

American Cancer Society, Inc.

**Financial Statements and Supplementary Information; and
Reports and Schedules Related to Title 2 U.S. Code of
Federal Regulations Part 200, Uniform Administrative
Requirements, Cost Principles, and Audit Requirements for
Federal Awards (Uniform Guidance)**

As of and for the Years Ended December 31, 2018 and 2017

American Cancer Society, Inc.
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December 31, 2018 and 2017

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Report of Independent Auditors

Management and The Board of Directors
American Cancer Society, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the American Cancer Society, Inc. (“the Society”), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Cancer Society, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated September 27, 2019, on our consideration of the American Cancer Society, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the American Cancer Society, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the American Cancer Society, Inc.'s internal control over financial reporting and compliance.

Ernst & Young LLP

September 27, 2019

AMERICAN CANCER SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Our mission program and mission support expenses were:			
Mission program services:			
Patient support	\$ 269,223	\$ -	\$ 269,223
Research	147,852	-	147,852
Prevention	104,212	-	104,212
Detection/treatment	65,345	-	65,345
Total mission program services	<u>586,632</u>	<u>-</u>	<u>586,632</u>
Mission support services:			
Management and general	36,064	-	36,064
Fund-raising	134,143	-	134,143
Total mission support services	<u>170,207</u>	<u>-</u>	<u>170,207</u>
Total mission program and mission support services expenses	<u>756,839</u>	<u>-</u>	<u>-</u> <u>756,839</u>
Our mission program and mission support expenses were funded by:			
Support from the public:			
Special events, including Relay For Life® and Making Strides Against Breast Cancer®	229,838	78,116	307,954
Contributions	135,544	79,202	214,746
Bequests	96,361	48,697	145,058
Contributed services, merchandise and other in-kind contributions	25,642	30,486	56,128
Other	2,864	1,434	4,298
Total support from the public	<u>490,249</u>	<u>237,935</u>	<u>728,184</u>
Investment income	7,337	776	8,113
Change in value of split-interest agreements	(1,629)	(20,331)	(21,960)
Grants and contracts from government agencies	5,373	442	5,815
Other gains	3,852	204	4,056
Total revenues, gains and other support	<u>505,182</u>	<u>219,026</u>	<u>724,208</u>
Use of amounts restricted by donors for specified purpose or time	220,182	(220,182)	-
Change in net assets prior to impact of retirement plan liability	<u>(31,475)</u>	<u>(1,156)</u>	<u>(32,631)</u>
Net decrease in retirement plan liability	(13,826)	-	(13,826)
Change in net assets	<u>(17,649)</u>	<u>(1,156)</u>	<u>(18,805)</u>
Net assets, beginning of period	<u>514,084</u>	<u>641,480</u>	<u>1,155,564</u>
Net assets, end of period	<u>\$ 496,435</u>	<u>\$ 640,324</u>	<u>\$1,136,759</u>

The notes beginning on page 9 are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Our mission program and mission support expenses were:			
Mission program services:			
Patient support	\$ 303,838	\$ -	\$ 303,838
Research	145,650		145,650
Prevention	129,155	-	129,155
Detection/treatment	79,539	-	79,539
Total mission program services	<u>658,182</u>	<u>-</u>	<u>658,182</u>
Mission support services:			
Management and general	37,896	-	37,896
Fund-raising	142,343	-	142,343
Total mission support services	<u>180,239</u>	<u>-</u>	<u>180,239</u>
Total mission program and mission support services expenses	<u>838,421</u>	<u>-</u>	<u>838,421</u>
Our mission program and mission support expenses were funded by:			
Support from the public:			
Special events, including Relay For Life® and Making Strides Against Breast Cancer®	269,463	74,979	344,442
Contributions	122,775	64,342	187,117
Bequests	87,823	45,264	133,087
Contributed services, merchandise and other in-kind contributions	24,446	41,861	66,307
Other	3,387	1,918	5,305
Total support from the public	<u>507,894</u>	<u>228,364</u>	<u>736,258</u>
Investment income	57,006	22,474	79,480
Change in value of split-interest agreements	5,881	24,689	30,570
Grants and contracts from government agencies	5,344	440	5,784
Other gains	8,673	(74)	8,599
Total revenues, gains and other support	<u>584,798</u>	<u>275,893</u>	<u>860,691</u>
Use of amounts restricted by donors for specified purpose or time	230,188	(230,188)	-
Change in net assets prior to impact of retirement plan liability	<u>(23,435)</u>	<u>45,705</u>	<u>22,270</u>
Net decrease in retirement plan liability	(9,660)	-	(9,660)
Change in net assets	<u>(13,775)</u>	<u>45,705</u>	<u>31,930</u>
Net assets, beginning of period	<u>527,859</u>	<u>595,775</u>	<u>1,123,634</u>
Net assets, end of period	<u>\$ 514,084</u>	<u>\$ 641,480</u>	<u>\$1,155,564</u>

The notes beginning on page 9 are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands)

