

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

Combined Financial Statements  
As of and for the years  
ended August 31, 2008 and 2007

With Report of Independent Auditors

**American Cancer Society, Inc.  
and Affiliated Entities  
Contents  
August 31, 2008 and 2007**

	Page(s)
<b>Report of Independent Auditors</b> .....	1
<b>Combined Financial Statements</b>	
Combined Balance Sheets.....	2
Combined Statement of Activities.....	3-4
Combined Statement of Functional Expenses.....	5
Combined Statements of Cash Flows.....	6
Notes to Combined Financial Statements.....	7-25
<b>Other Financial Information</b>	
Combining Balance Sheets.....	26
Combining Statements of Activities .....	27-28
Combining Statements of Expenses by Natural Classification .....	29

## Report of Independent Auditors

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

We have audited the accompanying combined balance sheet as of August 31, 2008, of the organizations described in Note 1 (collectively the "Society"), 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 2007 combined financial statements and, in our report dated February 24, 2008; 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 organizations described in Note 1, as of August 31, 2008, 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.

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 expenses by natural classification 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.

*Ernst & Young LLP*

February 23, 2009

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
COMBINED BALANCE SHEETS  
AUGUST 31, 2008 AND 2007  
(In Thousands)**

<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>CASH AND TEMPORARY INVESTMENTS:</b>		
Cash and cash equivalents	\$ 110,182	\$ 107,769
Other investments	906,158	856,559
Gift annuity investments	35,642	35,964
Total cash and temporary investments	1,051,982	1,000,292
<b>SECURITIES LENT UNDER SECURITIES LENDING PROGRAM</b>	159,298	181,169
<b>COLLATERAL RECEIVED UNDER SECURITIES LENDING PROGRAM</b>	162,605	184,749
<b>PLEDGES AND GRANTS RECEIVABLE, net</b>	78,014	67,309
<b>PREPAID EXPENSE AND OTHER ASSETS</b>	32,860	43,864
<b>LEGACIES AND BEQUESTS RECEIVABLE</b>	97,592	96,759
<b>BENEFICIAL INTERESTS IN TRUSTS</b>	343,869	341,557
<b>FIXED ASSETS, net</b>	356,085	329,288
<b>INVESTMENTS, at fair value</b>	35,166	75,110
Total assets	\$ 2,317,471	\$ 2,320,097
<b>LIABILITIES AND NET ASSETS</b>		
<b>RESEARCH AND OTHER PROGRAM AWARDS AND GRANTS PAYABLE</b>	\$ 229,687	\$ 208,967
<b>ACCRUED EXPENSES:</b>		
Accounts payable and other accrued expenses	88,562	112,542
Accrued retirement plan benefits	67,939	39,613
Postretirement medical, dental and life insurance accrual	48,307	49,812
Total accrued expenses	204,808	201,967
<b>GIFT ANNUITY OBLIGATIONS</b>	26,179	25,859
<b>PAYABLE UNDER SECURITIES LENDING PROGRAM</b>	162,605	184,749
<b>OTHER LIABILITIES</b>	32,528	36,143
<b>DEBT</b>	72,030	75,680
Total liabilities	727,837	733,365
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS:</b>		
Unrestricted:		
Available for program and supporting activities	731,614	766,589
Net investment in fixed assets	284,055	253,504
Total unrestricted	1,015,669	1,020,093
Temporarily restricted	315,719	304,557
Permanently restricted	258,246	262,082
Total net assets	1,589,634	1,586,732
Total liabilities and net assets	\$ 2,317,471	\$ 2,320,097

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

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2008, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007  
(In Thousands)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>					
Support from the public:					
Contributions	\$ 142,966	\$ 79,489	\$ 2,671	\$ 225,126	\$ 221,694
Special events	490,342	65,966	138	556,446	544,132
Other special fund-raising events	391	-	-	391	929
Legacies and bequests	106,264	42,779	1,601	150,644	182,690
Change in value of split-interest agreements	(1,732)	7,240	594	6,102	10,182
Contributed services, merchandise and other in-kind contributions at fair value	23,396	21,435	-	44,831	50,697
Contributions raised indirectly from federated and other fund-raising organizations	15,212	9,710	-	24,922	29,001
Total support from the public	<u>776,839</u>	<u>226,619</u>	<u>5,004</u>	<u>1,008,462</u>	<u>1,039,325</u>
Investment income:					
Interest and dividends, net	43,024	4,116	-	47,140	51,207
Net realized and unrealized investment gains (losses)	(7,287)	(6,437)	194	(13,530)	19,566
Net unrealized gains (losses) on perpetual trusts	-	-	(1,339)	(1,339)	9,951
Total investment income	<u>35,737</u>	<u>(2,321)</u>	<u>(1,145)</u>	<u>32,271</u>	<u>80,724</u>
Exchange transactions:					
Income	97,254	-	-	97,254	91,375
Expenses	(96,198)	-	-	(96,198)	(92,843)
Net exchange transactions	<u>1,056</u>	<u>-</u>	<u>-</u>	<u>1,056</u>	<u>(1,468)</u>
Grants and contracts from government agencies	12,373	3,811	-	16,184	13,300
Other revenue	533	538	-	1,071	954
Other gains	-	-	-	-	4,944
Gain on disposal of fixed assets	19,128	-	-	19,128	34,141
Total revenue, gains and other support	<u>845,666</u>	<u>228,647</u>	<u>3,859</u>	<u>1,078,172</u>	<u>1,171,920</u>
<b>NET ASSET RESTRICTION TRANSFERS</b>					
Satisfaction of activity restrictions	186,809	(186,841)	32	-	-
Revision of donor restriction	(77)	73	4	-	-
Satisfaction of equipment acquisition restrictions	6,475	(6,475)	-	-	-
Expiration of time restrictions	24,242	(24,242)	-	-	-
Dissolution of Trust	7,731	-	(7,731)	-	-
Total net asset restriction transfers	<u>225,180</u>	<u>(217,485)</u>	<u>(7,695)</u>	<u>-</u>	<u>-</u>

