
Specific program activities		
Research	\$ 10,242,346	\$ 9,484,803
Clinical and outreach programs	8,250,409	8,135,627
Facilities	2,256,308	1,153,371
Research, clinical and outreach programs, and facilities for periods after April 30	5,446,600	16,195,895
Total temporarily restricted net assets	<u>\$ 36,195,663</u>	<u>\$ 34,969,696</u>

Permanently restricted net assets at April 30, 2011 and 2010, as comprised below, are restricted to investments in perpetuity, the principal of which is to be expended for the respective purposes

	2011	2010
Specific program activities		
Research	\$ 12,867,792	\$ 13,401,337
Clinical and outreach programs	92,860	90,860
Facilities	1,501,828	1,500,312
Total permanently restricted net assets	<u>\$ 14,462,480</u>	<u>\$ 14,992,509</u>

During 2004, and with consent of the original donor, the Institute borrowed \$1,225,000 from one of the permanently restricted endowment funds and transferred the funds to the unrestricted fund. The loan is noninterest-bearing and is due to the endowment fund in five annual installments of \$245,000 beginning in May 2006. The full loan was repaid in 2011.

During 2011, the Institute received consent from the original donor to transfer \$600,000 from one of the permanently restricted endowment funds to one of the temporarily restricted funds.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 15 - Other Revenue

The detail of other revenue is shown below

	2011	2010
Donor contributions and fundraising events	\$ 3,537,956	\$ 5,557,591
Grants and contracts	15,538,940	16,237,235
Affiliation revenue	3,337,687	3,053,930
United Way contributions	228,759	427,677
Other	(128,295)	841,599
Total other revenue	\$ 19,515,047	\$ 26,118,032

Note 16 - Functional Expenses

Most expenses have been charged to the various programs and management and general on an actual basis. Other expenses have been allocated using compensation costs as an allocation base. Although the method of allocation used is considered appropriate, other methods could be used that would produce different amounts. Expenses related to providing these services for the years ended April 30, 2011 and 2010 are as follows:

	2011	2010
Research	\$ 12,800,092	\$ 12,736,933
Clinical and outreach programs	217,304,961	203,093,097
Management and general	25,087,600	22,698,759
Fundraising	3,299,183	3,090,927
Total	\$ 258,491,836	\$ 241,619,716

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 17 - Operating Leases

The Institute is obligated under certain operating leases, primarily for facilities and medical equipment. Total rent expense under these leases was \$5,827,475 and \$3,965,498 for the years ended April 30, 2011 and 2010, respectively.

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

Future minimum rental commitments are as follows:

Years Ending April 30	
2012	\$6,865,842
2013	6,531,912
2014	6,531,953
2015	5,553,565
2016	5,827,232
Total	<u>\$28,626,104</u>

Note 18 - Imaging Technology Development

In 1999, the Institute began to develop a proprietary apparatus for high resolution detection and characterization of medical pathologies, which is a new imaging and characterization device. The Institute has received U.S. patent protection to cover the intellectual value developed as a result of this project. A first prototype has been built and a second is under performance testing. Since 1999, \$18,631,674 has been expended on the project, including \$1,596,128 as of April 30, 2011, as part of a grant received by the Institute from the State of Michigan.

Of the total amount expended by the Institute on the project, \$6,490,000 was borrowed from Comerica Bank and \$6,200,000 is still outstanding. This borrowing was collateralized by the pledges or guaranties of a number of significant donors, who currently are making the interest payments on this indebtedness. Under the terms of the pledges, if the invention fails to lead to a commercially viable product, or if the loans are otherwise required to be repaid prior to the Institute receiving funds from the product, the principal of the loans is expected to be repaid by these donors through their pledges or guaranties.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 18 - Imaging Technology Development (Continued)

The Institute formed Delphinus Medical Technologies, LLC, a Michigan limited liability company (Delphinus LLC) in May 2008. Effective May 13, 2010, Delphinus LLC merged with and into Delphinus Medical Technologies, Inc., a Delaware corporation (Delphinus Inc.) with Delphinus Inc. being the surviving entity. As part of the merger, 3,260,950 shares of common stock of Delphinus Inc. were issued to the Institute with an estimated fair value of \$3,260,960, which has been reported in net gain on business ventures in the statement of operations. The Institute is the owner of 25.7 percent of the voting stock and has accounted for its investment in Delphinus Inc. under the equity method. The Institute's share of the net losses through April 30, 2011, totaled \$257,341.

