

**American Cancer Society, Inc.
and Affiliated Entities**

Combined Financial Statements
As of and for the years
ended August 31, 2007 and 2006

**American Cancer Society, Inc.
and Affiliated Entities
Contents
August 31, 2007 and 2006**

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Report of Independent Auditors

The Boards of Directors
The American Cancer Society, Inc. and Affiliated Entities

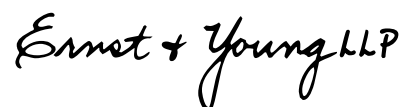
We have audited the accompanying combined balance sheet of the American Cancer Society, Inc. and Affiliated Entities (the Society) as of August 31, 2007, and the related combined statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Society's 2006 combined financial statements, and in our report dated February 9, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Society's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the combined financial position of the American Cancer Society, Inc. and Affiliated Entities as of August 31, 2007, and the combined changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 7 and 8 to the combined financial statements, in 2007 the Society adopted SFAS No. 158 related to defined benefit pension and other postretirement plans.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining balance sheets, combining statements of activities, and combining statements of functional expenses are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in our audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



February 24, 2008

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINED BALANCE SHEETS
AUGUST 31, 2007 AND 2006
(In Thousands)**

ASSETS	2007	2006
CASH AND TEMPORARY INVESTMENTS:		
Cash and cash equivalents	\$ 68,451	\$ 53,175
Other temporary investments	895,877	881,418
Gift annuity investments	35,964	32,544
Total cash and temporary investments	1,000,292	967,137
SECURITIES LENT UNDER SECURITIES LENDING PROGRAM	181,169	83,957
COLLATERAL RECEIVED UNDER SECURITIES LENDING PROGRAM	184,749	85,705
PLEDGES AND GRANTS RECEIVABLE, net	67,309	55,509
PREPAID PENSION COSTS	-	30,711
PREPAID EXPENSE AND OTHER ASSETS	43,864	37,761
LEGACIES AND BEQUESTS RECEIVABLE	96,759	90,370
BENEFICIAL INTERESTS IN TRUSTS	341,557	318,209
FIXED ASSETS, net	329,288	247,821
INVESTMENTS, at fair value	75,110	67,973
Total assets	\$ 2,320,097	\$ 1,985,153
LIABILITIES AND NET ASSETS		
RESEARCH AND OTHER PROGRAM AWARDS AND GRANTS PAYABLE	\$ 208,967	\$ 197,182
ACCOUNTS PAYABLE AND ACCRUED EXPENSES:		
Accounts payable and accrued expenses	112,542	97,076
Accrued retirement plan benefits	39,613	22,241
Postretirement medical, dental and life insurance accrual	49,812	32,203
Total accounts payable and accrued expenses	201,967	151,520
GIFT ANNUITY OBLIGATIONS	25,859	26,207
PAYABLE UNDER SECURITIES LENDING PROGRAM	184,749	85,705
OTHER LIABILITIES	36,143	23,394
DEBT	75,680	28,247
Total liabilities	733,365	512,255
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Available for program and supporting activities	846,500	837,751
Net investment in fixed assets	253,504	220,887
Total unrestricted	1,100,004	1,058,638
Temporarily restricted	229,026	174,121
Permanently restricted	257,702	240,139
Total net assets	1,586,732	1,472,898
Total liabilities and net assets	\$ 2,320,097	\$ 1,985,153

The accompanying notes are an integral part of the combined financial statements.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2007, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006
(In Thousands)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2007	2006
REVENUE, GAINS AND OTHER SUPPORT					
Support from the public:					
Contributions	\$ 150,949	\$ 68,198	\$ 2,547	\$ 221,694	\$ 200,945
Special events	489,698	54,415	19	544,132	499,468
Other special fund-raising events	929	-	-	929	3,478
Legacies and bequests	120,381	57,845	4,464	182,690	154,513
Change in value of split-interest agreements	3,141	7,041	-	10,182	16,834
Contributed services, at fair value	-	3,062	-	3,062	2,550
Merchandise and other in-kind contributions, at fair value	24,410	23,082	143	47,635	60,340
Contributions raised indirectly from federated and other fund-raising Organizations	18,028	10,973	-	29,001	31,159
Total support from the public	807,536	224,616	7,173	1,039,325	969,287
Investment income:					
Interest and dividends, net	46,922	4,271	14	51,207	41,769
Net realized and unrealized investment gains	12,513	6,027	1,026	19,566	5,605
Net unrealized gains on perpetual trusts	-	-	9,951	9,951	7,013
Total investment income	59,435	10,298	10,991	80,724	54,387
Exchange transactions:					
Income	91,375	-	-	91,375	94,019
Expenses	(92,843)	-	-	(92,843)	(93,951)
Net exchange transactions	(1,468)	-	-	(1,468)	68
Grants and contracts from government agencies	10,404	2,896	-	13,300	11,880
Other revenue	706	248	-	954	2,058
Other gains (losses)	6,031	(611)	(476)	4,944	-
Gain on disposal of fixed assets	34,141	-	-	34,141	-
Total revenue, gains and other support	916,785	237,447	17,688	1,171,920	1,037,680
NET ASSET RESTRICTION TRANSFERS					
Satisfaction of activity restrictions	151,797	(151,797)	-	-	-
Revision of donor restriction	-	125	(125)	-	-
Satisfaction of equipment acquisition restrictions	1,613	(1,613)	-	-	-
Expiration of time restrictions	29,257	(29,257)	-	-	-
Total net asset restriction transfers	182,667	(182,542)	(125)	-	-

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF ACTIVITIES (continued)
FOR THE YEAR ENDED AUGUST 31, 2007, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
				2007	%	2006	%
EXPENSES							
Program services:							
Research - support provided to academic institutions and scientists to seek new knowledge about the causes, prevention, and cure of cancer, and to conduct epidemiological and behavioral studies	146,933	-	-	146,933	15%	136,357	14%
Prevention - programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer	176,573	-	-	176,573	18%	186,374	20%
Detection/treatment - programs that are directed at finding cancer before it is clinically apparent and that provide information and education about cancer treatments for cure, recurrence, symptom management and pain control	158,231	-	-	158,231	16%	147,407	15%
Patient support - programs to assist cancer patients and their families and ease the burden of cancer for them	218,440	-	-	218,440	22%	194,802	20%
Total program services	700,177	-	-	700,177	71%	664,940	69%
Supporting services:							
Management and general - direction of the overall affairs of the Society through executive, financial, and administrative services	90,596	-	-	90,596	9%	91,259	10%
Fund-raising - programs to secure charitable financial support for programs and supporting services	198,247	-	-	198,247	20%	207,333	21%
Total supporting services	288,843	-	-	288,843	29%	298,592	31%
Total program and supporting services expenses	989,020	-	-	989,020	100%	963,532	100%
Change in additional minimum liability of pension plan	(761)	-	-	(761)		(94,351)	
Change in net assets before effect of adoption of FASB Statement No. 158	111,193	54,905	17,563	183,661		-	
Effect of Adoption and recognition of FASB Statement No. 158	(69,827)	-	-	(69,827)		-	
CHANGE IN NET ASSETS	41,366	54,905	17,563	113,834		168,499	
NET ASSETS, beginning of year	1,058,638	174,121	240,139	1,472,898		1,304,399	
NET ASSETS, end of year	\$ 1,100,004	\$ 229,026	\$ 257,702	\$ 1,586,732		\$ 1,472,898	

The accompanying notes are an integral part of the combined financial statements

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2007, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006
(In Thousands)**

	Program Services				Supporting Services		Total	
	Research	Prevention	Detection/ Treatment	Patient Support	Management and General	Fund- raising	2007	2006
EXPENSES								
Salaries	\$ 13,828	\$ 72,298	\$ 63,836	\$ 88,604	\$ 42,131	\$ 89,924	\$ 370,621	\$ 345,929
Employee benefits	2,287	14,840	13,065	18,640	7,596	18,730	75,158	86,099
Payroll taxes	925	5,714	5,172	7,060	3,114	7,344	29,329	28,032
Professional fees	5,698	15,950	11,008	14,108	8,708	16,955	72,427	72,317
Supplies	189	2,179	1,959	3,284	775	2,834	11,220	11,067
Telephone	755	3,641	3,158	4,483	2,244	4,037	18,318	19,169
Postage and shipping	178	5,286	2,752	3,886	2,622	6,422	21,146	20,183
Occupancy	1,623	7,562	6,740	11,829	5,408	8,860	42,022	36,429
Equipment rental, maintenance and information processing	801	2,437	2,205	2,929	1,878	2,891	13,141	14,647
Printing and publications	2,048	14,121	18,776	12,536	4,876	12,917	65,274	60,126
Meetings and conferences	1,638	5,492	5,322	5,913	1,160	6,856	26,381	24,236
Travel	1,916	8,848	7,067	8,694	3,013	9,526	39,064	38,679
Miscellaneous	44	2,280	2,488	3,807	1,620	4,527	14,766	13,018
Special assistance to individuals	-	34	805	17,727	-	-	18,566	19,918
Awards and grants for program services, net of cancellations	111,318	4,846	3,451	6,817	-	-	126,432	125,391
Membership dues and subscriptions	120	351	219	261	439	317	1,707	1,513
Depreciation and amortization	1,863	4,203	3,844	6,070	4,202	4,470	24,652	22,462
Interest expense	14	142	159	1,127	805	239	2,486	1,610
Contributed services	1,688	6,349	6,205	665	5	1,398	16,310	22,707
Total program and supporting services expense	\$ 146,933	\$ 176,573	\$ 158,231	\$ 218,440	\$ 90,596	\$ 198,247	\$ 989,020	\$ 963,532