	Mission program				Total mission program	Mission support		Total mission support	Total before exchange expenses	Exchange expenses (see note 6)	Total
	Patient support	Research	Prevention	Detection / treatment		Management and general	Fund- raising				
Mission program and mission support expenses											
Salaries	\$ 106,515	\$ 23,720	\$ 47,633	\$ 29,559	\$ 207,427	\$ 15,977	\$ 63,111	\$ 79,088	\$ 286,515	\$ 4,997	\$ 291,512
Employee benefits	18,085	2,894	7,423	4,409	32,811	2,292	9,135	11,427	44,238	-	44,238
Payroll taxes	8,456	1,740	3,637	2,265	16,098	1,199	4,867	6,066	22,164	318	22,482
Professional fees	19,038	13,694	10,401	6,014	49,147	5,488	10,849	16,337	65,484	6,291	71,775
Grants for mission program services	2,279	92,258	5,272	4,027	103,836	-	-	-	103,836	-	103,836
Educational materials	25,154	1,147	6,770	6,158	39,229	2,044	15,031	17,075	56,304	162	56,466
Direct assistance, incl. wigs, and Look Good Feel Better® kits	28,824	-	25	178	29,027	-	-	-	29,027	-	29,027
Travel	4,041	1,171	3,597	1,743	10,552	500	3,051	3,551	14,103	71	14,174
Postage and shipping	3,926	213	2,314	1,018	7,471	1,649	3,948	5,597	13,068	263	13,331
Meetings and conferences	2,024	950	1,963	922	5,859	411	1,505	1,916	7,775	16,649	24,424
Community office locations, incl. rent, maintenance and utilities	25,802	2,644	5,675	3,540	37,661	2,003	8,005	10,008	47,669	6,377	54,046
Technology	7,595	3,088	2,884	1,529	15,096	1,434	4,534	5,968	21,064	58	21,122
Telecommunications	3,496	1,527	1,306	844	7,173	424	1,795	2,219	9,392	9	9,401
Depreciation and amortization	5,832	1,040	2,086	1,434	10,392	817	3,370	4,187	14,579	2	14,581
Miscellaneous	8,156	1,766	3,226	1,705	14,853	1,826	4,942	6,768	21,621	19,399	41,020
Cost of donated merchandise sold	-	-	-	-	-	-	-	-	-	24,168	24,168
Total mission program, mission support, and exchange expenses	\$ 269,223	\$ 147,852	\$ 104,212	\$ 65,345	\$ 586,632	\$ 36,064	\$ 134,143	\$ 170,207	\$ 756,839	\$ 78,764	\$ 835,603

The notes beginning on page 9 are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands)

	Mission program				Mission support			Total before exchange expenses	Exchange expenses (see note 6)	Total	
	Patient support	Research	Prevention	Detection / treatment	Total mission program	Management and general	Fund- raising				Total mission support
Mission program and mission support expenses											
Salaries	\$130,185	\$ 24,457	\$ 52,962	\$ 35,398	\$ 243,002	\$ 17,359	\$ 68,496	\$ 85,855	\$ 328,857	\$ 4,887	\$ 333,744
Employee benefits	29,817	4,350	10,793	7,269	52,229	3,650	14,205	17,855	70,084	-	70,084
Payroll taxes	9,802	1,767	3,905	2,620	18,094	1,287	5,102	6,389	24,483	322	24,805
Professional fees	17,854	11,580	9,415	6,069	44,918	3,915	9,975	13,890	58,808	6,981	65,789
Grants for mission program services	2,707	90,600	5,423	4,609	103,339	-	-	-	103,339	-	103,339
Educational materials	26,929	1,115	21,424	9,107	58,575	2,314	15,164	17,478	76,053	126	76,179
Direct assistance, incl. wigs, and Look Good Feel Better® kits	22,240	-	19	123	22,382	-	-	-	22,382	-	22,382
Travel	5,064	1,015	3,527	1,969	11,575	562	3,387	3,949	15,524	47	15,571
Postage and shipping	3,936	143	3,621	1,186	8,886	1,807	2,732	4,539	13,425	313	13,738
Meetings and conferences	2,523	621	2,019	1,067	6,230	496	1,729	2,225	8,455	17,491	25,946
Community office locations, incl. rent, maintenance and utilities	24,012	2,454	5,396	3,747	35,609	1,940	7,266	9,206	44,815	6,098	50,913
Technology	8,627	3,075	3,405	1,797	16,904	1,490	4,208	5,698	22,602	53	22,655
Telecommunications	3,862	1,574	1,645	1,026	8,107	436	1,871	2,307	10,414	11	10,425
Depreciation and amortization	6,780	1,060	2,245	1,654	11,739	866	3,395	4,261	16,000	3	16,003
Miscellaneous	9,500	1,839	3,356	1,898	16,593	1,774	4,813	6,587	23,180	22,149	45,329
Cost of donated merchandise sold	-	-	-	-	-	-	-	-	-	23,165	23,165
Total mission program, mission support, and exchange expenses	\$303,838	\$ 145,650	\$ 129,155	\$ 79,539	\$ 658,182	\$ 37,896	\$ 142,343	\$ 180,239	\$ 838,421	\$ 81,646	\$ 920,067

The notes beginning on page 9 are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(In Thousands)