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
COMBINED STATEMENT OF ACTIVITIES (continued)  
FOR THE YEAR ENDED AUGUST 31, 2008, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007  
(In Thousands)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
				2008	%	2007	%
<b>EXPENSES</b>							
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	156,420	-	-	156,420	15%	146,933	15%
Prevention - programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer	188,790	-	-	188,790	18%	176,573	18%
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	142,222	-	-	142,222	14%	158,231	16%
Patient support - programs to assist cancer patients and their families and ease the burden of cancer for them	268,343	-	-	268,343	26%	218,440	22%
Total program services	<u>755,775</u>	<u>-</u>	<u>-</u>	<u>755,775</u>	<u>73%</u>	<u>700,177</u>	<u>71%</u>
Supporting services:							
Management and general - direction of the overall affairs of the Society through executive, financial, and administrative services	72,527	-	-	72,527	7%	90,596	9%
Fund-raising - programs to secure charitable financial support for programs and supporting services	212,710	-	-	212,710	20%	198,247	20%
Total supporting services	<u>285,237</u>	<u>-</u>	<u>-</u>	<u>285,237</u>	<u>27%</u>	<u>288,843</u>	<u>29%</u>
Total program and supporting services expenses	<u>1,041,012</u>	<u>-</u>	<u>-</u>	<u>1,041,012</u>	<u>100%</u>	<u>989,020</u>	<u>100%</u>
Change in additional minimum liability of pension plan	-	-	-	-		(761)	
Net change in retirement plan liability	34,258	-	-	34,258		-	
Effect of adoption and recognition of FASB Statement No. 158	-	-	-	-		69,827	
<b>CHANGE IN NET ASSETS</b>	<u>(4,424)</u>	<u>11,162</u>	<u>(3,836)</u>	<u>2,902</u>		<u>113,834</u>	
<b>NET ASSETS, beginning of year</b>	<u>1,020,093</u>	<u>304,557</u>	<u>262,082</u>	<u>1,586,732</u>		<u>1,472,898</u>	
<b>NET ASSETS, end of year</b>	<u>\$ 1,015,669</u>	<u>\$ 315,719</u>	<u>\$ 258,246</u>	<u>\$ 1,589,634</u>		<u>\$ 1,586,732</u>	

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

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2008, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007  
(In Thousands)**

	Program Services				Supporting Services		Total	
	Research	Prevention	Detection/ Treatment	Patient Support	Management	Fund-raising	2008	2007
<b>EXPENSES</b>								
Salaries	\$ 16,434	\$ 82,826	\$ 64,842	\$ 111,452	\$ 34,097	\$ 99,512	\$ 409,163	\$ 370,621
Employee benefits	2,675	16,202	12,607	22,361	6,222	19,735	79,802	75,158
Payroll taxes	1,123	6,312	5,016	8,586	2,588	7,765	31,390	29,329
Professional fees	5,367	17,011	9,829	15,614	6,014	15,055	68,890	72,427
Supplies	224	2,147	1,618	3,561	702	2,789	11,041	11,220
Telephone	873	3,873	3,244	4,873	1,808	4,034	18,705	18,318
Postage and shipping	225	5,472	2,770	4,626	2,826	7,434	23,353	21,146
Occupancy	1,290	8,024	6,642	14,579	3,771	10,070	44,376	42,022
Equipment rental, maintenance and information processing	830	3,124	2,302	3,454	1,847	3,217	14,774	13,141
Printing and publications	773	17,067	12,204	18,521	3,001	14,830	66,396	65,274
Meetings and conferences	1,525	5,265	3,631	6,126	1,394	6,446	24,387	26,381
Travel	1,975	8,910	5,942	10,186	2,567	9,571	39,151	39,064
Miscellaneous	43	2,353	1,865	3,801	1,167	4,098	13,327	14,766
Special assistance to individuals	-	64	653	21,570	-	-	22,287	18,566
Awards and grants for program services, net of cancellations	119,367	4,554	3,828	5,976	12	28	133,765	126,432
Membership dues and subscriptions	101	382	229	319	333	329	1,693	1,707
Depreciation and amortization	1,677	4,393	3,796	8,733	3,411	5,627	27,637	24,652
Interest expense	-	105	90	2,507	387	168	3,257	2,486
Contributed services and other in-kind contributions	1,918	706	1,114	1,498	380	2,002	7,618	16,310
Total program and supporting services expenses	<u>\$ 156,420</u>	<u>\$ 188,790</u>	<u>\$ 142,222</u>	<u>\$ 268,343</u>	<u>\$ 72,527</u>	<u>\$ 212,710</u>	<u>\$ 1,041,012</u>	<u>\$ 989,020</u>

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, 2008 AND 2007  
(In Thousands)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2008</u>	<u>2007</u>
Change in net assets	\$ 2,902	\$ 113,834
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,715	24,857
Net unrealized losses (gains) on perpetual trusts	1,339	(9,951)
Net realized and unrealized investment losses (gains)	13,530	(19,566)
Change in value of split-interest agreements	(6,102)	(10,182)
Gain on disposal of fixed assets	(19,128)	(34,141)
Other gains	-	(4,944)
Net change in retirement plan liability	34,258	-
Change in additional minimum liability of pension plan	-	(761)
Effect of adoption and recognition of FASB Statement No. 158	-	69,827
Support from the public restricted for long-term investment	(4,123)	(3,405)
Support from the public restricted for fixed asset acquisition	(3,679)	(15,091)
Changes in assets and liabilities:		
Pledges and grants receivable, net	(10,705)	(12,887)
Prepaid pension costs	-	30,711
Prepaid expenses and other assets	11,004	(6,103)
Legacies and bequests receivable	(833)	(6,389)
Beneficial interests in trusts and gift annuities, net	6,500	(3,650)
Research and other program awards and grants payable	20,720	11,785
Accrued expenses	(39,359)	(26,547)
Other liabilities	(3,995)	13,512
Net cash provided by operating activities	<u>30,044</u>	<u>110,909</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(57,155)	(127,491)
Proceeds from disposal of assets	22,765	55,412
Support from the public restricted for fixed asset acquisition	3,679	15,091
Purchase of investments	(658,599)	(638,667)
Proceeds from maturity or sale of investments	657,285	551,641
Net cash used in investing activities	<u>(32,025)</u>	<u>(144,014)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on debt	(3,650)	(10,416)
Proceeds from issuance of debt	-	57,849
Increase in bank overdrafts	7,942	7,928
Payments on capital lease obligations	(614)	(763)
Payments to annuitants	(3,407)	(3,333)
Support from the public restricted for long-term investment	4,123	3,405
Net cash provided by financing activities	<u>4,394</u>	<u>54,670</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,413	21,565
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>107,769</u>	<u>86,204</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 110,182</u>	<u>\$ 107,769</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 3,060</u>	<u>\$ 2,459</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Fixed assets acquired through capital lease	<u>\$ 977</u>	<u>\$ 247</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, 2008 AND 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.

The Society (including the National Home Office, its chartered Divisions, Puerto Rico 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 and the ACS CAN. The Society prepares a group Form 990, which includes Foundation, Puerto Rico and the Divisions.

**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 other investments, gift annuity investments and 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.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**1. ORGANIZATION AND ACCOUNTING POLICIES, continued**

**Securities Lending, continued**

At August 31, 2008 and 2007, \$159,298,000 and \$181,169,000, respectively, is recorded as securities lent under securities lending program in the accompanying combined balance sheets. At August 31, 2008 and 2007, \$162,605,000 and \$184,749,000, 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 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 cash equivalents, other investments, gift annuity 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, research and other program awards and grants payable, accounts payable and other accrued expenses, gift annuity obligations, payable under securities lending program and debt.

Pledges and grants receivable, legacies and bequests receivable and research and other program awards and grants payable are recorded at net realizable value which approximates fair value. Other 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.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**1. ORGANIZATION AND ACCOUNTING POLICIES, continued**

**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 3.50% 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 and reflected as contribution revenue.