The accompanying notes are an integral part of the combined financial statements.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006
(In Thousands)**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2007</u>	<u>2006</u>
Change in net assets	\$ 113,834	\$ 168,499
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	24,857	22,462
Net unrealized gains on perpetual trusts	(9,951)	(7,013)
Net realized and unrealized investment gains	(19,566)	(5,605)
Change in value of split-interest agreements	(10,182)	(16,834)
Gain on disposal of fixed assets	(34,141)	-
Other gains	(4,944)	-
Change in additional minimum liability of pension plan	(761)	(94,351)
Effect of adoption and recognition of FASB Statement No. 158	69,827	-
Support from the public restricted for long-term investment	(3,405)	(6,581)
Support from the public restricted for fixed asset acquisition	(15,091)	(5,873)
Changes in assets and liabilities:		
Pledges and grants receivable, net	(12,887)	(13,774)
Prepaid pension costs	30,711	(30,711)
Prepaid expenses and other assets	(6,103)	(3,213)
Legacies and bequests receivable	(6,389)	(2,875)
Beneficial interests in trusts and gift annuities, net	(6,983)	(7,669)
Research and other program awards and grants payable	11,785	9,793
Accounts payable and accrued expenses	(26,547)	47,217
Other liabilities	13,512	6,419
Net cash provided by operating activities	<u>107,576</u>	<u>59,891</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(127,491)	(30,085)
Proceeds from disposal of assets	55,412	2,584
Support from the public restricted for fixed asset acquisition	15,091	5,873
Purchase of investments	(638,667)	(610,339)
Proceeds from maturity or sale of investments	545,352	561,765
Net cash used in investing activities	<u>(150,303)</u>	<u>(70,202)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	(10,416)	(2,583)
Proceeds from issuance of debt	57,849	626
Increase (decrease) book overdrafts	7,928	(894)
Payments on capital lease obligations	(763)	-
Support from the public restricted for long-term investment	3,405	6,581
Net cash provided by financing activities	<u>58,003</u>	<u>3,730</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	15,276	(6,581)
CASH AND CASH EQUIVALENTS, beginning of year	<u>53,175</u>	<u>59,756</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 68,451</u>	<u>\$ 53,175</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 2,459</u>	<u>\$ 1,282</u>

The accompanying notes are an integral part of the combined financial statements.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2007**

1. ORGANIZATION AND ACCOUNTING POLICIES

Organization

The American Cancer Society (the "Society"), is the nationwide, community-based, voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives and diminishing suffering from cancer through research, education, advocacy and service.

Principles of Combination

The accompanying combined financial statements include the consolidated accounts of the American Cancer Society, Inc. (the "National Home Office"), the American Cancer Society Foundation (the "Foundation") and the American Cancer Society of Puerto Rico, Inc. ("Puerto Rico"). The Foundation and Puerto Rico are membership corporations with the National Home Office as its only member. These consolidated accounts are combined with the accounts of the American Cancer Society Cancer Action Network ("ACS CAN"); and the Society's 13 chartered Divisions (the "Divisions"), which are separately incorporated. All significant intra-Society accounts and transactions have been eliminated in the accompanying combined financial statements.

Cash and Cash Equivalents

The Society considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents with the exception of cash held for reinvestment which is included in investments.

Securities Lending

The Society participates in a securities lending program with its investment custodian. The Society lends a portion of its investments to certain approved firms in exchange for collateral for the loaned securities. The Society does not loan any securities restricted by donors. The loaned securities are contractually required to be continuously secured by collateral consisting of cash, which is reinvested, and U.S. government securities with a minimum value of 100% of the loaned securities adjusted daily. The investment custodian's general practice is to obtain collateral with a value of 102% of the loaned securities adjusted daily. The Society maintains effective control of the loaned securities through its custodian. Under the terms of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed.

The Society receives compensation, net of related fees, for lending its securities which is included in investment income. The loaned securities are reflected as securities lent under securities lending program in the accompanying combined balance sheets.

At August 31, 2007 and 2006, \$181,169,000 and \$83,957,000, respectively, is recorded as securities lent under securities lending program. At August 31, 2007 and 2006, \$184,749,000 and \$85,705,000, respectively, is recorded as collateral received under securities lending program and as payable under securities lending program in the accompanying combined balance sheets.

Investments

Pending actual disbursement for budgeted program expenditures, funds are invested in securities designed to maximize resources available for programs while minimizing risk. To help achieve these objectives, the Society maintains two combined investment pools: the Combined Investment Pool ("CIP") for short term liquidity and the Combined Endowment Pool ("CEP") for principal preservation. The investment objectives of the CIP and CEP are subject to limitations defined by the National Home Office's Board of Directors and are set to provide maximum current income within the approved risk parameters. These investments do not have a significant concentration of credit risk within any industry, geographic location, or specific institution.

Interest and dividend income is presented net of investment advisory fees. Total earnings on unrestricted and temporarily restricted investments are credited to unrestricted net assets unless otherwise restricted by the donor.

Spending Policy

To the extent of a permanently restricted endowment's ("endowment") cumulative undistributed earnings, and unless the donor has specified otherwise, 4% - 5% of the fair value of an endowment is available for spending each year. In addition, the difference between the actual total return each year and 4% - 5% is charged or credited to unrestricted or temporarily restricted net assets (depending on the donor's instructions regarding the use of investment income). The Society believes a spending policy is necessary to carry out the statutorily prescribed standard of ordinary business care and prudence and uses a spending rate of 4% - 5% in order to maintain the purchasing power of the endowment.

Fair Value of Financial Instruments

The Society's financial instruments consist of cash and temporary investments, securities lent under securities lending program, collateral received under securities lending program, pledges and grants receivable, legacies and bequests receivable, beneficial interests in trusts, investments, gift annuity obligations, accounts payable and accrued expenses, payable under securities lending program and debt.

Pledges and grants receivable are recorded at net realizable value which approximates fair value. Other temporary investments, securities lent under securities lending program, collateral received under securities lending program, payable under securities lending program, investments, beneficial interests in trusts and gift annuity investments are recorded at their fair values based on quoted market rates or other relevant data. All other financial instruments are stated at cost which approximates fair value.

Pledges and Grants Receivables

Pledges and grants receivable that are expected to be collected within one year are recorded at net realizable value. Pledges and grants receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Pledges and grants receivable are reflected net of an allowance for uncollectible amounts and have been discounted at rates ranging from 4.00% to 6.25%. These rates approximate the rates of return on U.S. government securities at the origination of the pledge and are commensurate with the risk management associated with the ultimate collection of the receivables. The discount is amortized using an effective yield over the expected collection period of the receivables.

All government grants receivable are expected to be collected within one year and are recorded at net realizable value.

Fixed Assets and Depreciation

Land, buildings and leasehold improvements, furniture, fixtures, equipment, computer software and other capitalized assets are recorded at cost. Contributions of long-lived assets are recorded at the estimated fair market value at the date of receipt and are recorded as unrestricted support unless the use of such contributed assets is restricted by a donor-imposed restriction. If donors contribute long-lived assets with stipulations as to how long the assets must be used or with any other restrictions, such contributions will be reported as temporarily restricted support.

Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the respective assets, as follows:

Buildings	20 to 40 years
Leasehold improvements	Lesser of life of the lease or estimated life of the improvement
Furniture, fixtures, equipment, computer software and other capitalized assets	3 to 10 years
Equipment under capital leases	Lesser of life of the lease or estimated life of the equipment

Awards and Grants

The Society makes awards and grants for research, education and medical projects in the field of cancer. The amount for which the Society is obligated is recorded upon the grant's approval. Awards and grants payable beyond one year are reported at the present value of their estimated future cash flows and have been discounted at rates ranging from 2.25% to 6.25%. These rates approximate the rates of return on U.S. government securities at the origination of the awards and grants.

Contributed Services

A substantial number of volunteers have made significant contributions of their time to the Society's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, were provided by individuals possessing those skills, and would otherwise need to be purchased if not provided by donation. These services are recognized as revenue and expense.

Planned Gifts (Legacies and Bequests, Beneficial Interests in Trusts and Gift Annuities)

The Society is the beneficiary of planned gifts under bequests, other testamentary documents, trusts and similar deferred contributions. The assets from a bequest or a contribution may be given directly to the Society, or may be put in the care of a trustee, with the Society being designated as having a full or partial beneficial interest in the trust ("BIT"). Certain gifts are considered split-interest agreements whereby the Society receives benefits that are shared with either the donor or third party beneficiaries.

Both deceased donors, through a will, and living donors may restrict their gift to a specified purpose or geographic area (i.e., a purpose restriction), or defer their gift through use of a nonperpetual trust (i.e., a time restriction). Such gifts are classified as temporarily restricted revenues. A purpose restriction is satisfied when the Society incurs expenses satisfying the purpose restriction. A time restriction is satisfied when the donor stipulated time has elapsed. Gifts may also be permanently restricted under a perpetual trust. See below for a further description of nonperpetual trusts and perpetual trusts.

Legacy and Bequests Receivable

Direct gifts of assets are recorded at their estimated fair value as public support (legacy or contribution revenue) when the Society has received an unconditional promise to give. Subsequent adjustments to the fair value are recognized as public support (either positive or negative) consistent with the initial recording of the gift. The Society considers a bequest unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable.

Beneficial Interests in Trusts

Nonperpetual trusts are trusts where donors have established and funded trusts under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trust's term. Nonperpetual trusts are recorded at their estimated value based on the present value of the Society's estimated future cash receipts from the trust. In fiscal year 2007 and 2006, based on then current financial market conditions, the Society estimated the present value of nonperpetual trusts using an investment return rate (net of trustee fees and other expenses) of 7.25% for both fiscal years, and a discount rate of 5.00% and 4.75%, respectively, commensurate with the risks involved. The initial gift to the nonperpetual BIT's carrying value is recognized as temporarily restricted public support (legacy or contribution revenue), depending upon the initial source of the gift. Any subsequent adjustments to the nonperpetual BIT are recorded as a change in value of split interest adjustments.