Cash flows from operating activities	2018	2017
Cash received from (paid for):		
Special events	\$ 349,100	\$ 389,942
Contributions	160,588	139,963
Bequests	145,458	137,554
Other support from the public	4,374	4,065
Government grants	3,121	7,257
Interest and dividends on investments, net	25,155	22,968
Other revenue	6,193	7,901
Program services	29,093	27,720
Interest on debt	(1,294)	(957)
Employees and suppliers	(641,018)	(697,466)
Direct assistance	(7,654)	(1,009)
Retirement plan contributions	(27,519)	(32,303)
Grants for mission program services	(106,472)	(98,481)
Net cash paid for operating activities	<u>(60,875)</u>	<u>(92,846)</u>
Cash flows from investing activities		
Purchase of fixed assets	(36,366)	(14,810)
Proceeds from disposal of fixed assets	15,415	19,129
Support from the public restricted for fixed asset acquisition	32,136	28,344
Purchases of investments	(819,896)	(374,175)
Proceeds from maturities or sale of investments	819,249	432,550
Net cash received from investing activities	<u>10,538</u>	<u>91,038</u>
Cash flows from financing activities		
Payments made to annuitants	(2,034)	(2,728)
Proceeds from annuitants	827	555
Support from the public restricted for long-term Investment	4,887	870
Payments on debt	(5,719)	(2,339)
Proceeds from issuances of debt	-	9,608
Net cash (paid for) received from financing activities	<u>(2,039)</u>	<u>5,966</u>
Net change in cash and cash equivalents	(52,376)	4,158
Cash and cash equivalents, beginning of year	<u>120,558</u>	<u>116,400</u>
Cash and cash equivalents, end of year	<u>\$ 68,182</u>	<u>\$ 120,558</u>

The notes beginning on page 9 are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, INC.
BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(In Thousands)

Assets

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 68,182	\$ 120,558
Investments	66,221	84
Receivables, net	45,555	31,571
Prepaid expenses	16,069	14,033
Bequests receivable	79,010	80,291
Total current assets	275,037	246,537
Receivables, net	65,032	61,102
Other assets	6,400	7,038
Gift annuity investments	36,587	40,213
Investments	715,306	795,364
Beneficial interests in trusts	328,126	353,442
Fixed assets, net	255,164	242,594
Total assets	\$ 1,681,652	\$ 1,746,290

Liabilities and net assets

Current liabilities:		
Accounts payable and other accrued expenses	\$ 77,986	\$ 76,243
Research and other program grants payable	88,171	99,959
Employee retirement benefits	15,847	17,493
Debt	1,665	2,395
Other liabilities	8,977	13,154
Total current liabilities	192,646	209,244
Research and other program grants payable	117,391	105,918
Employee retirement benefits	160,255	190,273
Other liabilities	9,522	12,858
Debt	50,875	55,869
Gift annuity obligations	14,204	16,564
Total liabilities	544,893	590,726
Commitments and contingencies		
Net assets:		
Without donor restrictions:	496,435	514,084
With donor restrictions:	640,324	641,480
Total net assets	1,136,759	1,155,564
Total liabilities and net assets	\$ 1,681,652	\$ 1,746,290

The notes beginning on page 9 are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017
(Dollars in thousands)

STEWARDSHIP FOCUSED DISCLOSURES

1. Organizational Overview

Our mission

The American Cancer Society's (the "Society") mission is to save lives, celebrate lives, and lead the fight for a world without cancer.

The following four broad areas guide our outcomes in the fight against cancer:

- Patient support – Programs to assist cancer patients and their families and ease the burden of cancer for them.
- Research – Support to fund and conduct research into the causes of cancer; how it can be prevented, detected early, and treated successfully; how to improve quality of life for people living with cancer; and to advocate for laws and policies that help further cancer research.
- Prevention – Programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer.
- 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.

Within these mission activities are certain signature programs that are not replicated in any other voluntary health organization. Our 24 hours a day, 7 days a week, 365 days a year National Cancer Information Center provides consistent, high-quality, unbiased cancer information to constituents, helping them make informed decisions about their health and cancer care. Through our Road To Recovery® program, we provide free transportation to and from cancer treatment. American Cancer Society Hope Lodge facilities provide free, high quality, temporary lodging for patients and their caregivers close to treatment centers, thereby easing the emotional and financial burden of finding affordable lodging. Our award-winning research programs consist of the Extramural Grants department (funding to outside research institutions) as well as the Intramural Research department (research conducted by Society researchers), with programs in epidemiology, surveillance research, health services research, behavioral research, international tobacco control research, and statistics and evaluation.

AMERICAN CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017
(Dollars in thousands)

1. Organizational overview, continued

Our mission program and mission support expenses

Our expenses fall into two categories: first, our mission program activities – which are the four areas above, and second, mission support services – expenses incurred to support our mission activities – which include: board governance and oversight; our internal audit function, which provides oversight of our accounting, internal control, and information technology processes; our shared services organization, which processes enterprise-wide financial and constituent transactions; general infrastructure costs; and the costs of fundraising. Other than our volunteer base, our largest resource – our staff – are allocated in both categories depending on their role, set of activities and effort reporting. Expenses for our community office locations, including rent are also allocated based on our staff effort reporting. Other expenses are allocated based on various methods including the underlying purpose of transactions. For the years ended December 31, 2018 and 2017, our mission expenses were allocated to these two areas as follows:

	<u>2018</u>		<u>2017</u>	
Mission program expenses	\$ 586,632	78 %	\$ 658,182	79 %
Mission support expenses	170,207	22	180,239	21
Total	<u>\$ 756,839</u>	<u>100 %</u>	<u>\$ 838,421</u>	<u>100 %</u>

2. Liquidity considerations

Investments

To ensure consistency with our mission objectives, we do not invest in securities of any tobacco companies.

We maintain a pool of short-term investments for the primary purpose of providing liquidity for daily operating needs while preserving principal. The overall short-term investment balance is targeted based on our projected daily and monthly net cash flows and is generally intended to ensure all operating needs are met throughout the year without tapping into our long-term investments. Additionally, the pool utilizes a tiered investment structure of very liquid money market funds and short-term fixed income instruments to provide the highest current total return consistent with providing both liquidity and safety of principal. The amount allocated to the tiers is based on historical and projected operating cash flow needs.