The summary of financial position and results of operations of Delphinus Medical Technologies, Inc. as of December 31, 2010, was as follows: total assets equal \$6,480,258, total liabilities equal \$94,560, stockholders' equity equals \$6,385,698, revenue equals \$244,479, and expense equals \$1,150,505.

The Institute transferred its ownership interest in Delphinus Inc. to a wholly owned subsidiary in May 2011.

Note 19 - Joint Ventures

In 2006, the Institute entered into a joint venture with Crittenton Hospital Medical Center (Crittenton) for the purpose of owning and operating a joint radiation oncology program. In 2010, services were expanded to include other cancer related patient care at a newly constructed facility in Rochester Hills. In consideration of the original membership interest, the Institute entered into a promissory note agreement with the other member of the joint venture in the amount of \$2,525,000. The Institute's share of joint venture cash distributions has been paid on the promissory note bringing the balance to approximately \$1,150,000. The Institute's investment in the joint venture as of April 30, 2010, was approximately \$4,200,000.

In June 2011, the two members signed a letter of intent for the Institute to sell its membership interest back to Crittenton on June 30, 2011. As a result of this transaction, the promissory note will be reduced to approximately \$584,000 and due with interest at LIBOR plus 0.5 percent in 24 months. The write down of the promissory note and the write down of the investment in the joint venture is shown net at \$2,050,000 and is included in the consolidated statement of operations in net gain on business ventures.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 19 - Joint Ventures (Continued)

The Institute has guaranteed obligations of Crittenton-Karmanos Health Services up to \$13,145,906 of a mortgage loan. As of April 30, 2011, the outstanding balance on this loan is \$12,620,069 and is payable through December 31, 2013. Crittenton-Karmanos Health Services is making all payments due on the loans and all related expenses. Included in the June 2011 letter of intent, Karmanos has full indemnity from Crittenton for any demands, expenses, losses, etc. arising from the guaranty.

Effective October 2009, the Center entered into a joint venture with two other facilities for the purpose of owning and operating a radiation oncology program in Monroe, Michigan. The three organizations are equal members in a not-for-profit, non-stock corporation. The two other organizations made cash contributions for their membership and the Center is providing the Certificate of Need for the radiation oncology equipment. The joint venture will lease space for the operations in a facility that is currently being designed and built by one of the other members. The facility became operational in June 2011. There was approximately \$8,500 included in other current receivables due from the joint venture to reimburse the Center for organization costs.

Note 20 - Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents - The carrying amount approximates fair value because of the short maturity of those instruments.

Accounts Receivable, Accounts Payable, and Accrued Liabilities - The carrying amount reported in the consolidated balance sheet for accounts receivable, accounts payable, and accrued liabilities approximates its fair value.

Notes Payable and Lease Obligations - The fair value of the Institute's notes payable and lease obligations is estimated using discounted cash flow analysis, based on current investment borrowing rates for similar types of borrowing arrangements. The carrying amount reported in the consolidated balance sheet for notes payable and lease obligations approximates its fair value.

Donor-collateralized Debt - The carrying amount reported in the consolidated balance sheet for donor-collateralized debt approximates its fair value.

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 21 - Donor- and Board-restricted Endowments

The Institute's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment 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 Institute in a manner consistent with the standard of prudence prescribed by the Uniform Management of Institutional Funds Act (UMIFA). The Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Asset Composition by Type of Fund as of April 30, 2011

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 4,482,933	\$ 14,462,480	\$ 18,945,413

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 21 - Donor- and Board-restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended April 30, 2011

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -			
Beginning of year	\$ 3,692,945	\$ 14,992,509	\$ 18,685,454
Net appreciation (realized and unrealized)	789,988	-	789,988
Contributions	-	69,971	69,971
Other changes - Equity transfers	-	(600,000)	(600,000)
Endowment net assets -			
End of year	<u>\$ 4,482,933</u>	<u>\$ 14,462,480</u>	<u>\$ 18,945,413</u>

Endowment Net Asset Composition by Type of Fund as of April 30, 2010

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 3,692,945</u>	<u>\$ 14,992,509</u>	<u>\$ 18,685,454</u>