Perpetual trusts are trusts under which the Society will receive income distributions in perpetuity, but will never receive the corpus (principal). Perpetual trusts are initially recorded as permanently restricted legacy or contribution revenue, depending on the initial source of the gift, at the fair market value of the Society's interest in the trust assets at the time of the gift. Subsequent changes to the trust's fair market value are recognized as permanently restricted unrealized gains or losses. Income received from the trusts is recognized as temporarily restricted or unrestricted investment income, depending on the existence or absence of donor-imposed restrictions.

Gift Annuities

Gift annuities require an annuity to be paid to the donor or the donor's beneficiary, funded by the donated assets, over a designated period of time or the beneficiary's lifetime, with the remainder becoming a gift to the Society. The actuarially determined liability is recorded based on the terms of the gift, and the difference between the present value of the estimated liability and the fair value of the gift is recognized as revenue at the time of the gift. In fiscal year 2007 and 2006 the assumptions used in the valuation of the annuity liability include mortality in accordance with the Annuity 2000 Table and an annual investment yield rate of 6.00% for immediate annuities and 4.00% for deferred payment annuities, compounded annually, net of expenses. The Society maintains assets sufficient to meet the annuity requirements stipulated by the various state laws.

The Society may also be the beneficiary of interests in trusts and other assets in situations where it has not been notified of its interest, its interest may be conditional or revocable, or the value of its interest may not be readily ascertainable. In such circumstances, no gift has been recorded.

Accounting for Contributions

Contributions are recognized when an unconditional promise to give is made or when cash is received, if an unconditional promise does not exist. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give without a stipulated due date and for which the Society has met all conditions precedent to receipt of the contribution prior to the Society's fiscal year-end are classified as unrestricted net assets.

A donor restriction is satisfied when a stipulated time restriction expires or when a purpose restriction is accomplished. Upon satisfaction, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions.

The principal and any donor restricted income from permanently restricted gifts are classified as permanently restricted net assets. Income on those assets, not permanently restricted by the donor, is classified as temporarily restricted (if purpose restricted by the donor) or unrestricted net assets.

Contributed merchandise and other in-kind contributions, including merchandise remaining in inventory at year-end, are reflected as contributions at their estimated fair values when received or when an unconditional pledge to contribute has been made.

Grant Revenue

Grant revenue on cost-reimbursement grants or contracts is recognized when the Society requests reimbursement from granting agencies after the program expenditures have been incurred. As such, the Society recognizes revenue and records a receivable for the reimbursement amount currently due from the granting agency. Such grant programs are subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. Such review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Society's management believes that costs ultimately disallowed, if any, would not materially affect the combined financial position of the Society.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses incurred for fiscal years ended August 31, 2007 and 2006 were \$33,423,000 and \$32,162,000, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

Presentation of Certain Prior Year Information and Reclassifications

The fiscal year 2007 combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information in total does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Society's combined financial statements for the fiscal year ended August 31, 2006, from which the summarized information was derived. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("Statement 158"). Statement 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, "postretirement benefit plans") to recognize the funded status of their postretirement benefit plans in the combined balance sheet, measure the fair value of plan assets and benefit obligation as of the date of the fiscal year-end combined balance sheet, and provide additional disclosures. On August 31, 2007, the Society adopted the recognition and disclosure provisions of Statement 158. The effect of adopting Statement 158 on the Society's combined financial position at August 31, 2007 has been included in the accompanying combined financial statements. Statement 158 did not have an effect on the Society's combined financial position at August 31, 2006. Statement 158's provisions regarding the change in the measurement date of postretirement benefit plans are not applicable as the Society already uses a measurement date of August 31 for its pension plan. See Notes 7 and 8 for further discussion of the effect of adopting Statement 158 on the Society's combined financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("Statement 157"). Statement 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The Society will be required to adopt the provisions of Statement 157 related to fair value measurements and related disclosures for its fiscal year ending August 31, 2009. The Society is currently evaluating the effect that the adoption of Statement 157 will have on its combined financial position and combined changes in net assets.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115* ("Statement 159"). Statement 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The Society will be required to adopt the provisions of Statement 159 related to measuring financial instruments and other items at fair value and the related disclosures for its fiscal year ending August 31, 2009. The Society is currently evaluating the effect that the adoption of Statement 159 will have on its combined financial position and combined changes in net assets.

2. CASH, TEMPORARY INVESTMENTS AND INVESTMENTS

The fair value of cash, temporary investments and investments as of August 31, 2007 and 2006 are as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 68,451	\$ 53,175
Money market funds	99,010	5,374
Time deposits	4,531	4,299
Corporate bonds	147,137	190,142
Commercial paper and other short-term investments	297,134	363,466
Equity securities	119,491	91,514
U.S. government and government agency obligations	304,377	277,302
Mutual funds	23,383	17,007
Other investments	11,888	32,831
Total cash, temporary investments and investments	<u>\$ 1,075,402</u>	<u>\$ 1,035,110</u>

Investment advisory fees paid by the Society were approximately \$2,130,000 and \$1,860,000 for the fiscal years ended August 31, 2007 and 2006, respectively.

3. PLEDGES AND GRANTS RECEIVABLE

As of August 31, 2007 and 2006, the expected future cash receipts from unconditional pledges and grants receivable, excluding amounts due from federated fund raising organizations, government grants and receivable related to donated land under lease of \$7,913,000 and \$12,281,000 for the years ended August 31, 2007 and 2006, respectively, are as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Due in one year or less	\$ 31,476	\$ 26,256
Due in one year through five years	26,151	12,701
Due after five years	8,105	6,787
Less: estimated uncollectible amounts	(677)	(352)
	65,055	45,392
Less: discount	(5,659)	(2,164)
Total	<u>\$ 59,396</u>	<u>\$ 43,228</u>

4. FIXED ASSETS

Fixed assets as of August 31, 2007 and 2006 are as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Land	\$ 38,584	\$ 36,670
Buildings and leasehold improvements	282,641	220,234
Furniture, fixtures, equipment, and other capitalized assets	92,089	84,495
Computer software	54,447	54,365
Construction in progress	25,877	10,808
Less: accumulated depreciation and amortization (including \$27,134 and \$21,047 of software amortization)	<u>(164,350)</u>	<u>(158,751)</u>
Net fixed assets	<u>\$ 329,288</u>	<u>\$ 247,821</u>

Software amortization expense for the years ended August 31, 2007 and 2006 was approximately \$6,087,000 and \$6,034,000, respectively.

5. DEBT

Debt as of August 31, 2007 and 2006 is as follows:

The National Home Office's previous Atlanta headquarters was financed in fiscal year 1988 with the proceeds of \$15,000,000 in industrial development bonds issued by the Development Authority of DeKalb County, Georgia. During fiscal 2007, the National Home Office sold its headquarters, the majority of the furniture and fixtures located at its headquarters, and three adjacent residential lots for an aggregate amount of \$45,000,000. The National Home Office received \$6,755,000, which is net of \$45,000 of closing costs. The remaining purchase price was financed with a \$38,200,000 non-interest bearing promissory note that was repaid in July of 2007. The note was secured by a recorded security deed. In lieu of interest, the National Home Office continued to occupy and utilize the building rent-free until vacating in June 2007. The outstanding principal balance of the industrial development bonds was repaid on September 1, 2006. The bonds had a maturity date of May 1, 2013 and had an interest rate adjustable periodically and convertible to a fixed rate at the National Home Office's option. As of August 31, 2006, the rate was 3.41%. The outstanding balance of the industrial development bonds, net of unamortized bond issuance costs of \$67,000, was \$6,733,000 at August 31, 2006. The bonds were collateralized by the office building and all related land, furnishings and equipment, which had a net book value of \$17,381,000 August 31, 2006. The bonds were also collateralized by a \$6,933,000 letter of credit, and as of August 31, 2006 no balance was outstanding on the letter of credit. The National Home Office moved to and now leases its current Atlanta headquarters (see note 9).

The Eastern Division purchased a condominium located in New York City in January 2007 which currently serves as office space and additionally will serve as a Hope Lodge facility to house and support cancer patients undergoing treatment in New York City. The purchase is financed through an Industrial Development Bond issued by the New York City Industrial Development Agency. The outstanding balance of the industrial development bonds, net of unamortized bond issuance costs of \$1,254,000, was \$46,170,000 at August 31, 2007. The term of the bond is 30 years with a fixed interest rate of 4.75%. The net book value of the property is \$44,947,000 as of August 31, 2007.

The Society has various industrial development and revenue bonds (the "Bonds"), with variable interest rates (ranging from 4.00% to 5.30% as of August 31, 2007), two of which are convertible to a fixed rate at the Society's option. The outstanding balance of the Bonds, net of unamortized bond issuance costs of \$181,000 and \$22,000 was \$23,920,000 and \$17,237,000 at August 31, 2007 and 2006. The bonds mature at various dates until 2037. The bonds are collateralized by letters of credit, certificates of deposit or property, which expire at various dates through 2012 unless terminated earlier. At August 31, 2007, \$4,656,000 of bond proceeds are included in cash and cash equivalents in the accompanying combined balance sheet.

The Society has various notes payable with variable interest rates (ranging from 4.63% to 7.00% as of August 31, 2007). The outstanding balance of the notes payable was \$5,590,000 and \$4,277,000 at August 31, 2007 and 2006, respectively. Certain notes payable are secured by certificates of deposit in the amount of \$2,090,000.

Approximate annual payments as of August 31, 2007, excluding interest, are payable as follows (in thousands):

Fiscal year:		
2008	\$	2,498
2009		4,711
2010		2,548
2011		2,668
2012		2,270
Thereafter		60,985
Total	\$	<u>75,680</u>

The debt is secured by related properties, furnishings and equipment, which have a net book value of approximately \$65,088,000.