We also maintain a pool of long-term investments with an intermediate and long-term horizon for the primary goal of providing modest asset growth while protecting principal and preserving the real purchasing power of the investments. The pool utilizes a fully diversified approach to asset allocation in the following asset classes and targets:

Global Equity	15%
Private Real Estate	5%
Hedge Funds	10%
Multi-Asset Credit	9%
Core Fixed Income	34%
Treasury Inflation-Protected Security	7%
Short Duration Fixed Income	10%
Cash Equivalents	10%

AMERICAN CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017
(Dollars in thousands)

2. Liquidity considerations, continued

Together, all of our investment pools, at fair value, were as follows:

	December 31, 2018		December 31, 2017	
Money market funds and time deposits	\$ 68,562	8 %	\$ 4,089	- %
Corporate bonds	161,291	20	161,874	20
U.S. government and government agency obligations	110,020	13	219,276	27
Commercial paper and other short-term investments	194,746	24	195,261	23
Equities	133,863	16	219,192	26
Hedge funds	81,874	10	-	-
Mutual funds	64,283	8	-	-
Other	3,475	1	35,969	4
	<u>\$ 818,114</u>	<u>100 %</u>	<u>\$ 835,661</u>	<u>100 %</u>

Gift annuity investments

Sufficient assets are maintained to meet the annuity requirements stipulated by the various state laws. We are required to hold reserves related to our gift annuity program based on the laws in certain states in which we solicit these gifts. Such reserves totaled \$22,383 and \$23,649 at December 31, 2018 and 2017, respectively, and are included in gift annuity investments in the accompanying balance sheets.

Planned gifts (bequests and beneficial interest in trusts)

We are 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 us, 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 we receive benefits that are shared, or split, with either the donor or third-party beneficiaries. Depending on the number and mortality of any third-party beneficiaries, we may not receive cash for our interest in the BIT's for a number of years. During the years ended December 31, 2018 and 2017, approximately 68% and 61% of our revenue from bequests was cash and 32% and 39% will be received in future years, respectively.

The management of the assets within the various trusts, including the purchase and sale decisions, is performed by the respective trustee, and we have no ability to control or influence these decisions. Distributions from these trusts are based on the terms of the underlying trust agreement that generally require that the investment income be distributed on at least an annual basis.

AMERICAN CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017
(Dollars in thousands)

2. Liquidity considerations, continued

Use of net assets

Included in net assets without donor restrictions at December 31, 2018 and 2017 is \$185,447 and \$184,330, respectively, that is our net investment in fixed assets and is not available to spend on current operations. Also included in net assets without donor restrictions at December 31, 2018 is \$24,458 designated by the Board for BrightEdge, our Philanthropic Impact Fund. Our goal is to invest in companies that accelerate access to lifesaving and therapeutic technologies for the patients and families we serve.

Net assets with donor restrictions result from contributions of assets whose use by the Society is specified by our donors through time restrictions and purpose specified. For net assets with time restrictions, the assets are not restricted for a specific purpose by the donor. Instead, the donor's restriction on our use of those assets may be met with the passage of time if the time restriction is not in perpetuity. Included in net assets with donor restrictions at December 31, 2018 and 2017 is \$434,770 and \$442,220, respectively, that we have not yet received in cash that will be used for our mission program services once received. The use of net assets with donor restrictions as of December 31, 2018 and 2017 has been limited by our donors for the following purposes:

	With Donor Restrictions	
	2018	2017
Mission programs:		
Patient Support:		
Hope Lodge facilities	\$ 136,817	\$ 120,904
Other	34,524	32,821
Research	131,463	130,227
Prevention	8,707	6,697
Detection/treatment	14,260	18,628
Across mission programs:		
Time restrictions (primarily planned giving including perpetual trusts and endowments)	247,565	262,926
Specific geographic locations	45,609	48,317
Fixed asset acquisitions / building fund	204	517
Other mission program and mission support services	21,175	20,443
Total	<u>\$ 640,324</u>	<u>\$ 641,480</u>

Financial assets available for use

The Society structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Society generally invests its cash in excess of weekly requirements in short-term investments. The Society invests its remaining operating assets in a fully diversified mix of investment vehicles designed to provide continued liquidity, preserve capital, and grow corpus.

Given the comprehensive nature of the Society's mission and reliance on donor restricted contributions to fund ongoing, annual programs, the Society defines "available for general expenditures" as all net assets without donor restrictions excluding amounts for deferred compensation, custodial assets, and illiquid investments and including net assets with donor restrictions and expected distributions on endowments anticipated to be spent within one year of the balance sheet date.

The Society's Board of Directors has implemented a liquidity policy that requires the Society to maintain available financial assets equal to between six months and ten months of the annual general expenditures which is calculated based on several factors, including anticipated cash outlays for operating activities. Compliance with the policy is reviewed quarterly by the Board.