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.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**1. ORGANIZATION AND ACCOUNTING POLICIES, continued**

**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 combined 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 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 fair value based on the present value of the Society's estimated future cash receipts from the trust. In fiscal year 2008 and 2007, 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 7.50% and 7.25%, respectively, and a discount rate of 5.00% for both years, commensurate with the risks involved. The carrying value of the initial gift of the nonperpetual BIT 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 agreements.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**1. ORGANIZATION AND ACCOUNTING POLICIES, continued**

**Beneficial Interests in Trusts, continued**

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 net 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 years 2008 and 2007 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 an interest 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 contribution revenue 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 combined statement 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.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**1. ORGANIZATION AND ACCOUNTING POLICIES, continued**

**Accounting for Contributions, continued**

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. The Society does not imply time restrictions on contributions of long-lived assets (or of other assets restricted to the purchase of long-lived assets) received without donor stipulations about how long the contributed assets must be used. As a result, contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as temporarily restricted revenue that increases temporarily restricted net assets; those restrictions expire when the long-lived assets are placed in service.

**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, 2008 and 2007 were \$22,460,000 and \$33,423,000 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 combined 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 2008 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, 2007, from which the summarized information was derived. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**1. ORGANIZATION AND ACCOUNTING POLICIES, continued**

**New Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return when there is uncertainty about whether a tax position will ultimately be sustained upon examination. On September 1, 2007, the Society adopted the recognition and disclosure provisions of FIN 48. The adoption of FIN 48 did not have an effect on the Society's combined financial position or changes in net assets.

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 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 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 address 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 changes in net assets.

In August 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP FAS 117-1"). FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. FSP FAS 117-1 also enhances disclosures about an organization's endowment funds, whether or not the organization is subject to UPMIFA. This FSP will be effective for the Society's fiscal year ending August 31, 2009. The Society is currently evaluating the effect that the adoption of FSP FAS 117-1 will have on its combined financial position and changes in net assets.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**2. CASH, TEMPORARY INVESTMENTS AND INVESTMENTS**

The fair value of cash, temporary investments and investments as of August 31, 2008 and 2007 are as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 110,182	\$ 107,769
Money market funds	38,089	59,692
Time deposits	7,848	4,531
Corporate bonds	138,523	147,137
Commercial paper and other short-term investments	342,549	297,134
Equity securities	98,276	119,491
U.S. government and government agency obligations	315,974	304,377
Mutual funds	21,196	23,383
Other investments	14,511	11,888
Total cash, temporary investments and investments	<u>\$ 1,087,148</u>	<u>\$ 1,075,402</u>

Investment advisory fees paid by the Society were approximately \$2,121,000 and \$2,130,000 for the fiscal years ended August 31, 2008 and 2007, respectively. Securities lent under securities lending program consist of U.S. government obligations at August 31, 2008 and 2007.

**3. PLEDGES AND GRANTS RECEIVABLE**

As of August 31, 2008 and 2007, the expected future cash receipts from unconditional pledges and grants receivable, excluding amounts due from federated fund raising organizations, government grants and receivables related to donated land under lease of \$8,775,000 and \$7,913,000 for the years ended August 31, 2008 and 2007, respectively, are as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Due in one year or less	\$ 34,123	\$ 31,476
Due in one year through five years	34,256	26,151
Due after five years	7,937	8,105
Less: estimated uncollectible amounts	<u>(913)</u>	<u>(677)</u>
	75,403	65,055
Less: discount	<u>(6,164)</u>	<u>(5,659)</u>
Total	<u>\$ 69,239</u>	<u>\$ 59,396</u>

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**4. FIXED ASSETS**

Fixed assets as of August 31, 2008 and 2007 are as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Land	\$ 36,987	\$ 38,584
Buildings and leasehold improvements	308,720	282,641
Furniture, fixtures, equipment, and other capitalized assets	95,645	92,089
Computer software	55,176	54,447
Construction in progress	38,711	25,877
Less: accumulated depreciation and amortization (including \$33,369 and \$27,134 of software amortization)	(179,154)	(164,350)
Net fixed assets	<u>\$ 356,085</u>	<u>\$ 329,288</u>

Depreciation expense including expenses or assets used in exchange transactions for the years ended August 31, 2008 and 2007 was approximately \$21,480,000 and \$18,770,000, respectively.

Software amortization expense for the years ended August 31, 2008 and 2007 was approximately \$6,235,000 and \$6,087,000, respectively.

**5. DEBT**

Debt as of August 31, 2008 and 2007 is as follows:

The Eastern Division purchased a condominium located in New York City in January 2007 which currently serves as office space and as a Hope Lodge facility to house and support cancer patients undergoing treatment in New York City. The purchase is financed through Industrial Development Bonds issued by the New York City Industrial Development Agency. The outstanding balance of the Industrial Development Bonds was \$45,435,000 and \$46,170,000 as of August 31, 2008 and 2007, respectively. The term of the bonds is 30 years with a fixed interest rate of 4.75%. The net book value of the property is \$42,224,000 and \$44,947,000 as of August 31, 2008 and 2007, respectively.

The Society has various industrial development and revenue bonds (the "Bonds"), with variable interest rates (ranging from 1.87% to 4.75% as of August 31, 2008), two of which are convertible to a fixed rate at the Society's option. The outstanding balance of the Bonds was \$21,955,000 and \$23,920,000 at August 31, 2008 and 2007. The bonds mature at various dates until 2037. The bonds are collateralized by certificates of deposit, property and letters of credit, which expire at various dates through 2012 unless terminated earlier. At August 31, 2008 and 2007, \$223,000 and \$4,656,000 of bond proceeds are included in cash and cash equivalents in the accompanying combined balance sheet, respectively.

The Society has various notes payable with variable interest rates (ranging from 3.40% to 7.00% as of August 31, 2008). The outstanding balance of the notes payable was \$4,640,000 and \$5,590,000 at August 31, 2008 and 2007, respectively. Certain notes payable are secured by certificates of deposit in the amount of \$2,111,000 at August 31, 2008.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**5. DEBT, continued**

Approximate annual payments as of August 31, 2008, excluding interest, are payable as follows (in thousands):

Fiscal year:	
2009	\$ 5,355
2010	2,178
2011	2,270
2012	3,053
2013	2,322
Thereafter	<u>56,852</u>
Total	<u>\$ 72,030</u>

The debt is secured by related properties, furnishings and equipment, which have a net book value of approximately \$56,542,000.