6. AWARDS AND GRANTS PAYABLE

The aggregate amount of awards and grants for which the Society is obligated under its agreements as of August 31, 2007 and 2006 are \$223,279,000 and \$210,430,000, respectively. The present value as of August 31, 2007 and 2006 is \$208,967,000 and \$197,182,000, respectively. The discount of \$14,312,000 will be recognized as awards and grants expense in fiscal years 2008 through 2012 as the discount is amortized using an effective yield over the expected life of the awards and grants contracts. As of August 31, 2007, the awards and grants are payable as follows (in thousands):

Fiscal year:		
2008	\$	95,945
2009		68,546
2010		42,434
2011		14,720
2012		1,634
Total	\$	<u>223,279</u>

7. PENSION PLANS

The Society maintains noncontributory defined benefit pension plans (the "Plans"), which cover substantially all employees of the Society. The benefits are based on years of service and certain averages of compensation. Pension expense is recognized by the Society based on the actuarially determined amount, which for fiscal years 2007 and 2006 was \$21,972,000 and \$37,932,000, respectively. The Society's liability for contributions accrued and unpaid as of August 31, 2007 and 2006 was \$17,111,000 and \$7,791,000, respectively. These amounts are included in accrued retirement plan benefits in the accompanying combined balance sheets.

For the years ended August 31, 2007 and 2006, the Society recorded a change in the additional minimum liability of \$761,000 and \$94,351,000, respectively, in the accompanying combined statement of activities. At August 31, 2006, the Society reflected on the accompanying combined balance sheet an additional minimum liability of \$3,242,000 consisting of an \$287,000 intangible asset and a \$2,955,000 adjustment for minimum liability.

The current strategic mix for the plan has a blended exposure to equity and debt market risk. The plan employs an active management strategy that has historically generated excess returns and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility. The plan assets at August 31 consist of:

	<u>% of Fair Value</u>		<u>Target Range</u>
	<u>2007</u>	<u>2006</u>	
Equity securities	66%	64%	54-75%
Debt securities	30%	33%	25-42%
Cash and cash equivalents	<u>4%</u>	<u>3%</u>	0-10%
	<u>100%</u>	<u>100%</u>	

Actuarial information regarding accumulated benefit obligation and plan assets is calculated solely for the plan as a whole. The benefit obligation and the assets of the plan as a whole were \$448,375,000 and \$431,263,000, respectively, as of August 31, 2007, the date of the latest actuarial review. The benefit obligation and the assets of the plan as a whole were \$430,049,000 and \$390,627,000, respectively, as of August 31, 2006. The Society employs a "building block approach" in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and debt are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonability and appropriateness. While the approach gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long term, prospective rate.

The Society also maintains a nonqualified and unfunded Supplemental Executive Retirement Plan (the "SERP") for certain employees whose income exceeds the maximum income that can be considered under the Plans. The Society's liability for benefits accrued and unpaid as of August 31, 2007 and 2006 was \$22,502,000 and \$14,450,000, respectively. These amounts are included in accrued retirement plan benefits in the accompanying combined balance sheets.

Adoption of Statement 158

On August 31, 2007, the Society adopted the recognition and disclosure provisions of Statement 158. Statement 158 required the Society to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan and SERP in the August 31, 2007 combined balance sheet, with a corresponding adjustment to unrestricted net assets. The adjustment to unrestricted net assets at adoption represents the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligation remaining from the initial adoption of FASB Statement No. 87, *Employers' Accounting for Pensions* ("Statement 87"), all of which were previously netted against the plan's funded status in the Society's combined balance sheet pursuant to the provisions of Statement 87. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Society's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in unrestricted net assets at adoption of Statement 158.

The incremental effects of adopting the provisions of Statement 158 on the Society's combined balance sheet at August 31, 2007 are presented in the following table. The adoption of Statement 158 had no effect on the Society's total program and supporting services expenses for the year ended August 31, 2007, or for any prior period presented, and it will not affect the Society's total program and supporting services expenses in future periods.

	At August 31, 2007 (In Thousands)		
	Prior to Adopting Statement 158	Effect of Adopting Statement 158	As Reported at August 31, 2007
Intangible asset	\$ 843	\$ (843)	\$ -
Accrued pension liability	(14,679)	54,292	39,613
Unrestricted net assets	(2,190)	(55,135)	(57,325)

Information related to the Society's Pension Plans and SERP as of August 31, 2007 and 2006 and the related changes during the years then ended are as follows (in thousands):

	Retirement Benefits	Supplemental Retirement Benefits	2007 Total	2006 Summary
Measurement date : August 31				
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 430,049	\$ 21,053	\$ 451,102	\$ 514,298
Service cost	23,898	858	24,756	28,220
Interest cost	24,942	1,299	26,241	25,011
Amendments	-	1,919	1,919	1,717
Actuarial (gains)/loss	1,306	(825)	481	(91,959)
Benefits paid	(31,821)	(1,802)	(33,623)	(26,185)
Benefit obligation at end of year	\$ 448,374	\$ 22,502	\$ 470,876	\$ 451,102
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 390,627	\$ -	\$ 390,627	\$ 350,096
Actual expenses paid	(2,007)	-	(2,007)	(2,073)
Actual return on plan assets	44,392	-	44,392	26,061
Employer contributions	30,072	1,802	31,874	42,728
Benefits paid	(31,821)	(1,802)	(33,623)	(26,185)
Fair value of plan assets at end of year	\$ 431,263	\$ -	\$ 431,263	\$ 390,627
Reconciliation of funded status				
Funded status	\$ (17,111)	\$ (22,502)	\$ (39,613)	\$ (60,475)
Unrecognized prior service cost	-	-	-	10,631
Unrecognized transition asset amount	-	-	-	(7,529)
Unrecognized actuarial loss	-	-	-	69,085
Net amount recognized	\$ (17,111)	\$ (22,502)	\$ (39,613)	\$ 11,712
Amounts recognized in the balance sheets consist of:				
Prepaid benefit cost	\$ -	\$ -	\$ -	\$ 30,711
Accrued benefit liability	(17,111)	(22,502)	(39,613)	(22,241)
Intangible assets	-	-	-	287
Adjustment for minimum liability	-	-	-	2,955
Net amount recognized	\$ (17,111)	\$ (22,502)	\$ (39,613)	\$ 11,712
Actuarial assumptions				
Discount rate:				
Net periodic pension cost	6.00-6.25%	6.00%		5.00-6.25%
Benefit obligation	6.25%	6.25%		5.00-6.25%
Expected return on plan assets	7.50-8.00%	N/A		7.50-8.00%
	Age Graded	Age Graded		Age Graded
Rate of compensation increase	12.0-3.0%	10.0-3.0%		

	Retirement Benefits	Supplemental Retirement Benefits	2007 Total	2006 Summary
Measurement date : August 31				
Components of net periodic benefit cost:				
Service cost	\$ 23,898	\$ 858	\$ 24,756	\$ 28,231
Interest cost	24,942	1,299	26,241	25,014
Expected return on plan assets	(29,849)	-	(29,849)	(24,602)
Administrative expenses	1,810	-	1,810	-
Amortization of:				
Unrecognized prior service cost	1,512	1,093	2,605	2,071
Unrecognized actuarial loss	2,357	459	2,816	14,589
Amortization of transition amount	(2,698)	-	(2,698)	(2,698)
FAS 88 Settlement Credit	-	-	-	(3)
Impact of Curtailment	-	308	308	-
Impact of Settlement	-	(118)	(118)	-
Net periodic benefit cost	\$ 21,972	\$ 3,899	\$ 25,871	\$ 42,602
Accumulated benefit obligation	\$ 383,558	\$ 15,632	\$ 399,190	\$ 386,118
Vested benefit obligation	\$ 348,584	\$ 15,632	\$ 364,216	\$ 347,359
Estimated future benefit payments				
2008	\$ 37,299	\$ 6,171	\$ 43,470	
2009	35,191	4,183	39,374	
2010	37,448	3,400	40,848	
2011	38,098	1,206	39,304	
2012	39,096	1,149	40,245	
2013-2017	204,702	6,614	211,316	

The Society expects to contribute \$28,140,000 in fiscal year 2008.

Included in unrestricted net assets at August 31, 2007 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized transition asset of \$4,830,000, unrecognized prior service costs of \$9,631,000 and unrecognized actuarial losses of \$52,524,000. The transition asset, prior service cost and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year-ended August 31, 2008 are \$2,698,000, \$2,220,000 and \$886,000, respectively.

Future changes in actual compensation and retirement dates can materially affect both the amount of the benefits ultimately paid and the period over which the related expense is recognized.

8. POSTRETIREMENT NONPENSION BENEFITS

The Society maintains an unfunded postretirement benefit plan for employees, which covers substantially all employees of the Society. Employees hired prior to January 1, 1995 retiring from the Society on or after attaining age 55 who have rendered at least ten years of service to the Society receive postretirement medical, dental, and life insurance coverage. These benefits are subject to deductibles, co-payment provisions, and other limitations, and the Society may amend or change the postretirement plan periodically. Actuarial information regarding the accumulated postretirement benefit obligation is calculated solely for the postretirement plan as a whole.

The Society accrues the cost of providing postretirement benefits for medical, dental, and life insurance coverage over the active service period of employees and is amortizing the unrecognized transition obligation over 20 years. Medical trend rates do not apply as the plans are on fixed payment amounts.

During fiscal year 2007, the Society adopted the provisions of Statement 158 (See Note 7). The incremental effects of adopting the provisions of Statement 158 on the Society's combined balance sheet at August 31, 2007 are presented in the following table. The adoption of Statement 158 had no effect on the Society's total program and supporting services expenses for the year ended August 31, 2007, or for any prior period presented, and it will not affect the Society's total program and supporting services expenses in future periods.