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2. Liquidity considerations, continued

The Society's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Financial assets without donor restrictions:	
Investments, cash, and cash equivalents	\$ 649,099
Current receivables, net	10,809
Current bequests receivable	<u>65,229</u>
Total financial assets without donor restrictions	725,137
Less deferred compensation, custodial, and other illiquid investments	(93,730)
Less amounts unavailable to management without Board approval:	
Board designated for BrightEdge	<u>(24,458)</u>
Total amounts unavailable to management without Board approval	(118,188)
Total financial assets available to management for general expenditures	606,949
Add funds with donor restrictions expected to be spent within 12 months December 31, 2019	<u>45,623</u>
Total financial assets managed for liquidity	\$ 652,572

Research and other program grants

As part of our commitment to the fight against cancer, we actively provide grants to improve both the prevention and detection of cancer. The total amount of our future payments under research and other program grants as of December 31, 2018 and 2017 is \$211,823 and \$210,416, respectively. The present value of our future payments as of December 31, 2018 and 2017 is \$205,562 and \$205,877, respectively. The discount at December 31, 2018 of \$6,261 will be recognized as grants for mission program services expense in 2019 through 2023. As of December 31, 2018, our future payments are as follows:

Payable in the next:	
12 months	\$ 88,171
13 - 24 months	63,797
25 - 36 months	38,808
37 - 48 months	17,852
49 - 60 months	3,195
Discount	<u>(6,261)</u>
Total	\$ 205,562

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2. Liquidity considerations, continued

Operating leases

We maintain a physical presence in a significant number of communities we serve across the country and many of these locations are subject to operating lease agreements. Additionally, telecommunication systems related to our National Cancer Information Center are leased. Some of these leases are subject to payment escalations and expire on various dates through 2026. Our future minimum annual lease payments under leases with terms that are not cancellable are as follows as of December 31, 2018:

Payable in the next:		
12 months	\$	24,145
13 - 24 months		19,603
25 - 36 months		16,006
37 - 48 months		7,942
49 - 60 months		3,062
Thereafter		4,310
Total	<u>\$</u>	<u>75,068</u>

Rental expense under operating leases was \$30,095 and \$29,241 for the years ended December 31, 2018 and 2017, respectively.

AMERICAN CANCER SOCIETY, INC.
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2. Liquidity considerations, continued

Debt

We have financed certain properties based on market conditions and cash flow needs at the time of financing. Our outstanding debt, subject to certain loan covenants, as of December 31, 2018 and 2017 is as follows:

Type	Issuer	Maturity Date	Interest rate	Balance at 12/31/2018	Balance at 12/31/2017	Collateral
Industrial Revenue Bonds	Oklahoma Industries Authority	Not Applicable	0.78%	\$ -	\$ 4,055	Certificates of deposit, property and letters of credit, which expire at various dates through 2020
Note Payable	TD Bank, N.A.	2020	Libor + 0.90%	32,832	34,473	New York City Hope Lodge facility, net book value of \$27,842 and all assets constituting general revenues
Note Payable	Alliance Finance Fund	2044	1.00%	9,750	9,750	Salt Lake City Hope Lodge Facility, net book value of \$13,550
Note Payable	SCC SUB-CDE 10, LLC	2047	1.00%	9,603	9,603	Jackson Hope Lodge Facility, net book value of \$6,992
Notes Payable	Various	Various	2.00% - 5.75%	355	383	Not Applicable
Total				\$ 52,540	\$ 58,264	

Our future principal payments are as follows:

Payable in the next:

12 months	\$ 1,665
13 - 24 months	1,666
25 - 36 months	1,666
37 - 48 months	1,666
49 - 60 months	1,667
Thereafter	44,210
Total	\$ 52,540

AMERICAN CANCER SOCIETY, INC.
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2. Liquidity considerations, continued

Retirement funding

We have a variety of retirement benefit strategies that cover nearly all of our employees. We sponsor a defined benefit pension plan (the "Plan") through which we provide benefits that are based on years of service and certain averages of compensation. We fund the plan on a quarterly basis based on estimates of annual funding levels stated by pension requirements, which are enforced by regulatory agencies. In general, these requirements stipulate that our plan be funded at a level of 60% to continue to pay full benefits to retired individuals. As of January 1, 2019, and 2018, the plan was funded at 100%, based on regulatory funding levels. We anticipate the funding percentage to decrease as the relief provisions provided by the Moving Ahead for Progress in the 21st Century Act expire over the next few years.

We also sponsor a defined contribution plan with benefits based on individual employee salary deferrals and a related matching amount by the Society, subject to a maximum. Our matching amounts totaled \$11,320 and \$12,294 for the years ended December 31, 2018 and 2017, respectively. We sponsor a Supplemental Executive Retirement Plan (the SERP) for certain participants whose income exceeds the maximum income that can be considered under the defined benefit pension plan. We have segregated short-term investments sufficient for payment of benefits under this plan.

In addition, we have an unfunded postretirement benefit plan for post-retirement medical, dental, and life insurance coverage for certain employees hired prior to 1995, subject to deductibles, co-payment provisions, and other limitations. We paid \$1,718 and \$2,095 for these benefits from our general assets during the years ended December 31, 2018 and 2017, respectively.

We expect to contribute approximately \$16,067, of which \$13,000 is being funded at management's discretion, to all of our defined benefit plans over the next 12 months. Effective July 1, 2016, the Plan and the SERP were frozen to new participants and participants are no longer earning benefits for service under the Plan. See Note 10 for additional information.

AMERICAN CANCER SOCIETY, INC.
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3. Contributed services, merchandise, and other in-kind contributions

We recorded contributed services related to the communication of mission program and fund-raising messages through various media. We also have valued and recorded contributed services provided by scientific peer reviewers for the extramural research grant process. In addition, we received cosmetic kits that were donated by the Personal Care Products Council for use in the Look Good Feel Better quality of life program and wigs that were donated by Celebrity Signatures International, Inc. We provided the merchandise to patients along with training in the proper application of cosmetics and wigs. Moreover, we received in-kind contributions of advertising production, magazine space, public service announcements, and in-store advertising materials from various retail and professional organizations.