**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, 2008 and 2007 are \$243,001,000 and \$223,279,000, respectively. The present value as of August 31, 2008 and 2007 is \$229,687,000 and \$208,967,000, respectively. The discount of \$13,314,000 will be recognized as awards and grants expense in fiscal years 2009 through 2013 as the discount is amortized using an effective yield over the expected life of the awards and grants contracts. As of August 31, 2008, the awards and grants are payable as follows (in thousands):

Fiscal year:	
2009	\$ 105,832
2010	71,233
2011	44,875
2012	19,025
2013	2,036
Total	<u>\$ 243,001</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 2008 and 2007 was \$19,761,000 and \$21,972,000, respectively. The Society's liability for contributions accrued and unpaid as of August 31, 2008 and 2007 was \$48,714,000 and \$17,111,000, respectively. These amounts are included in accrued retirement plan benefits in the accompanying combined balance sheets.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**7. PENSION PLANS, continued**

The current strategic mix for the Plans has a blended exposure to equity and debt market risk. The Plans employ 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>2008</u>	<u>2007</u>	
Equity securities	66%	66%	54-75%
Debt securities	33%	30%	25-42%
Cash and cash equivalents	<u>1%</u>	<u>4%</u>	0-10%
	<u>100%</u>	<u>100%</u>	

The benefit obligation and the assets of the Plans were \$438,488,000 and \$389,774,000, respectively, as of August 31, 2008. The benefit obligation and the assets of the Plans were \$448,374,000 and \$431,263,000, respectively, as of August 31, 2007. 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, 2008 and 2007 was \$19,225,000 and \$22,502,000, respectively. These amounts are included in accrued retirement plan benefits in the accompanying combined balance sheets. Information related to the Society's Pension Plans and SERP as of August 31, 2008 and 2007 and the related changes during the years then ended are as follows (in thousands):

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**7. PENSION PLANS, continued**

	<b>Retirement Benefits</b>	<b>Supplemental Retirement Benefits</b>	<b>2008 Total</b>	<b>2007 Total</b>
Measurement date : August 31				
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 448,374	\$ 22,502	\$ 470,876	\$ 451,102
Service cost	23,325	910	24,235	24,756
Interest cost	27,683	1,228	28,911	26,241
Amendments	-	2,705	2,705	1,919
Actuarial (gains)/loss	(23,531)	(1,550)	(25,081)	481
Impact of settlement	-	(393)	(393)	-
Benefits paid	(37,363)	(6,177)	(43,540)	(33,623)
<b>Benefit obligation at end of year</b>	<b>\$ 438,488</b>	<b>\$ 19,225</b>	<b>\$ 457,713</b>	<b>\$ 470,876</b>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 431,263	\$ -	\$ 431,263	\$ 390,627
Actual expenses paid	(1,320)	-	(1,320)	(2,007)
Actual return on plan assets	(30,490)	-	(30,490)	44,392
Employer contributions	27,684	6,177	33,861	31,874
Benefits paid	(37,363)	(6,177)	(43,540)	(33,623)
<b>Fair value of plan assets at end of year</b>	<b>\$ 389,774</b>	<b>\$ -</b>	<b>\$ 389,774</b>	<b>\$ 431,263</b>
<b>Funded status</b>	<b>\$ (48,714)</b>	<b>\$ (19,225)</b>	<b>\$ (67,939)</b>	<b>\$ (39,613)</b>
<b>Amounts recognized in the combined balance sheets</b>				
Accrued benefit liability	(48,714)	(19,225)	(67,939)	(39,613)
<b>Net amount recognized</b>	<b>\$ (48,714)</b>	<b>\$ (19,225)</b>	<b>\$ (67,939)</b>	<b>\$ (39,613)</b>
<b>Actuarial assumptions</b>				
Discount rate:				
Net periodic pension cost	6.25%	6.25%	6.25%	6.00-6.25%
Benefit obligation	6.75%	6.75%	6.75%	6.25%
Expected return on plan assets	7.50-8.00%	N/A	7.50-8.00%	7.50-8.00%
	Age Graded	Age Graded	Age Graded	Age Graded
Rate of compensation increase	3.0-12.0%	4.0-10.5%	3.0-12.0%	3.0-12.0%
<b>Components of net periodic benefit cost:</b>				
Service cost	\$ 23,325	\$ 910	\$ 24,235	\$ 24,756
Interest cost	27,683	1,228	28,911	26,241
Expected return on plan assets	(33,448)	-	(33,448)	(29,849)
Administrative expenses	1,930	-	1,930	1,810
Amortization of:				
Unrecognized prior service cost	1,512	841	2,353	2,605
Unrecognized actuarial loss	1,457	571	2,028	2,816
Amortization of transition amount	(2,698)	-	(2,698)	(2,698)
Impact of Curtailment	-	-	-	308
Impact of Settlement	-	466	466	(118)
<b>Net periodic benefit cost</b>	<b>\$ 19,761</b>	<b>\$ 4,016</b>	<b>\$ 23,777</b>	<b>\$ 25,871</b>

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**7. PENSION PLANS, continued**

	<u>Retirement Benefits</u>	<u>Supplemental Retirement Benefits</u>	<u>2008 Total</u>	<u>2007 Total</u>
Measurement date : August 31				
Accumulated benefit obligation	\$ 377,244	\$ 13,056	\$ 390,300	\$ 399,190
Vested benefit obligation	\$ 350,521	\$ 13,056	\$ 363,577	\$ 364,216
<b>Estimated future benefit payments</b>				
2009	\$ 36,281	\$ 5,508	\$ 41,789	
2010	35,658	2,687	38,345	
2011	35,739	1,985	37,724	
2012	35,869	1,189	37,058	
2013	36,848	661	37,509	
2014-2018	195,866	11,514	207,380	

The Society expects to contribute \$29,262,000 in fiscal year 2009.

Included in unrestricted net assets at August 31, 2008 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized transition asset of \$2,132,000, unrecognized prior service costs of \$9,231,000 and unrecognized actuarial losses of \$87,676,000. 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, 2009 are \$2,132,000, \$2,586,000 and \$4,000,000, 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.

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. The accumulated postretirement benefit obligation as of August 31, 2008 and 2007 and related changes during the years ended August 31, 2008 and 2007 consisted of the following components (in thousands):

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**8. POSTRETIREMENT NONPENSION BENEFITS, continued**

Measurement date	<u>August 31, 2008</u>	<u>August 31, 2007</u>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 49,812	\$ 50,015
Service cost	633	711
Interest cost	3,012	2,905
Plan participant contributions	32	13
Actuarial gain	(2,210)	(928)
Benefits paid	(2,972)	(2,904)
<b>Benefit obligation at end of year</b>	<u>\$ 48,307</u>	<u>\$ 49,812</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ -	\$ -
Actual return on plan assets	-	-
Employer contributions	2,972	2,904
Benefits paid	(2,972)	(2,904)
<b>Fair value of plan assets at end of year</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Funded status</b>	<u>\$ (48,307)</u>	<u>\$ (49,812)</u>
<b>Amounts recognized in the balance sheets consist of:</b>		
Accrued benefit liability	(48,307)	(49,812)
<b>Net amount recognized</b>	<u>\$ (48,307)</u>	<u>\$ (49,812)</u>
<b>Actuarial assumptions</b>		
Discount rate:		
Net periodic pension cost	6.25%	5.00-6.25%
Benefit obligation	6.75%	6.25%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	3.50-12.00%	3.00-5.75%
<b>Components of net periodic benefit cost:</b>		
Service cost	\$ 633	\$ 711
Interest cost	3,012	2,905
Expected return on plan assets		
Amortization of:		
Unrecognized prior service cost	1,473	1,473
Transition amount	763	765
Unrecognized actuarial gain	-	(202)
Recognized net actuarial loss	143	229
Impact of Settlement	-	(76)
<b>Net periodic benefit cost</b>	<u>\$ 6,024</u>	<u>\$ 5,805</u>
<b>Estimated future benefit payments</b>		
2009	\$ 3,358	
2010	3,448	
2011	3,528	
2012	3,603	
2013	3,663	
2014-2018	18,822	

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**8. POSTRETIREMENT NONPENSION BENEFITS, continued**

The Society expects to contribute \$3,358,000 in fiscal year 2009.