	At August 31, 2007 (In Thousands)		
	Prior to Adopting Statement 158	Effect of Adopting Statement 158	As Reported at August 31, 2007
Accrued pension liability	\$ 35,120	\$ 14,692	\$ 49,812
Unrestricted net assets	-	(14,692)	(14,692)

The accumulated postretirement benefit obligation as of August 31, 2007 and 2006 and related changes during the years ended August 31, 2007 and 2006 consisted of the following components (in thousands):

Measurement date	August 31, 2007	August 31, 2006
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 50,015	\$ 55,010
Service cost	711	876
Interest cost	2,905	2,621
Plan participant contributions	13	13
Amendments	-	-
Actuarial gain	(928)	(5,646)
Benefits paid	(2,904)	(2,859)
Benefit obligation at end of year	<u>\$ 49,812</u>	<u>\$ 50,015</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Actual return on plan assets	-	-
Employer contributions	2,904	2,859
Benefits paid	(2,904)	(2,859)
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status		
Funded status	\$ (49,812)	\$ (50,015)
Unrecognized transition amount	-	5,403
Unrecognized prior service cost	-	5,239
Unrecognized actuarial loss	-	7,170
Net amount recognized	<u>\$ (49,812)</u>	<u>\$ (32,203)</u>
Amounts recognized in the balance sheets consist of:		
Prepaid benefit cost	\$ -	\$ -
Accrued benefit liability	(49,812)	(32,203)
Intangible assets	-	-
Adjustment for minimum liability	-	-
Net amount recognized	<u>\$ (49,812)</u>	<u>\$ (32,203)</u>
Actuarial assumptions		
Discount rate:		
Net periodic pension cost	5.00-6.25%	5.00-5.50%
Benefit obligation	6.25%	5.00-6.25%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	3.00-5.75%	3.00-5.75%

Measurement date	August 31, 2007	August 31, 2006
Components of net periodic benefit cost		
Service cost	\$ 711	\$ 876
Interest cost	2,905	2,621
Expected return on plan assets		
Amortization of:		
Unrecognized prior service cost	1,473	1,452
Transition amount	765	766
Unrecognized actuarial gain	(202)	(214)
Recognized net actuarial loss	229	749
Impact of Settlement	(76)	-
Net periodic benefit cost	<u>\$ 5,805</u>	<u>\$ 6,250</u>

Estimated future benefit payments

2008	\$ 3,283
2009	3,362
2010	3,442
2011	3,513
2012	3,580
2013-2017	18,473

The Society expects to contribute \$3,280,000 in fiscal year 2008.

Included in unrestricted net assets at August 31, 2007 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized transition obligation of \$4,621,000, unrecognized prior service costs of \$3,771,000 and unrecognized actuarial losses of \$6,300,000. The transition obligation, prior service cost and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year-ended August 31, 2008 are \$763,000, \$1,475,000 and \$133,000, respectively.

9. OPERATING LEASES

The Society leases telecommunication systems related to its National Cancer Information Center and occupies office and warehouse space under operating leases, some of which are subject to escalation and expire on various dates through fiscal year 2022. Future minimum annual rentals with noncancelable terms are as follows as of August 31, 2007 (in thousands):

Fiscal year:	
2008	\$ 26,457
2009	23,389
2010	20,072
2011	15,424
2012	10,619
Thereafter	66,698
Total	<u>\$ 162,659</u>

Rental expense from operating leases for the year ended August 31, 2007 and 2006 was approximately \$30,133,000 and \$23,848,000, respectively.

10. RESTRICTED NET ASSETS

Temporarily restricted net assets and the earnings from permanently restricted net assets as of August 31, 2007 and 2006 have been restricted by donors as follows (in thousands):

	Temporarily		Permanently	
	2007	2006	2007	2006
Research	\$ 12,434	\$ 6,182	\$ 51,302	\$ 46,770
Patient support	13,822	4,496	13,744	18,703
Specific geographic location	10,809	10,429	51,145	45,207
Prevention	5,708	4,720	436	2,990
Detection/treatment	12,866	5,008	1,458	1,436
Fixed asset acquisitions/ building fund	16,089	12,544	1,131	-
Hope Lodges	53,207	37,394	9,665	5,112
Time restrictions	100,590	90,102	-	-
Other program and supporting activities	3,501	3,246	128,821	119,921
Total	\$ 229,026	\$ 174,121	\$ 257,702	\$ 240,139

For net assets that are shown as time restricted, the earnings are not restricted as to purpose. For permanently restricted net assets, the principal is restricted in perpetuity, and only the earnings on the net assets shown above may be spent for the restricted purpose.

11. CONTRIBUTED SERVICES

In fiscal year 2007 and 2006, the Society recorded contributed services of \$1,460,000 and \$1,164,000, respectively, related to the communication of program and fund-raising messages through various media. In addition, the Society has valued and recorded contributed services provided by scientific peer reviewers, which consist of medical doctors, PhD's, professors, biomedical and psychosocial professionals, social welfare service providers, and other professional service providers whose efforts are necessary for the Society to carry out its programs. In fiscal year 2007 and 2006, the Society's management estimates that approximately 27,236 and 22,320 hours, respectively, have been contributed by scientific peer reviewers and has valued such services at \$1,602,000 and \$1,386,000, respectively.

12. EXCHANGE TRANSACTIONS AND CONTRIBUTED MERCHANDISE

Exchange transactions are reciprocal transfers in which each party receives and sacrifices something of equal value as opposed to a nonreciprocal transaction (i.e., a contribution) in which a donor provides resources to support the Society's mission and expects to receive nothing of direct value in exchange. Costs of exchange transactions that benefit the recipient of the exchange and are not directly related to the Society's mission are reported as exchange expenses. Costs related to exchange transactions that directly benefit or support the Society's mission are included with the Society's program or supporting services expenses.

Exchange transaction income and expenses for fiscal years 2007 and 2006 are as follows (in thousands):

	Exchange Income		Exchange Expenses	
	2007	2006	2007	2006
Special events	\$ 57,628	\$ 56,744	\$ 56,662	\$ 56,750
Cars For a Cure	4,161	4,678	5,298	5,961
Discovery Shop	18,635	18,544	30,355	31,024
Rental income	990	1,012	132	131
Cause related marketing and other royalties	2,821	3,172	-	-
Sales to third parties	7,140	7,027	396	85
Conference registration fees	-	2,842	-	-
Total	\$ 91,375	\$ 94,019	\$ 92,843	\$ 93,951

Benefits Purchased by Donors at Special Events

The Society conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Society. The direct costs of the special events that ultimately benefit the donor rather than the Society are recorded as exchange transaction income and exchange transaction expense. All proceeds received in excess of the direct costs are recorded as special events support in the accompanying statements of activities.

Contributed Merchandise:

Cars For a Cure

The Society operates the Cars For a Cure program to solicit donations of used vehicles from the public. The Society sells these donated vehicles, primarily at wholesale dealer auctions, to generate cash to support the Society's life saving programs. The contribution of the vehicle is recorded as merchandise and other in-kind contributions in the accompanying statements of activities at the gross wholesale proceeds for vehicles sold by August 31 and at estimated gross proceeds for donated vehicles not sold by August 31. The transactions recorded during fiscal years 2007 and 2006 are as follows (in thousands):

	2007	2006
Contribution amount for donated vehicles	\$ 4,111	\$ 4,754
Exchange transaction income/expense attributable to vehicle sold	4,161	4,678
Exchange selling expenses	1,137	1,283
Net proceeds realized	3,024	3,395

Discovery Shops

The Society operates Discovery Shops to solicit donations of clothing and household items from the public. Discovery Shops are upscale resale stores selling donated merchandise to generate cash to support the Division's programs. The contribution of the merchandise is recorded in the accompanying combined statements of activities as merchandise and other in-kind contributions at the gross proceeds for items sold by August 31 and at estimated gross proceeds for donated items not sold by August 31. The transactions recorded during fiscal years 2007 and 2006 are as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Contribution amount for donated merchandise	\$ 18,515	\$ 19,321
Exchange transaction income/expense attributable to merchandise sold	18,635	18,544
Exchange selling expenses	11,720	12,480
Net proceeds realized	6,915	6,064

Other Contributed Merchandise

In fiscal years 2007 and 2006, the Society received cosmetic kits with an estimated fair value of \$6,102,000 and \$8,356,000, respectively, which were donated by the Personal Care Products Council for use in the Look Good Feel Better quality of life program. In fiscal years 2007 and 2006, the Society also received wigs with an estimated fair value of \$1,026,000 and \$804,000, respectively, which were donated by Celebrity Signatures International, Inc. The Society provided the merchandise to chemotherapy patients along with training in the proper application of cosmetics and wigs.

The Society received other donated merchandise to be used primarily in the Society's Hope Lodges. Hope Lodges are residential facilities providing temporary housing free of charge for cancer patients and a family caregiver during cancer treatments away from their home. These donations were approximately \$4,584,000 and \$6,948,000, respectively, for fiscal years 2007 and 2006. These items are being used and therefore there is no related exchange income, expenses or selling expenses related to this contributed merchandise.

In fiscal years 2007 and 2006, the Society received in-kind contributions of advertising production, magazine space, public service announcements and in-store advertising materials from various retail and professional organizations with an estimated fair value of \$13,297,000 and \$20,157,000.

13. ACTIVITIES WITH JOINT COSTS

In fiscal years 2007 and 2006, the Society conducted activities that included fund-raising appeals as well as program and management and general components. Those activities included direct mail, telecommunications, and other constituent relationship activities. The costs of conducting those joint activities which met the purpose, audience and content criteria of AICPA Statement of Position ("SOP") 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities That Include Fund-Raising*, included a total of approximately \$166,394,000 and \$141,728,000 of joint costs for fiscal years 2007 and 2006, that were functionally allocated as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Research	\$ 167	\$ 167
Prevention	24,559	20,966
Detection/treatment	28,754	23,260
Patient support	34,723	19,435
Management and general	7,194	7,458
Fund-raising	70,997	70,442
Total	<u>\$ 166,394</u>	<u>\$ 141,728</u>

14. COMMITMENTS AND CONTINGENCIES

The Society is party to legal claims arising in the course of its normal business activities. Although the ultimate outcome of these claims cannot be ascertained at this time, it is the opinion of management that none of these matters, when resolved, will have a material effect on the Society's net assets.