Total contributed services, merchandise, and other in-kind contributions for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Media communication and production services	\$ 6,486	\$ 21,313
Discovery Shops	23,466	22,868
Cosmetic kits and wigs	15,352	13,790
Guestroom program	5,648	4,139
Peer review services (approximately 548 and 504 volunteers donated 17,810 and 18,144 hours, respectively)	1,624	1,607
Other in-kind contributions	3,552	2,590
Total contributed services, merchandise, and other in-kind contributions at fair value	<u>\$ 56,128</u>	<u>\$ 66,307</u>

AMERICAN CANCER SOCIETY, INC.
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OTHER REQUIRED DISCLOSURES

4. Significant accounting policies

Accounting for contributions

Donor restricted contributions received in the same year in which the restrictions are met are recorded as an increase to donor restricted support at the time of receipt and as net assets released from restrictions.

Contributed merchandise and other in-kind contributions, including merchandise remaining in inventory at year end, are reported as contributions at their estimated fair values when received or when an unconditional promise to give has been made. We do 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 donor restricted revenue; those restrictions expire when we place those long-lived assets in service.

Advertising costs

Our advertising costs are expensed as incurred and were \$41,226 and \$58,743 for the years ended December 31, 2018 and 2017, respectively.

Bequests receivable

We consider a bequest unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable.

Beneficial interests in trusts

Nonperpetual BIT's are initially recognized as donor restricted public support (bequest or contribution revenue, depending upon the initial source of the gift) at fair value, based on our interest in the fair value of the underlying trust assets at the time of the gift. Any subsequent adjustments to the nonperpetual BIT's are recorded as a change in value of split-interest agreements.

Perpetual trusts are initially recorded as net assets with donor restrictions public support (bequest or contribution revenue, depending on the initial source of the gift) at fair value, based on our interest in the fair value of the underlying trust assets at the time of the gift. Subsequent changes to the trust's fair value are reported as net assets with donor restrictions net unrealized gains or losses on perpetual trusts and are reported as change in value of split interest agreements in the statements of activities. Income received from the trusts is reported as net assets with donor restrictions or net assets without donor restrictions investment income, depending on the existence or absence of donor-imposed restrictions.

We also may be the beneficiary of interests in trusts and other assets in situations where we have not been notified of our interest. Our interest may be conditional or revocable, or the value of our interest may not be readily ascertainable. In such circumstances, no revenue has been recorded.

Cash and cash equivalents

We consider 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 and gift annuity investments, as appropriate.

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4. Significant accounting policies, continued

Fair value of financial instruments

The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that we can access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for a substantial portion of the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Our financial instruments consist of cash and cash equivalents, investments, receivables, gift annuity investments, bequests receivable, beneficial interests in trusts, research and other program grants payable, accounts payable and accrued expenses, gift annuity obligations, and debt. Investments, beneficial interest in trusts, and gift annuity investments and the related obligations are recorded at their fair values.

Fixed assets

Fixed assets are recorded at cost for purchased items and fair value for contributed items.

If donors contribute long-lived assets with stipulations as to how long the assets must be used or with any other restrictions, we report those contributions as net assets with donor restrictions.

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

Buildings	20 to 40 years
Leasehold improvements	Lesser of term 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 the term of the lease or estimated life of the equipment

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4. Significant accounting policies, continued

Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us 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.

The following are assumptions we used to estimate certain reported amounts, which are not required to be measured at fair value on a recurring basis, as of December 31, 2018 and 2017. The assumptions used to estimate amounts, which are required to be measured at fair value on a recurring basis are included in footnote 8.

Discount rates:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Pledges receivable	2.5% to 4.20%	1.60% to 3.50%
Research and other program grants payable	0.70% to 2.84%	0.70% to 1.91%

Our cost-reimbursement grant programs are subject to independent audit under federal regulations and review by grantor agencies. These audits and reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, we believe that any costs ultimately disallowed would not materially affect our financial position.

Income Taxes

Consistent with our mission, we have received a determination letter from the Internal Revenue Service that indicates we are exempt from income tax under Section 501(a) of the U.S. Internal Revenue Code as an organization described in section 501(c)(3).

AMERICAN CANCER SOCIETY, INC.
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4. Significant accounting policies, continued

Adoption of new accounting pronouncements

While there are many new accounting pronouncements issued that the Society has adopted or will be adopting in the near future, the following pronouncements have significant disclosure requirements that impact our financial statements.

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)* will supersede the guidance in former ASC 605, *Revenue Recognition*. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date*, which provides an optional one-year deferral of the effective date. Therefore, this standard is effective for the year ended December 31, 2019. We are currently evaluating the potential impact on our financial statements and do not expect it to have a material impact to our financial results.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which when effective will require organizations to recognize assets and liabilities on the balance sheet for the rights and obligations created by the leases. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The guidance is effective for the year ending December 31, 2021 and early adoption is permitted. We are currently evaluating the potential impact on our financial statements.

In August 2016, the FASB issued ASU 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which makes several improvements to current financial reporting for not-for-profits. The guidance is effective for the year ending December 31, 2018 and we have adopted the standard. The most significant impact of this standard is to present two classes of net assets, as well as disclosures about how liquidity is managed.

In June 2018, the FASB issued ASU 2018-08 *Not- for- Profit Entities (Topic 958-605)* clarifying the accounting guidance for contributions received and contributions made to further improve the scope and the accounting guidance on revenue recognition, to assist entities in distinguishing between contributions (non-reciprocal) and exchange (reciprocal) transactions and to determine whether a contribution is conditional. The effective date of the amendment is fiscal year ending December 31, 2019. We are currently evaluating the potential impact on our financial statements and do not expect it to have a material impact to our financial results.