Included in unrestricted net assets at August 31, 2008 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized transition obligation of \$3,720,000, unrecognized prior service costs of \$2,293,000 and unrecognized actuarial losses of \$4,188,000. 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, 2009 are \$763,000, \$1,472,000 and \$116,000, 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, 2008 (in thousands):

Fiscal year:	
2009	\$ 27,651
2010	24,192
2011	18,118
2012	12,806
2013	11,171
Thereafter	61,045
Total	<u>\$ 154,983</u>

Rental expense from operating leases for the year ended August 31, 2008 and 2007 was approximately \$31,160,000 and \$30,133,000, respectively.

**10. RESTRICTED NET ASSETS**

Temporarily restricted net assets and the earnings from permanently restricted net assets as of August 31, 2008 and 2007 have been restricted by donors as follows (in thousands):

	Temporarily		Permanently	
	2008	2007	2008	2007
Research	\$ 17,317	\$ 17,583	\$ 55,026	\$ 53,244
Patient support	28,483	35,178	14,450	13,798
Specific geographic locations	10,115	10,035	47,455	49,278
Prevention	12,388	9,408	1,780	436
Detection/treatment	35,145	27,446	1,456	1,458
Fixed asset acquisitions/ building fund	9,502	16,089	1,131	1,131
Hope Lodges	59,805	53,207	12,117	9,665
Time restrictions	137,589	127,360	-	-
Other program and supporting services	5,375	8,251	124,831	133,072
Total	<u>\$ 315,719</u>	<u>\$ 304,557</u>	<u>\$ 258,246</u>	<u>\$ 262,082</u>

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**10. RESTRICTED NET ASSETS, continued**

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.

Certain reclassifications have been made to the 2007 net asset categories to conform with the 2008 presentation. These reclassifications include a decrease of \$79,911,000 to unrestricted net assets, a \$75,531,000 increase to temporarily restricted net assets, and a \$4,380,000 increase to permanently restricted net assets. These reclassifications relate to the beginning 2007 balances and had no impact on the change in net assets or total net assets.

**11. CONTRIBUTED SERVICES, MERCHANDISE, AND OTHER IN-KIND CONTRIBUTIONS**

In fiscal year 2008 and 2007, the Society recorded contributed services of \$1,105,000 and \$1,460,000, 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 2008 and 2007, the Society's management estimates that approximately 25,960 and 25,740 hours, respectively, have been contributed by scientific peer reviewers and has valued such services at \$1,822,000 and \$1,602,000, respectively.

**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 combined statement 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 2008 and 2007 are as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Contribution amount for donated vehicles	\$ 3,867	\$ 4,111
Exchange transaction income/expense attributable to vehicles sold	\$ 3,566	\$ 4,161
Exchange selling expenses	915	1,137
Net proceeds realized	<u>\$ 2,651</u>	<u>\$ 3,024</u>

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**11. CONTRIBUTED SERVICES, MERCHANDISE, AND OTHER IN-KIND CONTRIBUTIONS,  
continued**

**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 statement 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 2008 and 2007 are as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Contribution amount for donated merchandise	\$ 18,378	\$ 18,515
Exchange transaction income/expense attributable to merchandise sold	\$ 18,237	\$ 18,635
Exchange selling expenses	11,802	11,720
Net proceeds realized	<u>\$ 6,435</u>	<u>\$ 6,915</u>

**Other Contributed Merchandise**

In fiscal years 2008 and 2007, the Society received cosmetic kits with an estimated fair value of \$6,557,000 and \$6,102,000, 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 2008 and 2007, the Society also received wigs with an estimated fair value of \$1,833,000 and \$1,026,000, 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 \$7,094,000 and \$4,584,000, respectively, for fiscal years 2008 and 2007. 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 2008 and 2007, 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 \$4,175,000 and \$13,297,000.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**12. EXCHANGE TRANSACTIONS**

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 2008 and 2007 are as follows (in thousands):

	Exchange Income		Exchange Expenses	
	2008	2007	2008	2007
Special events	\$ 60,870	\$ 57,628	\$ 60,158	\$ 56,662
Cars For a Cure	3,566	4,161	4,481	5,298
Discovery Shop	18,237	18,635	30,039	30,355
Rental income	989	990	-	132
Cause related marketing and other royalties	2,722	2,821	-	-
Sales to third parties	10,870	7,140	1,520	396
	<u>\$ 97,254</u>	<u>\$ 91,375</u>	<u>\$ 96,198</u>	<u>\$ 92,843</u>

**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 revenue in the accompanying combined statement of activities.

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007**

**13. ACTIVITIES WITH JOINT COSTS**

In fiscal years 2008 and 2007, 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 \$181,959,000 and \$166,394,000 of joint costs for fiscal years 2008 and 2007, that were functionally allocated as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Research	\$ 408	\$ 167
Prevention	32,152	24,559
Detection/treatment	22,803	28,754
Patient support	49,229	34,723
Management and general	7,302	7,194
Fund-raising	70,065	70,997
Total	<u>\$ 181,959</u>	<u>\$ 166,394</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 \$8,090,000 and \$7,540,000 to insurance companies as of August 31, 2008 and 2007, 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 2009. No amounts were outstanding under the letters of credit as of August 31, 2008 and 2007.

A Division received a donation of land from a health system conditioned on the completion of a future Hope Lodge. Based on these conditions, the Division has reported \$800,000 as refundable advances representing the fair market value of land. Effective December 7, 2007, the Division executed an agreement with the health system that will, upon closure, transfer the conditioned donated property of approximately \$800,000 back to the health system and the Division will not recognize any revenue related to the transaction. Simultaneous with the return of the property, the Division will purchase land at a different location from the health system for approximately \$745,000.

A Division Board of Directors has approved capital allocations of \$4,576,000 for one Hope Lodge project that was completed subsequent to year end. The cost of the project will be financed by public support, Board-designated investments and future operations. The cumulative amount expended by the Division for this project at August 31, 2008 and 2007, totaled \$4,445,806 and \$77,831, respectively, and is recorded in construction in progress within fixed assets in the accompanying combined balance sheets.