The Society has letters of credit totaling \$7,540,000 and \$6,752,000 to insurance companies as of August 31, 2007 and 2006, respectively, under various insurance programs. These letters of credit are collateralized by the National Home Office's investment portfolio and are for various terms expiring through 2010.

A Division is currently completing construction projects for a Hope Lodge and two Area Service Centers with approximately \$4,780,000 in capital project costs remaining at August 31, 2007. The cost of the projects will be financed by public support, tax-exempt financing and current funds.

A Division received donations of land from certain health systems conditioned on the completion of future Hope Lodges. Based on these conditions, the Division has reported \$1,750,000 as refundable advances representing the fair market value of land. The Division expects to recognize the contributions as revenue upon the completion of the Hope Lodges. The Division expects to complete one of the Hope Lodges in fiscal year 2008, and recognize approximately \$950,000 in contribution income.

A Division Board of Directors has approved capital allocations of \$10,736,000 for two Hope Lodge projects that are expected to be completed by August 31, 2008. The cost of the projects will be financed by public support, Board-designated investments and future operations. Cumulative amounts expended by the Division for these projects at August 31, 2007 and 2006, totaled \$3,842,000 and \$339,000, respectively, and are recorded in construction in progress in the combined balance sheets.

A Division has committed to a guaranteed maximum price agreement for \$17,400,000 for the construction of a Hope Lodge of which \$7,800,000 has been paid as of August 31, 2007.

On September 4, 2007, a Division entered into an agreement with a local construction company for the construction of a building during fiscal year 2008, with an expected cost of \$4,807,000. When put into service, this building will serve as a Hope Lodge facility to house and support cancer patients undergoing treatment.

15. SUBSEQUENT EVENTS

In October of 2007, a Division sold two buildings for a total of \$5,100,000 resulting in a gain of \$3,014,000.

On April 4, 2005, a Division entered into a contract for the sale of its existing office building in New York City for \$15,000,000. This Division received a deposit amount of \$3,000,000 that is reflected in Other Liabilities on the combined balance sheets at August 31, 2007 and 2006. The proceeds will be used to offset bond debt service and operating costs of the new offices and Hope Lodge. The net book value of the building as of August 31, 2007 is \$600,000. In September 2007, the Division closed on the sale for \$15,000,000.

On November 30, 2007, a Division received a written pledge commitment in the amount of \$10,000,000 restricted to the Manhattan office and Hope Lodge project. The pledge will be paid in equal amounts over three years, beginning in the fiscal year ending August 31, 2008.

16. TAX STATUS

The Society (including the National Home Office, its chartered Divisions, and the Foundation) has received a determination letter from the Internal Revenue Service that it is exempt from income tax under Section 501(a) of the U.S. Internal Revenue Code as an organization described in section 501(c)(3). ACS CAN has received a determination letter from the Internal Revenue Service that they are exempt from income tax under Section 501(a) of the U.S. Internal Revenue Code as an organization described in section 501(c)(4). The Society prepares separate Internal Revenue Service Forms 990 for the National Home Office, the ACS CAN, and the Foundation with the Combined Divisions.

Other Financial Information

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINING BALANCE SHEETS
AUGUST 31, 2007
(In Thousands)**

	CALIFORNIA	EASTERN	FLORIDA	GREAT LAKES
ASSETS				
CASH AND TEMPORARY INVESTMENTS:				
Cash and cash equivalents	\$ 1,167	\$ 19,085	\$ 1,232	\$ 15,673
Division's interest in Combined Investment Pool	22,199	5,707	1,539	11,586
Division's interest in Combined Endowment Pool	3,536	1,210	—	—
Other temporary investments	36,234	22,197	45,525	27,367
Gift annuity investments	—	—	—	—
Total cash and temporary investments	63,136	48,199	48,296	54,626
SECURITIES LENT UNDER SECURITIES LENDING PROGRAM	—	—	—	—
COLLATERAL RECEIVED UNDER SECURITIES LENDING PROGRAM	—	—	—	—
DUE FROM AFFILIATES	9,206	4,141	1,039	2,646
PLEDGES AND GRANTS RECEIVABLE, net	715	4,447	2,160	1,580
PREPAID PENSION COSTS	—	—	—	—
PREPAID EXPENSE AND OTHER ASSETS	4,981	938	758	1,659
LEGACIES AND BEQUESTS RECEIVABLE	—	13,431	12,756	—
COMBINED PLANNED GIVING/PTM POOL	93,630	—	—	19,223
BENEFICIAL INTERESTS IN TRUSTS	—	29,745	20,588	—
FIXED ASSETS, net	2,897	57,757	19,565	17,044
INVESTMENTS, at fair value	—	—	—	—
Total assets	\$ 174,565	\$ 158,658	\$ 105,162	\$ 96,778
LIABILITIES AND NET ASSETS				
RESEARCH AND OTHER PROGRAM AWARDS AND GRANTS PAYABLE				
	\$ —	\$ —	\$ 356	\$ —
ACCOUNTS PAYABLE AND ACCRUED EXPENSES:				
Accounts payable and accrued expenses	5,706	4,558	1,939	2,969
Accrued retirement plan benefits	4,476	2,404	1,148	1,130
Postretirement medical, dental and life insurance accrual	4,272	3,005	1,506	1,235
Total accounts payable and accrued expenses	14,454	9,967	4,593	5,334
GIFT ANNUITY OBLIGATION	—	—	822	—
DUE TO AFFILIATES	60,591	25,125	25,412	18,956
INVESTMENTS AND OTHER ASSETS HELD FOR AFFILIATES	—	—	—	—
PAYABLE UNDER SECURITIES LENDING PROGRAM	—	—	—	—
OTHER LIABILITIES	887	5,167	—	2,456
DEBT	—	46,170	—	11,875
Total liabilities	75,932	86,429	31,183	38,621
COMMITMENTS AND CONTINGENCIES				
NET ASSETS:				
Unrestricted:				
Available for program and supporting activities	46,536	23,227	27,220	32,069
Net investment in fixed assets	2,897	11,367	19,565	5,169
Total unrestricted	49,433	34,594	46,785	37,238
Temporarily restricted	25,319	12,580	20,091	13,143
Permanently restricted	23,881	25,055	7,103	7,776
Total net assets	98,633	72,229	73,979	58,157
Total liabilities and net assets	\$ 174,565	\$ 158,658	\$ 105,162	\$ 96,778

GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	OHIO	PENNSYLVANIA	SOUTH ATLANTIC	PUERTO RICO	ACS FOUNDATION INC.	ACS NATIONAL HOME OFFICE	ACS CANCER ACTION NETWORK, INC.	ELIMINATIONS/ RECLASSES	TOTAL
\$ 7,121	\$ -	\$ 5,054	\$ 180	\$ 5,286	\$ 848	\$ 2,906	\$ 1,409	\$ 2,226	\$ 4,359	\$ 908	\$ 984	\$ -	\$ 13	\$ -	\$ 68,451
17,785	-	72,032	32,714	21,707	12,955	6,668	2,457	41,758	42,409	2,101	762	-	1,374	(295,753)	-
128	-	199	-	183	-	-	-	-	85	-	-	-	-	(5,341)	-
12,305	-	437	49,567	15,556	25,277	37,553	15,093	17,275	56,235	-	-	536,753	-	(1,497)	895,877
-	-	-	-	-	-	-	59	-	-	-	-	35,905	-	-	35,964
37,339	-	77,722	82,461	42,732	39,080	47,127	19,018	61,259	103,088	3,009	1,746	572,658	1,387	(302,591)	1,000,292
-	-	-	-	-	-	-	-	-	-	-	-	181,169	-	-	181,169
-	-	-	-	-	-	-	-	-	-	-	-	184,749	-	-	184,749
5,590	-	10,738	2,045	4,653	3,371	2,814	1,621	2,682	4,340	329	159	304,900	214	(360,488)	-
2,463	-	6,847	3,607	3,691	11,765	5,898	2,295	2,166	7,022	636	751	11,228	38	-	67,309
-	-	-	-	-	-	-	-	-	-	-	-	8,000	-	(8,000)	-
1,651	-	836	734	2,970	439	1,713	1,271	623	1,393	86	277	22,304	153	1,078	43,864
-	-	-	4,605	-	-	3,198	-	5,467	-	-	201	-	-	57,101	96,759
22,252	-	54,536	-	19,957	11,331	-	29,603	-	26,414	-	-	276,894	-	(553,840)	-
370	-	1,247	14,379	-	248	23,802	158	16,361	1,694	-	1,717	15,166	-	216,082	341,557
18,129	-	25,468	1,811	25,611	17,769	21,934	15,085	9,743	23,296	4,516	-	68,663	-	-	329,288
-	-	-	-	-	-	-	-	-	-	-	22,708	49,490	-	2,912	75,110
\$ 87,794	\$ -	\$ 177,394	\$ 109,642	\$ 99,614	\$ 84,003	\$ 106,486	\$ 69,051	\$ 98,301	\$ 167,247	\$ 8,576	\$ 27,559	\$ 1,695,221	\$ 1,792	\$ (947,746)	\$ 2,320,097
\$ -	\$ -	\$ -	\$ 1,522	\$ -	\$ -	\$ -	\$ 129	\$ -	\$ -	\$ -	\$ -	\$ 206,960	\$ -	\$ -	\$ 208,967
4,283	-	4,313	1,618	2,175	3,146	2,753	1,474	1,353	4,831	173	3	66,757	254	4,237	112,542
1,944	-	14,454	840	1,821	1,391	2,040	1,039	1,367	2,810	61	-	16,019	-	(13,331)	39,613
1,873	-	4,033	950	1,553	1,467	1,849	1,045	5,447	3,541	-	-	6,235	-	11,801	49,812
8,100	-	22,800	3,408	5,549	6,004	6,642	3,558	8,167	11,182	234	3	89,011	254	2,707	201,967
-	-	-	-	-	-	-	59	-	-	-	389	24,589	-	-	25,859
23,128	-	37,242	13,654	20,820	12,563	14,738	10,708	14,583	26,684	315	839	47,256	95	(352,709)	-
-	-	-	-	-	-	-	-	-	-	-	3,435	583,115	-	(586,550)	-
-	-	-	-	-	-	-	-	-	-	-	-	184,749	-	-	184,749
320	-	1,026	2,883	531	133	1,283	2,225	344	537	10	-	18,678	12	(349)	36,143
-	-	400	-	2,310	-	-	2,778	-	2,340	487	-	9,320	-	-	75,680
31,548	-	61,468	21,467	29,210	18,700	22,663	19,457	23,094	40,743	1,046	4,666	1,163,678	361	(936,901)	733,365
20,309	-	36,134	65,609	23,488	22,800	(363)	6,703	34,888	60,634	(1,255)	4,990	353,843	110	89,558	846,500
18,129	-	25,068	1,811	22,851	17,769	21,934	10,653	9,111	20,956	4,516	-	59,343	-	2,365	253,504
38,438	-	61,202	67,420	46,339	40,569	21,571	17,356	43,999	81,590	3,261	4,990	413,186	110	91,923	1,100,004
10,080	-	24,338	3,733	15,243	16,428	36,357	9,296	15,948	27,957	4,269	7,300	80,122	1,321	(94,499)	229,026
7,728	-	30,386	17,022	8,822	8,306	25,895	22,942	15,260	16,957	-	10,603	38,235	-	(8,269)	257,702
56,246	-	115,926	88,175	70,404	65,303	83,823	49,594	75,207	126,504	7,530	22,893	531,543	1,431	(10,845)	1,586,732
\$ 87,794	\$ -	\$ 177,394	\$ 109,642	\$ 99,614	\$ 84,003	\$ 106,486	\$ 69,051	\$ 98,301	\$ 167,247	\$ 8,576	\$ 27,559	\$ 1,695,221	\$ 1,792	\$ (947,746)	\$ 2,320,097