In August 2018, the FASB issued ASU 2018-15, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40):Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification 350-40 to determine which implementation costs to defer and recognize as an asset. The guidance is effective for the year ended December 31, 2021 with an option for early adoption. We have early adopted the standard effective December 31, 2018.

AMERICAN CANCER SOCIETY, INC.
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5. Activities with joint costs

For the years ended December 31, 2018 and 2017, we incurred expenses to conduct activities that had both fundraising appeals, as well as mission program and management and general components (joint activities). Those joint activities included direct mail, telecommunications, and other constituent relationship activities. Our costs of conducting those joint activities were allocated as follows:

	<u>2018</u>	<u>2017</u>
Patient support	\$ 65,140	\$ 87,986
Prevention	24,362	32,401
Detection/treatment	9,422	12,144
Management and general	6,109	6,511
Fundraising	41,328	40,443
Total	<u>\$ 146,361</u>	<u>\$ 179,485</u>

6. 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 our 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 our mission are reported as exchange expenses. Costs related to exchange transactions that directly benefit or support our mission are reported in mission program or mission support expenses.

Exchange transaction income and expenses are netted and included in other gains (losses) in the accompanying statements of activities and are included in their natural classifications on the statements of functional expenses. Exchange transaction income and expenses are as follows as of December 31, 2018 and 2017:

	Exchange Income		Exchange Expenses	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Special events	\$ 41,117	\$ 45,260	\$ 41,117	\$ 45,260
Discovery Shop	24,363	23,733	37,472	36,343
Sales to third parties	5,711	4,955	8	7
Other	4,637	5,254	77	36
	<u>\$ 75,828</u>	<u>\$ 79,202</u>	<u>\$ 78,674</u>	<u>\$ 81,646</u>

As shown in the table above, we conduct 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 our actual cost. The direct costs of the special events that ultimately benefit the donor, rather than us, are recorded as exchange transaction income and exchange transaction expense. All proceeds received by us in excess of the direct costs are recorded as special events revenue in our statements of activities.

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7. Fixed assets

Our fixed assets are as follows as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 28,337	\$ 30,701
Buildings and leasehold improvements	359,499	371,461
Furniture, fixtures, equipment, and other capitalized assets	42,381	46,233
Computer software	77,892	58,664
Construction in progress	17,441	13,448
Less: accumulated depreciation and amortization	<u>(270,386)</u>	<u>(277,913)</u>
Net fixed assets	<u>\$ 255,164</u>	<u>\$ 242,594</u>

Depreciation expense including expenses on assets used in exchange transactions for the years ended December 31, 2018 and 2017 was \$14,579 and \$16,023, respectively. In 2018, we capitalized \$19,228 of costs of implementing a cloud computing arrangement which will be amortized over its useful life of 10 years beginning in 2019.

AMERICAN CANCER SOCIETY, INC.
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8. Fair value

Fair value measurement

Refer to Note 4 for a description of our fair value of financial instrument policy.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Our valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The significance of transfers between levels was evaluated based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended December 31, 2018 and 2017, there were no significant transfers in or out of Levels 1, 2, or 3.

Following is a description of the valuation methods we used for assets and liabilities measured at fair value. There have been no changes in the valuation methods.

Money market funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded, on the last business day of each period presented, using the market approach.

United States government and government agency obligations are valued on the basis of evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities using the income approach.

Corporate bonds, commercial paper, and other short-term investments are valued on the basis of evaluated prices provided by independent pricing services, when such processes are believed to reflect the fair value of such securities, using the income approach.

Equities, including securities listed on national and international exchanges, are principally valued at the regular trading session closing price on the exchange or market in which such securities are principally traded, on the last business day of each period presented, using the market approach.

Investments in common collective trusts are generally valued using the market approach, on the basis of the relative interest of each participating investor (including each participant), in the fair value of the underlying net assets of each of the respective common collective trusts.

Investments in limited partnerships are valued using the market approach, on the basis of the relative interests of each participating investor (including each participant), in the fair value of the underlying net assets of each limited partnership.

Investments in hedge funds are generally valued on the basis of market approach, on the basis of the relative interest of each participating investor (including each participant), in the fair value of the underlying net assets of each of the respective hedge fund.

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8. Fair value, continued

Fair value measurement, continued

Nonperpetual trusts, included on the balance sheets as beneficial interest in trusts, are recorded at their estimated fair value based on the present value of our estimated future cash receipts from the trust. Future cash receipts are based on an income approach (present value techniques) using internally developed models. Assumptions are made regarding the expected rate of return on the investments in the trust, the discount rate, and the expected mortality of the individual(s) if the termination of the agreement is dependent on life expectancy. An expected rate of return on the investments in the trusts is estimated using historical investment returns for various relevant market indices for the estimated asset allocation of the nonperpetual trusts. For the years ended December 31, 2018 and 2017, based on then-current financial market conditions, we estimated the present value of nonperpetual trusts using an investment return rate (net of trustee fees and other expenses) of 5.75% and 4.85% respectively, and a discount rate of 5.75% and 4.85%, respectively, commensurate with the risks involved. The expected mortality is estimated using the 2012 Individual Annuity Reserving Mortality Tables one single or two life beneficiaries. Each of these calculations is based on the fair value of the underlying assets of the trust. As trust statements are not received as of year-end for some trust, the fair value of the underlying assets is adjusted based on changes in the relevant market indices from the date of the trustee statement to year-end that correlate to the estimated asset allocation of the underlying assets. As the fair value of these trusts is derived from internal estimates of the present value of our interest in the underlying assets, incorporating market data when available, the amounts ultimately received could differ from the amounts reflected in the historical financial statements.