Changes in Endowment Net Assets for the Fiscal Year Ended April 30, 2010

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -			
Beginning of year	\$ 1,648,836	\$ 14,365,026	\$ 16,013,862
Net appreciation (realized and unrealized)	2,044,109	-	2,044,109
Contributions	-	34,021	34,021
Other changes - Equity transfers	-	593,462	593,462
Endowment net assets -			
End of year	<u>\$ 3,692,945</u>	<u>\$ 14,992,509</u>	<u>\$ 18,685,454</u>

Barbara Ann Karmanos Cancer Institute and Subsidiary

Notes to Consolidated Financial Statements April 30, 2011 and 2010

Note 21 - Donor- and Board-restricted Endowments (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the Institute to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$246,862 and \$1,229,429 as of April 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appreciation for certain programs that was deemed prudent by the board of directors.

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets and their investment returns that attempt to provide funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to meet fiduciary requirements, follow a related spending policy, and strives to expand the purchasing power while tolerating the risk of interim fluctuations in the market value. The Institute expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, the Institute relies on a total return strategy in which investment gains are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior four quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long-term, the Institute expects the current spending policy to allow its endowment to grow at an average of 2 percent annually. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Additional Information

Draft

Auditor's Report on Additional Information

To the Board of Directors
Barbara Ann Karmanos Cancer Institute
and Subsidiary

We have audited the consolidated financial statements of Barbara Ann Karmanos Cancer Institute and Subsidiary as of April 30, 2011 and 2010. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating balance sheet and statements of operations and cash flows in the accompanying schedules are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of individual organizations and are not a required part of the basic consolidated financial statements. The consolidating balance sheet and statements of operations and cash flows have been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

August 15, 2011

Draft

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidating Balance Sheet April 30, 2011

	Karmanos Cancer Institute	Karmanos Cancer Center	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 11,793,013	\$ 6,641,680	\$ 18,434,693
Patient service receivables - Net	688,476	20,800,878	21,489,354
Contributions receivable	2,836,602	-	2,836,602
Affiliation receivables	1,713,790	1,265,781	2,979,571
Donor pledges collateralizing debt	2,000,000	-	2,000,000
Other receivables	819,346	2,864,378	3,683,724
Prepaid expenses and other	1,864,947	1,619,296	3,484,243
Inventory	203	2,254,253	2,265,456
Total current assets	21,797,377	35,446,286	57,173,643
Investments	17,035,158	-	17,152,726
Land, Buildings, and Equipment - Net	7,835,841	22,371,890	30,207,731
Intercompany Receivables	(17,035,441)	17,707,441	-
Contributions Receivable - Net of current portion	3,158,335	-	13,158,335
Donor Pledges Collateralizing Debt - Net of current portion	4,200,000	-	4,200,000
Other Noncurrent Assets	3,000,000	745,840	3,753,345
Total assets	<u>49,261,343</u>	<u>\$ 76,384,437</u>	<u>\$ 125,645,780</u>
Liabilities and Net Assets			
Current Liabilities			
Current portion of notes payable and lease obligations	\$ 123,045	\$ 2,768,549	\$ 2,891,594
Current portion of donor-collateralized debt	2,000,000	-	2,000,000
Accounts payable and accrued expenses	8,880,910	9,230,745	18,111,655
Accrued payroll	5,134,829	2,396,755	7,531,584
Affiliation payable	4,347,762	14,614,486	18,962,248
Other current liabilities	3,261,504	585,135	3,846,639
Total current liabilities	23,748,050	29,595,670	53,343,720
Long-term Notes Payable and Lease Obligations - Net of current portion	7,760	17,592,906	17,600,666
Donor-collateralized Debt - Net of current portion	4,200,000	-	4,200,000
Long-term Affiliation Payable - Net of current portion	1,472,995	2,399,379	3,872,374
Other Liabilities	561,338	930,000	1,491,338
Total liabilities	29,990,143	50,517,955	80,508,098
Net Assets			
Unrestricted	(29,845,071)	24,324,610	(5,520,461)
Temporarily restricted	34,653,791	1,541,872	36,195,663
Permanently restricted	14,462,480	-	14,462,480
Total net assets	19,271,200	25,866,482	45,137,682
Total liabilities and net assets	<u>\$ 49,261,343</u>	<u>\$ 76,384,437</u>	<u>\$ 125,645,780</u>

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidating Balance Sheet (Continued) April 30, 2010