On September 4, 2007, a Division entered into an agreement with a local construction company for the construction of a building with an expected cost of \$5,407,000. As of August 31, 2008, \$1,604,000 has been expended and is recorded as construction in progress in the accompanying combined balance sheets. When placed into service, this building will serve as a Hope Lodge facility to house and support cancer patients undergoing treatment.

## Other Financial Information

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
COMBINING BALANCE SHEETS  
AUGUST 31, 2008  
(In Thousands)**

<b>ASSETS</b>	<b>CALIFORNIA</b>	<b>EASTERN</b>	<b>FLORIDA</b>
<b>CASH AND TEMPORARY INVESTMENTS:</b>			
Cash and cash equivalents	\$ 1,212	\$ 19,139	\$ 9,193
Division's interest in Combined Investment Pool	10,330	30,640	336
Division's interest in Combined Endowment Pool	3,292	1,071	-
Other temporary investments	36,446	25,840	32,823
Gift annuity investments	-	-	-
Total cash and temporary investments	51,280	76,690	42,352
<b>SECURITIES LENT UNDER SECURITIES LENDING PROGRAM</b>	-	-	-
<b>COLLATERAL RECEIVED UNDER SECURITIES LENDING PROGRAM</b>	-	-	-
<b>DUE FROM AFFILIATES</b>	10,664	5,292	1,386
<b>PLEDGES AND GRANTS RECEIVABLE, net</b>	832	11,177	2,747
<b>PREPAID PENSION COSTS</b>	-	-	-
<b>PREPAID EXPENSE AND OTHER ASSETS</b>	4,969	1,402	643
<b>LEGACIES AND BEQUESTS RECEIVABLE</b>	-	13,115	10,219
<b>COMBINED PLANNED GIVING/PTM POOL</b>	96,368	-	-
<b>BENEFICIAL INTERESTS IN TRUSTS</b>	-	31,499	20,182
<b>FIXED ASSETS, net</b>	2,263	57,998	22,026
<b>INVESTMENTS, at fair value</b>	-	-	-
Total assets	166,376	197,173	99,555
<b>LIABILITIES AND NET ASSETS</b>			
<b>RESEARCH AND OTHER PROGRAM AWARDS AND GRANTS PAYABLE</b>	-	-	375
<b>ACCOUNTS PAYABLE AND ACCRUED EXPENSES:</b>			
Accounts payable and accrued expenses	6,291	4,336	1,946
Accrued retirement plan benefits	4,264	2,126	1,053
Postretirement medical, dental and life insurance accrual	4,684	3,191	1,567
Total accounts payable and accrued expenses	15,239	9,653	4,566
<b>GIFT ANNUITY OBLIGATION</b>	-	-	359
<b>DUE TO AFFILIATES</b>	57,722	37,728	25,552
<b>INVESTMENTS AND OTHER ASSETS HELD FOR AFFILIATES</b>	-	-	-
<b>PAYABLE UNDER SECURITIES LENDING PROGRAM</b>	-	-	-
<b>OTHER LIABILITIES</b>	920	2,430	-
<b>DEBT</b>	-	45,435	-
Total liabilities	73,881	95,246	30,852
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-	-
<b>NET ASSETS:</b>			
Unrestricted:			
Available for program and supporting activities	39,588	36,494	15,873
Net investment in fixed assets	2,263	12,433	22,026
Total unrestricted	41,851	48,927	37,899
Temporarily restricted	26,678	27,033	24,102
Permanently restricted	23,966	25,967	6,702
Total net assets	92,495	101,927	68,703
Total liabilities and net assets	\$ 166,376	\$ 197,173	\$ 99,555

GREAT LAKES	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
\$ 8,030	\$ 5,082	\$ 4,250	\$ 171	\$ 5,778	\$ 1,698	\$ 1,299	\$ 1,037	\$ 2,080	\$ 7,299	\$ 811	\$ 1,578	\$ 41,511	\$ 14	\$ -	\$ 110,182
12,802	13,117	71,492	35,488	23,975	12,680	1,283	8,563	45,297	37,322	574	639	514,582	6,537	(825,657)	-
-	114	176	-	162	-	-	-	-	76	-	-	24,923	-	(29,814)	-
25,954	14,693	2,815	49,876	17,006	22,928	27,252	11,624	13,985	58,362	-	20,580	31,393	-	514,581	906,158
-	-	-	-	-	-	-	45	-	-	-	-	35,597	-	-	35,642
46,786	33,006	78,733	85,535	46,921	37,306	29,834	21,269	61,362	103,059	1,385	22,797	648,006	6,551	(340,890)	1,051,982
-	-	-	-	-	-	-	-	-	-	-	-	159,298	-	-	159,298
-	-	-	-	-	-	-	-	-	-	-	-	162,605	-	-	162,605
4,270	7,527	11,030	2,638	5,377	3,323	3,739	1,608	2,709	5,402	194	283	305,995	167	(371,604)	-
1,167	2,061	7,723	2,764	4,959	7,290	6,197	1,836	3,108	6,136	697	415	18,880	25	-	78,014
-	-	-	-	-	-	-	-	-	-	-	-	5,000	-	(5,000)	-
1,350	1,359	1,123	833	2,933	452	1,508	1,423	566	1,188	108	280	12,616	181	(74)	32,860
-	-	-	6,761	-	-	4,293	-	5,289	-	-	-	-	-	57,915	97,592
17,639	22,347	55,543	-	19,458	11,891	-	29,332	-	26,344	-	-	278,923	-	(557,845)	-
-	339	1,126	14,816	-	302	25,231	152	16,102	1,471	-	1,642	15,328	-	215,679	343,869
21,224	16,893	25,307	1,371	24,898	25,316	39,327	14,262	11,668	26,616	6,468	-	60,448	-	-	356,085
-	-	-	-	-	-	-	-	-	-	-	-	13,416	-	21,750	35,166
92,436	83,532	180,585	114,718	104,546	85,880	110,129	69,882	100,804	170,216	8,852	25,417	1,680,515	6,924	(980,069)	2,317,471
-	-	-	1,984	-	-	-	80	-	-	-	-	227,248	-	-	229,687
1,765	4,572	3,915	1,870	2,619	2,632	4,663	1,877	2,572	4,044	330	27	45,540	1,284	(1,721)	88,562
1,162	2,208	12,206	878	995	1,452	1,952	975	1,252	3,677	55	-	12,496	-	21,188	67,939
1,192	1,969	3,991	948	1,725	1,481	1,927	1,073	5,984	3,854	-	-	6,829	-	7,892	48,307
4,119	8,749	20,112	3,696	5,339	5,565	8,542	3,925	9,808	11,575	385	27	64,865	1,284	27,359	204,808
-	-	-	-	-	-	-	61	-	-	-	432	25,327	-	-	26,179
18,498	21,637	37,590	15,933	20,453	11,377	15,306	10,321	13,445	23,264	449	258	58,694	1,734	(369,961)	-
-	-	-	-	-	-	-	-	-	-	-	3,245	595,974	-	(599,219)	-
-	-	-	-	-	-	-	-	-	-	-	-	162,605	-	-	162,605
1,471	465	699	2,614	975	100	1,254	2,362	384	1,950	-	-	16,888	16	-	32,528
11,175	-	-	-	1,508	-	-	2,537	-	2,000	455	-	8,920	-	-	72,030
35,263	30,851	58,401	24,227	28,275	17,042	25,102	19,286	23,637	38,789	1,289	3,962	1,160,521	3,034	(941,821)	727,837
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30,246	16,797	40,196	67,140	32,977	19,760	(18,700)	8,415	35,157	59,204	(1,924)	2,704	353,865	334	(6,512)	731,614
10,049	16,893	25,307	1,371	22,490	25,316	39,327	10,103	8,981	24,616	6,469	2,008	51,528	-	2,875	284,055
40,295	33,690	65,503	68,511	55,467	45,076	20,627	18,518	44,138	83,820	4,545	4,712	405,393	334	(3,637)	1,015,669
9,002	10,980	26,287	4,901	12,145	13,253	37,831	9,505	17,685	30,795	3,018	5,975	84,113	3,556	(31,140)	315,719
7,876	8,011	30,394	17,079	8,659	10,509	26,569	22,573	15,344	16,812	-	10,768	30,488	-	(3,471)	258,246
57,173	52,681	122,184	90,491	76,271	68,838	85,027	50,596	77,167	131,427	7,563	21,455	519,994	3,890	(38,248)	1,589,634
\$ 92,436	\$ 83,532	\$ 180,585	\$ 114,718	\$ 104,546	\$ 85,880	\$ 110,129	\$ 69,882	\$ 100,804	\$ 170,216	\$ 8,852	\$ 25,417	\$ 1,680,515	\$ 6,924	\$ (980,069)	\$ 2,317,471