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2007
(In Thousands)**

	CALIFORNIA	EASTERN	FLORIDA	GREAT LAKES
REVENUE, GAINS AND OTHER SUPPORT				
Support from the public:				
Contributions	\$ 20,128	\$ 19,522	\$ 7,607	\$ 9,855
Special events	43,287	46,309	35,208	30,301
Other special fund-raising events	—	—	—	—
Legacies and bequests	27,665	23,483	20,068	10,287
Change in value of split-interest agreements	1,630	796	288	224
Contributed services, at fair value	39	—	—	277
Merchandise and other in-kind contributions, at fair value	16,578	746	569	562
Contributions raised indirectly from federated and other fund-raising organizations	1,284	1,018	881	707
Contributions raised by the National Home Office	15	29	2	1
Total support from the public	110,626	91,903	64,623	52,214
Investment income:				
Interest and dividends, net	2,997	2,708	2,363	2,160
Net realized and unrealized investment gains/(losses)	2,206	793	721	990
Net unrealized gains on perpetual trust	841	815	271	268
Total investment income	6,044	4,316	3,355	3,418
Exchange transactions:				
Income	19,582	9,685	3,727	3,775
Expenses	(29,279)	(9,915)	(3,641)	(3,649)
Net exchange transactions	(9,697)	(230)	86	126
Grants and contracts from:				
Government agencies	136	3,008	10	645
Affiliates	2,900	2,442	1,507	1,329
Other revenue	5	80	15	—
Other gains (losses)	—	—	6,031	—
Gain on Disposal of fixed assets	—	454	3,155	(32)
Total revenue, gains and other support	110,014	101,973	78,782	57,700
NET ASSET RESTRICTION TRANSFERS				
Unrestricted				
Satisfaction of activity restrictions	9,695	17,162	6,539	3,329
Satisfaction of equipment acquisition restrictions	—	—	—	107
Transfer of restriction to National Home Office	6,206	13,302	5,533	2,609
Expiration of time restrictions	938	1,236	165	94
Unrestricted net asset restriction transfer	16,839	31,700	12,237	6,139
Temporarily restricted				
Satisfaction of activity restrictions	(9,807)	(17,162)	(6,539)	(3,329)
Revision of donor restriction	—	—	—	—
Satisfaction of equipment acquisition restrictions	—	—	—	(107)
Transfer of restriction to National Home Office	(6,198)	(13,302)	(5,533)	(1,883)
Expiration of time restrictions	(938)	(1,236)	(165)	(94)
Temporarily restricted net asset restriction transfer	(16,943)	(31,700)	(12,237)	(5,413)
Permanently restricted				
Satisfaction of activity restrictions	111	—	—	—
Revision of donor restriction	—	—	—	—
Transfer of restriction to National Home Office	(7)	—	—	(726)
Permanently restricted net asset restriction transfer	104	—	—	(726)
Total net asset restriction transfers	—	—	—	—

GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	OHIO	PENNSYLVANIA	SOUTH ATLANTIC	PUERTO RICO	ACS FOUNDATION, INC.	ACS NATIONAL HOME OFFICE	ACS CANCER ACTION NETWORK, INC.	ELIMINATIONS/ RECLASSES	TOTAL
\$ 12,992	\$ -	\$ 19,974	\$ 11,043	\$ 8,627	\$ 14,894	\$ 25,000	\$ 5,798	\$ 11,730	\$ 19,229	\$ 249	\$ 650	\$ 287,636	\$ 537	\$ (253,777)	\$ 221,694
40,638	-	61,174	26,743	46,767	35,023	35,048	20,910	32,910	85,534	3,629	-	-	651	-	544,132
-	-	370	-	-	-	-	-	559	-	-	-	-	-	-	929
13,311	-	19,600	10,520	8,488	8,169	7,082	7,735	11,722	13,510	-	478	65,996	-	(65,424)	182,690
978	-	1,667	414	13	89	96	149	80	584	-	33	1,929	-	1,212	10,182
50	-	479	70	-	-	54	15	-	-	-	-	2,078	-	-	3,062
1,421	-	933	195	169	402	1,197	1,003	1,276	1,013	1,020	-	20,424	127	-	47,635
2,407	-	7,606	239	2,358	970	2,082	2,247	980	6,036	186	-	-	-	-	29,001
65	-	12	2	-	24	8	-	-	3	-	-	36,901	-	(37,062)	-
71,862	-	111,815	49,226	66,422	59,571	70,567	37,857	59,257	125,909	5,084	1,161	414,964	1,315	(355,051)	1,039,325
1,715	-	4,241	3,733	1,843	1,438	2,733	1,505	2,851	3,815	149	662	16,209	85	-	51,207
553	-	267	1,225	2	553	1,143	617	1,708	1,534	-	1,540	6,012	-	(298)	19,566
287	-	1,272	576	361	115	1,776	1,111	620	883	-	(37)	792	-	-	9,951
2,555	-	5,780	5,534	2,206	2,106	5,652	3,233	5,179	6,232	149	2,165	23,013	85	(298)	80,724
5,963	-	9,229	2,365	4,423	3,402	4,133	3,659	3,863	9,581	533	-	30,141	465	(23,151)	91,375
(6,466)	-	(9,085)	(2,427)	(4,342)	(3,581)	(4,354)	(4,426)	(3,598)	(9,816)	(533)	-	(18,685)	(284)	21,238	(92,843)
(503)	-	144	(62)	81	(179)	(221)	(767)	265	(235)	-	-	11,456	181	(1,913)	(1,468)
1,775	-	438	-	183	45	282	98	-	717	149	-	5,814	-	-	13,300
2,297	-	2,943	1,052	1,994	1,933	1,500	889	1,223	6,816	191	889	1,568	5,668	(37,141)	-
-	-	77	164	5	-	-	5	7	276	-	-	320	-	-	954
-	-	-	-	-	-	-	-	-	-	-	(1,087)	-	-	-	4,944
10	-	252	(8)	11	-	296	(170)	-	12	-	-	30,161	-	-	34,141
77,996	-	121,449	55,906	70,902	63,476	78,076	41,145	65,931	139,727	5,573	3,128	487,296	7,249	(394,403)	1,171,920
9,677	-	7,967	9,341	5,154	8,886	6,654	1,578	2,948	7,331	3,742	-	77,630	7,949	(33,785)	151,797
-	-	357	-	-	-	15	692	59	383	-	-	-	-	-	1,613
5,169	-	10,145	1,450	891	2,654	6,683	2,626	4,997	3,292	-	3,629	-	-	(69,186)	-
1,273	-	6,026	1,098	1,530	587	107	3,423	380	-	-	-	12,400	-	-	29,257
16,119	-	24,495	11,889	7,575	12,127	13,459	8,319	8,384	11,006	3,742	3,629	90,030	7,949	(102,971)	182,667
(9,677)	-	(7,967)	(9,341)	(5,154)	(8,886)	(6,654)	(1,578)	(2,948)	(7,331)	(3,742)	-	(77,630)	(7,949)	33,897	(151,797)
-	-	-	-	-	(2,340)	-	-	-	-	-	-	-	-	2,465	125
-	-	(357)	-	-	-	(15)	(692)	(59)	(383)	-	-	-	-	-	(1,613)
(5,169)	-	(10,145)	(1,450)	(891)	(2,654)	(6,683)	(2,485)	(4,997)	(3,292)	-	(996)	-	-	65,678	-
(1,273)	-	(6,026)	(1,098)	(1,530)	(587)	(107)	(3,423)	(380)	-	-	-	(12,400)	-	-	(29,257)
(16,119)	-	(24,495)	(11,889)	(7,575)	(14,467)	(13,459)	(8,178)	(8,384)	(11,006)	(3,742)	(996)	(90,030)	(7,949)	102,040	(182,542)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	(111)	-
-	-	-	-	-	2,340	-	-	-	-	-	(2,465)	-	-	-	(125)
-	-	-	-	-	-	-	(141)	-	-	-	(2,633)	-	-	3,507	-
-	-	-	-	-	2,340	-	(141)	-	-	-	(5,098)	-	-	3,396	(125)
-	-	-	-	-	-	-	-	-	-	-	(2,465)	-	-	2,465	-