	Karmanos Cancer Institute	Karmanos Cancer Center	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 13,433,121	\$ 12,185,025	\$ 25,618,146
Patient service receivables - Net	842,532	12,803,784	13,646,316
Contributions receivable	2,785,565	-	2,785,565
Affiliation receivables	1,300,171	1,099,943	2,400,114
Donor pledges collateralizing debt	6,225,000	-	6,225,000
Other receivables	644,137	2,902,853	3,546,990
Prepaid expenses and other	2,194,706	666,184	2,860,890
Inventory	1,747	1,626,500	1,643,247
Total current assets	27,107,979	28,284,219	55,392,198
Investments	15,685,123	-	15,685,123
Land, Buildings, and Equipment - Net	6,889,794	23,814,995	30,704,789
Intercompany Receivables	(1,498,579)	1,498,579	-
Contributions Receivable - Net of current portion	13,986,965	-	13,986,965
Other Noncurrent Assets	4,983,853	4,942,477	9,926,330
Total assets	47,547,484	76,644,563	124,192,047
Liabilities and Net Assets			
Current Liabilities			
Current portion of notes payable and lease obligation	\$ 7,178,925	\$ 7,191,492	\$ 14,370,417
Current portion of donor-collateralized debt	6,225,000	12,913,532	19,138,532
Accounts payable and accrued expenses	7,169,199	6,630,162	13,799,361
Accrued payroll	5,091,624	2,221,973	7,313,597
Affiliation payable	3,405,914	13,715,947	17,121,861
Other current liabilities	3,231,231	608,320	3,839,551
Total current liabilities	25,301,893	43,281,426	68,583,319
Long-term Notes Payable and Lease Obligations - Net of current portion	130,819	6,560,219	6,691,038
Long-term Affiliation Payable - Net of current portion	2,672,995	3,499,379	6,172,374
Other Liabilities	914,821	979,037	1,893,858
Total liabilities	29,020,528	54,320,061	83,340,589
Net Assets			
Unrestricted	(33,668,807)	20,685,938	(12,982,869)
Unrestricted - Board designated	3,872,122	-	3,872,122
Temporarily restricted	33,331,132	1,638,564	34,969,696
Permanently restricted	14,992,509	-	14,992,509
Total net assets	18,526,956	22,324,502	40,851,458
Total liabilities and net assets	\$ 47,547,484	\$ 76,644,563	\$ 124,192,047

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidating Statement of Operations Year Ended April 30, 2011

	Karmanos Cancer Institute	Karmanos Cancer Center	Total
Unrestricted Revenue, Gains, and Other Support			
Net patient service revenue	\$ 3,115,628	\$ 225,095,909	\$ 228,211,537
Other	11,775,745	10,739,302	22,515,047
Net assets released from restrictions	9,918,510	664,691	10,583,201
Total unrestricted revenue, gains, and other support	24,809,883	236,499,902	261,309,785
Expenses			
Salaries and wages	17,400,940	52,937,383	70,338,323
Employee benefits	4,000,038	12,571,327	17,022,365
Supplies	1,900,271	5,718,883	7,914,883
Pharmaceutical supplies	296,000	32,473,630	32,473,630
Contracted services	10,408,000	16,390,905	26,799,705
Purchased services - DMC	-	60,602,033	60,602,033
Clinical arrangements	89	8,465,641	8,465,641
Professional fees	4,425,000	892,861	2,318,182
Lease expense	642,004	5,184,671	5,827,475
Occupancy	1,000,847	3,226,716	4,233,063
Insurance	80,000	1,043,290	1,126,262
Depreciation	1,540,492	4,123,187	5,663,679
Interest expense	256,363	1,499,202	1,755,565
Provision for bad debts	12,925	9,308,681	9,321,606
Other	653,530	975,894	4,629,424
Corporate allocation	(15,455,197)	15,455,197	-
Total expenses	27,681,348	230,810,488	258,491,836
Operating (Loss) Income	(2,871,465)	5,689,414	2,817,949
Change in Unrealized Gains and Losses on Investments	283,641	-	283,641
Net Gain (Loss) on Business Ventures	3,260,960	(2,050,000)	1,210,960
Excess of Revenue (Under) Over Expenses Before Transfers	673,136	3,639,414	4,312,550
Transfers to WSU and DMC	(1,791,458)	(62,753)	(1,854,211)
Excess of Revenue (Under) Over Expenses	(1,118,322)	3,576,661	2,458,339
Net Assets Released from Restrictions for Capital Acquisitions	226,902	62,011	288,913
Other Equity Transfers	843,034	-	843,034
(Decrease) Increase in Unrestricted Net Assets	\$ (48,386)	\$ 3,638,672	\$ 3,590,286