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
COMBINING STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2008  
(In Thousands)**

	<b>CALIFORNIA</b>	<b>EASTERN</b>	<b>FLORIDA</b>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Support from the public:			
Contributions	\$ 18,983	\$ 32,244	\$ 8,272
Special events	41,463	52,128	34,779
Other special fund-raising events	-	-	-
Legacies and bequests	24,762	23,670	13,692
Change in value of split-interest agreements	2,528	965	104
Contributed services, merchandise and other in-kind contributions, at fair value	15,255	692	662
Contributions raised indirectly from federated and other fund-raising organizations	888	890	522
Division's share of public support raised by Affiliates	3	6	-
Contributions raised by the National Home Office	-	-	-
Total support from the public	<u>103,882</u>	<u>110,595</u>	<u>58,031</u>
Investment income:			
Interest and dividends, net	2,663	3,171	1,511
Net realized and unrealized investment gains/(losses)	(1,086)	(585)	(296)
Net unrealized gains on perpetual trust	(81)	(60)	(401)
Total investment income	<u>1,496</u>	<u>2,526</u>	<u>814</u>
Exchange transactions:			
Income	19,969	9,447	3,976
Expenses	(29,957)	(9,633)	(3,968)
Net exchange transactions	<u>(9,988)</u>	<u>(186)</u>	<u>8</u>
Grants and contracts from:			
Government agencies	(6)	2,789	-
Affiliates	3,826	3,640	1,745
Other revenue	3	61	47
Other gains (losses)	-	-	-
Gain on Disposal of fixed assets	-	13,568	4
Total revenue, gains and other support	<u>99,213</u>	<u>132,993</u>	<u>60,649</u>
<b>NET ASSET RESTRICTION TRANSFERS</b>			
Unrestricted			
Satisfaction of activity restrictions	5,180	19,279	6,325
Revision of donor restriction	(10)	-	-
Satisfaction of equipment acquisition restrictions	-	-	-
Transfer of restriction to National Home Office	8,866	15,816	6,758
Expiration of time restrictions	968	539	285
Dissolution of trust	-	-	-
Unrestricted net asset restriction transfer	<u>15,004</u>	<u>35,634</u>	<u>13,368</u>
Temporarily restricted			
Satisfaction of activity restrictions	(5,180)	(19,279)	(6,325)
Revision of donor restriction	-	-	-
Satisfaction of equipment acquisition restrictions	-	-	-
Transfer of restriction to National Home Office	(8,859)	(15,803)	(6,758)
Expiration of time restrictions	(968)	(539)	(285)
Dissolution of trust	-	-	-
Temporarily restricted net asset restriction transfer	<u>(15,007)</u>	<u>(35,621)</u>	<u>(13,368)</u>
Permanently restricted			
Satisfaction of activity restrictions	-	-	-
Revision of donor restriction	10	-	-
Satisfaction of equipment acquisition restrictions	-	-	-
Transfer of restriction to National Home Office	(7)	(13)	-
Expiration of time restrictions	-	-	-
Dissolution of trust	-	-	-
Permanently restricted net asset restriction transfer	<u>3</u>	<u>(13)</u>	<u>-</u>
Total net asset restriction transfers	<u>-</u>	<u>-</u>	<u>-</u>



**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
COMBINING STATEMENTS OF ACTIVITIES (continued)  
FOR THE YEAR ENDED AUGUST 31, 2008  
(In Thousands)**

	<u>CALIFORNIA</u>	<u>EASTERN</u>	<u>FLORIDA</u>
<b>EXPENSES</b>			
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	-	-	396
Prevention - programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer	13,226	9,089	7,098
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	6,036	15,869	6,462
Patient Support - programs to assist cancer patients and their families and ease the burden of cancer for them	23,149	22,083	16,871
Total program services	<u>42,411</u>	<u>47,041</u>	<u>30,827</u>
Supporting services:			
Management and general - direction of the overall affairs of the Society through executive, financial, and administrative services	5,529	1,878	1,733
Fund-raising - programs to secure charitable financial support for programs and supporting services	21,461	18,726	11,870
Total supporting services	<u>26,990</u>	<u>20,604</u>	<u>13,603</u>
Total program and supporting services expenses	<u>69,401</u>	<u>67,645</u>	<u>44,430</u>
Public support allocable to affiliates programs and other activities	36,379	35,598	21,555
Total program and supporting services expenses and allocation to national and affiliates activities	105,780	103,243	65,985
Change in additional minimum liability of pension plan	-	-	-
<b>Net change in retirement plan liability</b>	(428)	52	(60)
<b>CHANGE IN NET ASSETS</b>	(6,139)	29,698	(5,276)
<b>NET ASSETS, beginning of year</b>	<u>98,634</u>	<u>72,229</u>	<u>73,979</u>
<b>NET ASSETS, end of year</b>	<u>\$ 92,495</u>	<u>\$ 101,927</u>	<u>\$ 68,703</u>