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINING STATEMENTS OF ACTIVITIES (continued)
FOR THE YEAR ENDED AUGUST 31, 2007
(In Thousands)**

	CALIFORNIA	EASTERN	FLORIDA	GREAT LAKES
EXPENSES				
Program services:				
Research - support provided to academic institutions and scientists to seek new knowledge about the causes, prevention, and cure of cancer, and to conduct epidemiological and behavioral studies	-	-	674	-
Prevention - programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer	12,744	7,421	7,833	5,354
Detection/treatment - programs that are directed at finding cancer before it is clinically apparent and that provide information and education about cancer treatments for cure, recurrence, symptom management and pain control	7,588	16,234	7,223	5,584
Patient Support - programs to assist cancer patients and their families and ease the burden of cancer for them	19,932	17,110	14,047	8,970
Total program services	40,264	40,765	29,777	19,908
Supporting services:				
Management and general - direction of the overall affairs of the Society through executive, financial, and administrative services	4,749	2,604	1,661	1,751
Fund-raising - programs to secure charitable financial support for programs and supporting services	20,589	17,721	11,731	8,386
Total supporting services	25,338	20,325	13,392	10,137
Total program and supporting services expenses	65,602	61,090	43,169	30,045
Public support allocable to affiliates programs and other activities	38,447	32,837	23,581	20,064
Total program and supporting services expenses and allocation to national and affiliates activities	104,049	93,927	66,750	50,109
Change in Additional Minimum Liability of pension plan	-	-	96	-
Change in net assets before effect of adoption of FASB Statement No. 158	5,965	8,046	11,936	7,591
Effect of adoption and recognition of FASB Statement No. 158	(1,795)	(254)	(79)	(763)
CHANGE IN NET ASSETS	4,170	7,792	11,857	6,828
NET ASSETS, beginning of year	94,463	64,437	62,122	51,329
NET ASSETS, end of year	\$ 98,633	\$ 72,229	\$ 73,979	\$ 58,157

GREAT WEST	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	OHIO	PENNSYLVANIA	SOUTH ATLANTIC	PUERTO RICO	ACS FOUNDATION, INC.	ACS NATIONAL HOME OFFICE	ACS CANCER ACTION NETWORK, INC.	ELIMINATIONS/ RECLASSES	TOTAL
-	239	2,437	44	-	189	712	-	-	-	1,072	144,012	2,076	(4,522)	146,933
11,710	13,760	7,092	8,578	6,934	9,546	5,032	6,289	16,574	1,053	39	62,548	2,762	(8,696)	176,573
6,569	10,348	5,836	7,808	5,794	8,745	3,718	6,743	14,108	614	45	55,740	2,338	(6,804)	158,231
15,265	23,631	6,567	11,989	11,810	10,608	6,483	9,738	18,344	2,056	2,861	56,968	1,041	(18,980)	218,440
33,544	47,978	21,932	28,419	24,538	29,088	15,945	22,770	49,026	3,723	4,017	319,268	8,217	(39,002)	700,177
4,648	3,934	3,117	2,175	1,880	1,959	982	994	4,899	265	83	56,257	246	(1,608)	90,596
10,350	17,484	6,810	11,625	9,359	10,530	7,055	10,455	20,810	769	818	42,991	571	(9,807)	198,247
14,998	21,418	9,927	13,800	11,239	12,489	8,037	11,449	25,709	1,034	901	99,248	817	(11,415)	288,843
48,542	69,396	31,859	42,219	35,777	41,577	23,982	34,219	74,735	4,757	4,918	418,516	9,034	(50,417)	989,020
26,177	40,202	16,726	25,456	20,467	23,455	14,300	21,510	48,181	592	72	1,893	-	(353,960)	-
74,719	109,598	48,585	67,675	56,244	65,032	38,282	55,729	122,916	5,349	4,990	420,409	9,034	(404,377)	989,020
111	(1,390)	-	-	-	-	-	-	13	-	-	409	-	-	(761)
3,166	13,241	7,321	3,227	7,232	13,044	2,863	10,202	16,798	224	(4,327)	66,478	(1,785)	12,439	183,661
(119)	(7,131)	31	(221)	(43)	(393)	39	(1,557)	(40)	-	-	(1,845)	-	(55,657)	(69,827)
3,047	6,110	7,352	3,006	7,189	12,651	2,902	8,645	16,758	224	(4,327)	64,633	(1,785)	(43,218)	113,834
53,199	109,816	80,823	67,398	58,114	71,172	46,692	66,562	109,746	7,306	24,755	466,910	3,216	34,838	1,472,898
\$ 56,246	\$ 115,926	\$ 88,175	\$ 70,404	\$ 65,303	\$ 83,823	\$ 49,594	\$ 75,207	\$ 126,504	\$ 7,530	\$ 20,428	\$ 531,543	\$ 1,431	\$ (8,380)	\$ 1,586,732

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINING STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2007
(In Thousands)**

	CALIFORNIA	EASTERN	FLORIDA	GREAT LAKES
EXPENSES				
Salaries	\$ 31,121	\$ 31,297	\$ 18,066	\$ 14,433
Employees benefits	7,317	6,670	4,022	3,420
Payroll taxes	2,892	2,363	1,485	1,198
Professional fees	3,440	2,384	1,086	1,286
Supplies	1,882	643	532	284
Telephone	1,054	1,127	616	377
Postage and shipping	1,245	585	1,027	647
Occupancy	4,211	2,597	3,018	1,292
Equipment rental, maintenance and information processing	385	843	567	430
Printing and publications	2,320	2,881	3,682	1,660
Meetings and conferences	2,309	1,142	1,629	937
Travel	1,897	1,037	2,230	1,222
Miscellaneous	1,232	1,196	674	857
Specific assistance to individuals	2,681	1,457	1,470	469
Awards and grants for program services, net of cancellations	624	1,190	1,682	136
Awards and grants to affiliates	143	135	184	74
Insurance	361	311	223	169
Membership dues and subscriptions	89	88	72	46
Depreciation and Amortization	345	2,003	904	690
Interest expense	15	1,141	-	141
Contributed services	39	-	-	277
Total program and supporting services expense	<u>\$ 65,602</u>	<u>\$ 61,090</u>	<u>\$ 43,169</u>	<u>\$ 30,045</u>

	GREAT WEST	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	OHIO	PENNSYLVANIA	SOUTH ATLANTIC	PUERTO RICO	ACS FOUNDATION, INC.	ACS NATIONAL HOME OFFICE	ACS CANCER ACTION NETWORK, INC.	ELIMINATIONS/ RECLASSES	TOTAL
\$	22,104	\$ 28,100	\$ 14,565	\$ 20,541	\$ 16,862	\$ 19,867	\$ 10,726	\$ 14,612	\$ 33,512	\$ 1,175	\$ 563	\$ 85,067	\$ 1,090	\$ 6,920	\$ 370,621
	5,089	8,934	3,064	5,685	4,644	4,862	2,099	3,431	7,916	228	109	15,553	213	(8,098)	75,158
	1,819	2,337	1,132	1,792	1,457	1,798	828	1,130	2,976	97	38	5,571	70	346	29,329
	3,789	3,235	1,710	2,317	1,677	1,910	1,150	1,273	4,199	153	16	52,857	1,105	(11,160)	72,427
	922	856	658	581	658	295	382	643	1,337	44	8	1,059	317	119	11,220
	662	1,803	118	875	751	869	357	418	1,341	54	8	7,630	39	219	18,318
	874	1,603	674	362	948	961	646	1,091	2,121	64	3	7,927	92	276	21,146
	1,765	3,499	1,838	1,869	1,621	3,062	992	1,353	4,212	99	-	9,592	194	808	42,022
	1,044	1,402	167	232	258	487	797	215	1,101	27	-	4,894	68	224	13,141
	2,002	4,441	1,921	1,103	2,140	2,293	1,228	3,041	3,858	1,334	33	30,178	1,920	(761)	65,274
	1,545	1,912	484	748	590	913	527	1,331	2,304	232	41	7,148	2,767	(178)	26,381
	3,403	4,723	943	2,102	1,719	1,234	1,098	1,025	3,694	169	66	11,276	1,050	176	39,064
	721	656	592	667	445	828	420	894	1,327	6	3	921	27	3,300	14,766
	1,495	2,087	758	1,331	754	522	532	2,318	1,861	831	-	-	-	-	18,566
	93	993	2,113	100	181	512	695	168	788	32	-	117,094	56	(25)	126,432
	337	178	126	101	149	79	60	66	181	12	4,030	33,520	-	(39,375)	-
	215	397	148	221	188	234	134	194	430	2	-	-	7	(3,234)	-
	61	113	69	34	47	39	55	56	79	1	-	844	-	14	1,707
	552	1,636	709	1,452	688	797	928	931	1,408	162	-	11,435	-	12	24,652
	-	12	-	106	-	11	313	29	90	35	-	574	19	-	2,486
	50	479	70	-	-	4	15	-	-	-	-	15,376	-	-	16,310
\$	48,542	\$ 69,396	\$ 31,859	\$ 42,219	\$ 35,777	\$ 41,577	\$ 23,982	\$ 34,219	\$ 74,735	\$ 4,757	\$ 4,918	\$ 418,516	\$ 9,034	\$ (50,417)	\$ 989,020