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidating Statement of Operations (Continued) Year Ended April 30, 2010

	Karmanos Cancer Institute	Karmanos Cancer Center	Totals
Unrestricted Revenue, Gains, and Other Support			
Net patient service revenue	\$ 3,707,789	\$ 211,485,980	\$ 215,193,769
Other	15,281,436	10,836,596	26,118,032
Net assets released from restrictions	4,272,282	68,487	4,340,769
Total unrestricted revenue, gains, and other support	23,261,507	222,391,063	245,652,570
Expenses			
Salaries and wages	16,993,805	8,204,554	65,198,359
Employee benefits	4,400,565	11,586,842	16,005,407
Supplies	1,000,429	5,500,178	7,032,607
Pharmaceutical supplies	2,000,000	1,000,000	31,212,366
Contracted services	9,236,000	15,000,000	25,079,936
Purchased services - DMC	15,000,000	59,546,296	59,562,196
Clinical arrangements	26,138	8,548,589	8,574,727
Professional fees	0	450,647	2,051,870
Lease expense	469	3,496,062	3,965,498
Occupancy	806,039	2,931,071	3,737,110
Insurance	7,000,000	1,243,854	1,322,281
Depreciation	1,400,000	4,362,173	5,766,821
Interest expense	279,509	1,942,545	2,222,114
Provision for bad debts	28,247	6,360,376	6,388,623
Other	2,611,290	888,511	3,499,801
Corporate allocation	(1,000,350)	12,360,350	-
Total expenses	27,406,003	214,213,713	241,619,716
Operating (Loss) Income	(4,144,496)	8,177,350	4,032,854
Change in Unrealized Gains and Losses on Investments	2,799,547	-	2,799,547
Impairment of Fixed Assets	(684)	(1,790,494)	(1,791,178)
Excess of Revenue (Under) Over Expenses Before Transfers	(1,345,633)	6,386,856	5,041,223
Transfers to WSU and DMC	(942,233)	(131,787)	(1,074,020)
Excess of Revenue (Under) Over Expenses	(2,287,866)	6,255,069	3,967,203
Net Assets Released from Restrictions for Capital Acquisitions	389,709	243,558	633,267
Other Equity Transfers	1,055,683	-	1,055,683
(Decrease) Increase in Unrestricted Net Assets	\$ (842,474)	\$ 6,498,627	\$ 5,656,153

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidating Statement of Cash Flows Year Ended April 30, 2011

	Karmanos Cancer Institute	Karmanos Cancer Center	Totals
Cash Flows from Operating Activities			
Increase in net assets	\$ 744,244	\$ 3,541,980	\$ 4,286,224
Adjustments to reconcile increase in net assets to net cash from operating activities			
Depreciation	1,540,492	4,123,187	5,663,679
Donated stock	(1,874,545)	-	(1,874,545)
Realized gains on investments	(1,079,048)	-	(1,079,048)
Unrealized gains on investments	(283,641)	-	(283,641)
Net (gain) loss on investments	(3,260,960)	2,050,000	(1,210,960)
Net loss on disposal of miscellaneous furniture and equipment	-	3,515	3,515
Provision for bad debt	12,922	9,308,681	9,321,603
Change in the present value of contributions receivable	791,487	-	791,487
Patient service receivables	31	(17,164,644)	(17,164,613)
Affiliation receivables	-	(165,838)	(165,838)
Contributions receivable	(13,894)	-	(13,894)
Other current assets	668,956	(2,751,252)	(2,082,296)
Donor pledges collateralizing debt	25,000	-	25,000
Other noncurrent assets	-	2,146,636	2,146,636
Accounts payable and accrued expenses	11,711	2,600,583	2,612,294
Affiliation payables	(258,114)	(201,461)	(459,575)
Accrued payroll and other current liabilities	9	(1,429,577)	(1,429,568)
Other noncurrent liabilities	(555,481)	532,616	(22,865)
Net cash (used in) provided by operating activities	(833,083)	2,453,295	1,620,212
Cash Flows from Investing Activities			
Purchase of property and equipment	(2,473,948)	(2,696,188)	(5,170,136)
Purchase of investments	(10,020,458)	-	(10,020,458)
Proceeds from sale of maturities of investments	11,891,388	3,750	11,895,138
Net cash used in investing activities	(603,018)	(2,692,438)	(3,295,456)
Cash Flows from Financing Activities			
Notes payable borrowings	-	17,843,021	17,843,021
Principal payment on long-term debt	(178,939)	(10,233,759)	(10,412,698)
Payments on donor guaranteed borrowings	(25,000)	(12,913,532)	(12,938,532)
Net cash used in financing activities	(203,939)	(5,304,270)	(5,508,209)
Net Decrease in Cash and Cash Equivalents	(1,640,040)	(5,543,413)	(7,183,453)
Cash and Cash Equivalents - Beginning of year	13,433,053	12,185,093	25,618,146
Cash and Cash Equivalents - End of year	\$ 11,793,013	\$ 6,641,680	\$ 18,434,693
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	\$ 256,363	\$ 1,499,202	\$ 1,755,565
Donated stock in payment of contribution receivable	1,874,545	-	1,874,545
Investment loss in joint venture	-	2,050,000	2,050,000
Sale of rights in affiliate in exchange for stock	3,260,960	-	3,260,960