GREAT LAKES	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
-	-	325	2,554	44	-	95	626	-	-	-	462	153,503	1,845	(3,430)	156,420
5,730	14,578	14,925	8,350	8,653	7,137	9,722	4,448	6,942	17,889	1,029	130	69,588	5,022	(14,766)	188,790
4,803	7,807	9,098	6,166	7,715	5,611	8,034	3,632	6,262	13,761	600	9	46,791	2,980	(9,414)	142,222
12,045	20,319	27,810	7,406	12,082	13,310	13,138	7,937	10,773	21,323	2,052	45	84,064	1,429	(27,493)	268,343
22,578	42,704	52,158	24,476	28,494	26,058	30,989	16,643	23,977	52,973	3,681	646	353,946	11,276	(55,103)	755,775
2,336	4,393	3,383	3,386	2,092	1,576	1,601	985	1,104	4,953	257	8	39,149	779	(2,615)	72,527
8,912	11,341	17,957	7,191	11,727	9,816	11,318	5,927	10,538	21,550	751	390	50,978	842	(8,585)	212,710
11,248	15,734	21,340	10,577	13,819	11,392	12,919	6,912	11,642	26,503	1,008	398	90,127	1,621	(11,200)	285,237
33,826	58,438	73,498	35,053	42,313	37,450	43,908	23,555	35,619	79,476	4,689	1,044	444,073	12,897	(66,303)	1,041,012
18,053	25,827	40,289	19,280	24,777	19,753	22,654	13,724	20,273	45,688	784	20	1,813	-	(346,467)	-
51,879	84,265	113,787	54,333	67,090	57,203	66,562	37,279	55,892	125,164	5,473	1,064	445,886	12,897	(412,770)	1,041,012
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(64)	39	(543)	53	(221)	169	(91)	28	201	844	-	-	(1,219)	-	35,498	34,258
(984)	(3,564)	6,259	2,316	5,867	3,536	1,205	1,002	1,961	4,922	33	(1,438)	(11,547)	2,459	(27,408)	2,902
58,157	56,245	115,925	88,175	70,404	65,302	83,822	49,594	75,206	126,505	7,530	22,893	531,541	1,431	(10,840)	1,586,732
\$ 57,173	\$ 52,681	\$ 122,184	\$ 90,491	\$ 76,271	\$ 68,838	\$ 85,027	\$ 50,596	\$ 77,167	\$ 131,427	\$ 7,563	\$ 21,455	\$ 519,994	\$ 3,890	\$ (38,248)	\$ 1,589,634

**AMERICAN CANCER SOCIETY, INC.  
AND AFFILIATED ENTITIES  
COMBINING STATEMENTS OF EXPENSES BY NATURAL CLASSIFICATION  
FOR THE YEAR ENDED AUGUST 31, 2008  
(In Thousands)**

	<b>CALIFORNIA</b>	<b>EASTERN</b>	<b>FLORIDA</b>
<b>EXPENSES</b>			
Salaries	\$ 33,399	\$ 34,219	\$ 19,154
Employees benefits	7,491	7,202	4,224
Payroll taxes	2,843	2,563	1,494
Professional fees	2,724	2,415	1,455
Supplies	1,967	825	482
Telephone	1,116	1,319	620
Postage and shipping	1,379	1,004	1,035
Occupancy	4,404	3,205	3,374
Equipment rental, maintenance and information processing	334	809	642
Printing and publications	2,557	2,338	3,895
Meetings and conferences	2,621	1,125	1,681
Travel	2,050	1,152	1,927
Miscellaneous	1,371	1,237	553
Specific assistance to individuals	3,169	1,511	1,601
Awards and grants for program services, net of cancellations	534	1,245	914
Awards and grants to affiliates	223	150	82
Insurance	289	247	181
Membership dues and subscriptions	87	109	92
Depreciation and amortization	769	2,779	1,024
Interest expense	20	2,191	-
Contributed services	54	-	-
	<hr/>	<hr/>	<hr/>
Total program and supporting services expense	\$ 69,401	\$ 67,645	\$ 44,430

GREAT LAKES	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
\$ 16,142	\$ 25,795	\$ 30,577	\$ 15,356	\$ 21,027	\$ 18,251	\$ 21,768	\$ 10,515	\$ 15,246	\$ 35,141	\$ 1,370	\$ 213	\$ 96,707	\$ 3,596	\$ 10,687	\$ 409,163
3,757	5,526	9,391	3,241	5,063	4,389	4,971	1,759	3,241	7,612	227	44	17,068	561	(5,965)	79,802
1,360	1,972	2,473	1,174	1,770	1,390	1,784	840	1,183	2,927	144	13	6,574	203	683	31,390
1,521	3,810	3,297	1,912	2,104	1,790	1,583	1,132	1,300	5,441	174	31	53,378	3,466	(18,643)	68,890
315	880	769	673	343	771	280	431	651	979	61	2	1,438	41	133	11,041
382	652	1,895	179	855	842	874	266	413	1,324	54	3	7,677	58	176	18,705
719	993	1,699	763	396	1,058	1,034	598	1,187	2,148	42	1	7,853	75	1,369	23,353
1,554	2,153	3,459	1,905	2,089	1,940	3,268	1,214	1,438	4,931	173	-	8,311	737	221	44,376
422	918	1,219	189	360	257	583	777	244	1,583	37	3	6,090	42	265	14,774
2,038	2,363	4,772	3,411	1,255	1,668	2,578	1,341	3,193	4,332	925	3	27,856	1,202	669	66,396
1,064	1,765	2,156	543	870	648	810	540	1,229	2,832	243	29	5,874	503	(146)	24,387
1,213	4,081	4,618	879	2,315	1,764	1,156	1,215	1,235	3,610	115	15	10,438	1,156	212	39,151
685	631	513	625	221	395	845	355	877	1,096	16	64	947	60	2,836	13,327
698	1,951	3,008	1,005	1,583	995	590	356	2,448	2,528	844	-	-	-	-	22,287
139	1,316	864	2,248	125	68	409	767	524	749	43	-	122,923	897	-	133,765
74	2,578	438	117	109	69	109	60	113	179	12	622	50,960	246	(56,141)	-
151	197	304	126	194	156	186	108	164	369	1	-	-	-	(2,673)	-
53	61	136	75	43	64	34	55	58	83	4	1	679	54	5	1,693
1,068	653	1,407	554	1,506	935	991	938	848	1,544	171	-	12,441	-	9	27,637
255	-	10	-	85	-	8	270	27	68	33	-	290	-	-	3,257
216	143	493	78	-	-	47	18	-	-	-	-	6,569	-	-	7,618
<b>\$ 33,826</b>	<b>\$ 58,438</b>	<b>\$ 73,498</b>	<b>\$ 35,053</b>	<b>\$ 42,313</b>	<b>\$ 37,450</b>	<b>\$ 43,908</b>	<b>\$ 23,555</b>	<b>\$ 35,619</b>	<b>\$ 79,476</b>	<b>\$ 4,689</b>	<b>\$ 1,044</b>	<b>\$ 444,073</b>	<b>\$ 12,897</b>	<b>\$ (66,303)</b>	<b>\$ 1,041,012</b>