Barbara Ann Karmanos Cancer Institute and Subsidiary

Consolidating Statement of Cash Flows (Continued) Year Ended April 30, 2010

	Karmanos Cancer Institute	Karmanos Cancer Center	Totals
Cash Flows from Operating Activities			
Increase in net assets	\$ 3,339,078	\$ 6,420,259	\$ 9,759,337
Adjustments to increase in net assets to net cash from operating activities			
Depreciation	1,404,648	4,362,173	5,766,821
Impairment of fixed assets	684	1,790,494	1,791,178
Donated stock	(2,018,843)	-	(2,018,843)
Realized gains on investments	(498,957)	-	(498,957)
Unrealized gains on investments	(2,799,547)	-	(2,799,547)
Net gain on disposal of miscellaneous furniture and equipment	(2,500)	-	(2,500)
Provision for bad debt	28,246	6,360,376	6,388,623
Change in the present value of contributions receivable	937,161	-	937,161
Patient service receivables	(3,636,730)	-	(3,636,730)
Affiliation receivables	1,417,572	(697,967)	417,572
Contributions receivable	481,470	-	481,470
Other current assets	(2,477,033)	(5,444,737)	(2,477,033)
Donor pledges collateralizing debt	605,000	-	605,000
Other noncurrent assets	(446,151)	(473,115)	(446,151)
Accounts payable and accrued expenses	539,285	930,241	539,285
Affiliation payables	980,603	1,437,111	980,603
Accrued payroll and other current liabilities	1,330,127	375,971	1,330,127
Other noncurrent liabilities	565,848	385,673	565,848
Net cash provided by operating activities	5,517,459	12,165,805	17,683,264
Cash Flows from Investing Activities			
Purchase of property and equipment	(2,339,875)	(1,898,338)	(4,238,213)
Proceeds from sale of property and equipment	2,500	-	2,500
Purchase of investments	(2,059,145)	-	(2,059,145)
Proceeds from sale of maturities of investments	3,792,514	6,250	3,798,764
Net cash used in investing activities	(604,006)	(1,892,088)	(2,496,094)
Cash Flows from Financing Activities			
Principal payment on long-term debt	(208,347)	(3,118,082)	(3,326,429)
Payments on donor guaranteed borrowings	(60,000)	(5,303,762)	(5,363,762)
Net cash used in financing activities	(268,347)	(8,421,844)	(8,690,191)
Net Increase in Cash and Cash Equivalents	4,645,106	1,851,873	6,496,979
Cash and Cash Equivalents - Beginning of year	8,787,947	10,333,220	19,121,167
Cash and Cash Equivalents - End of year	<u>\$ 13,433,053</u>	<u>\$ 12,185,093</u>	<u>\$ 25,618,146</u>
Supplemental Cash Flow Information			
Cash paid for interest	\$ 279,569	\$ 1,942,545	\$ 2,222,114
Purchase of equipment under long-term financing	-	471,771	471,771
Donated stock in payment of contribution receivable	2,018,843	-	2,018,843