Perpetual trusts, included on the balance sheets as beneficial interests in trusts, are recorded at fair value based on our interest in the fair value of the underlying trust assets. As trust statements are not received as of year-end for some trusts, the most recent fair value of the underlying assets is adjusted based on changes in the relevant market indices from the date of the trustee statement to year-end that correlate to the estimated asset allocation of the underlying assets.

Our gift annuity obligation is recorded at fair value based on Level 3 inputs and other relevant market data based on the present value of our estimated future cash outflows. For the years ended December 31, 2018 and 2017, the assumptions used in the valuation of the annuity liability include mortality in accordance with the 2012 Individual Annuity Reserving Mortality Tables one single or two life beneficiaries and a discount rate of 5.00% and 3.80% for all annuities, compounded annually, net of expenses. These rates are commensurate with the risks associated with the ultimate payment of the obligation. We have elected fair value accounting for our gift annuity obligations.

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, our assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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8. Fair value, continued

Assets	Financial assets and liabilities measured at fair value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investments, current				
Money market funds and time deposits	\$ 5,238	\$ 60,983	\$ -	\$ 66,221
Gift annuity investments, at fair value				
Money market funds and time deposits	\$ -	\$ 870	\$ -	\$ 870
Corporate bonds	183	3,753	-	3,936
U.S. government and government agency obligations	5,952	3,463	-	9,415
Commercial paper and other short-term investments				
Mortgage backed	27	99	-	126
Equities				
Preferred stocks	-	-	-	-
Domestic	15,449	-	-	15,449
International	64	-	-	64
Mutual funds	6,656	-	-	6,656
Other	-	-	71	71
Total gift annuity investments, at fair value	<u>\$ 28,331</u>	<u>\$ 8,185</u>	<u>\$ 71</u>	<u>\$ 36,587</u>
Investments				
Money market funds and time deposits	\$ 1,462	\$ 9	\$ -	\$ 1,471
Corporate bonds	-	157,355	-	157,355
U.S. government and government agency obligations	64	100,541	-	100,605
Commercial paper and other short-term investments				
Mortgage backed	-	78,859	-	78,859
Asset backed	-	40,513	-	40,513
Short-term investments	49,041	26,207	-	75,248
Equities				
Preferred stocks	215	-	-	215
Domestic	36,799	15	2,188	39,002
International	26,268	41	-	26,309
Mutual funds	57,507	120	-	57,627
Common collective trusts measured at net asset value *				13,446
Hedge Funds measured at net asset value*				81,874
Limited partnership measured at net asset value*				39,378
Other	1,311	746	1,347	3,404
Total investments	<u>\$ 172,667</u>	<u>\$ 404,406</u>	<u>\$ 3,535</u>	<u>\$ 715,306</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,126</u>	<u>\$ 328,126</u>
Liabilities				
Gift annuity obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,204</u>	<u>\$ 14,204</u>

AMERICAN CANCER SOCIETY, INC.
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8. Fair value, continued

Assets	Financial assets and liabilities measured at fair value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Investments, current				
Money market funds and time deposits	\$ 84	\$ -	\$ -	\$ 84
Gift annuity investments, at fair value				
Money market funds and time deposits	\$ -	\$ 836	\$ -	\$ 836
Corporate bonds	115	4,123	-	4,238
U.S. government and government agency obligations	4,632	3,565	-	8,197
Commercial paper and other short-term investments				
Mortgage backed	28	99	-	127
Equities				
Preferred stocks	25	73	-	98
Domestic	19,316	-	-	19,316
International	4,695	-	-	4,695
Mutual funds	2,627	-	-	2,627
Other	-	-	79	79
Total gift annuity investments, at fair value	<u>\$ 31,438</u>	<u>\$ 8,696</u>	<u>\$ 79</u>	<u>\$ 40,213</u>
Investments				
Money market funds and time deposits	\$ 2,527	\$ 642	\$ -	\$ 3,169
Corporate bonds	14	157,622	-	157,636
U.S. government and government agency obligations	62	211,017	-	211,079
Commercial paper and other short-term investments				
Mortgage backed	-	76,862	-	76,862
Asset backed	-	74,712	441	75,153
Short-term investments	36,725	6,394	-	43,119
Equities				
Preferred stocks	753	-	-	753
Domestic	51,173	-	2,236	53,409
International	63,575	71	-	63,646
Common collective trusts measured at net asset value *				38,441
Limited partnership measured at net asset value*				36,207
Other	34,021	709	1,160	35,890
Total investments	<u>\$ 188,850</u>	<u>\$ 528,029</u>	<u>\$ 3,837</u>	<u>\$ 795,364</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,442</u>	<u>\$ 353,442</u>
Liabilities				
Gift annuity obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,564</u>	<u>\$ 16,564</u>

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8. Fair value, continued

* In accordance with *Fair Value Measurement (Topic 820)*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

The table below provides a summary of changes in the fair value of our Level 3 financial assets and liabilities measured on a recurring basis for the years ended December 31, 2018 and 2017:

December 31, 2018	Equities	Commercial Paper	Other	Beneficial interest in trusts	Gift annuity obligation
Balance, beginning of year	\$ 2,236	\$ 441	\$ 1,239	\$ 353,442	\$ 16,564
Purchases (sold)	-	(435)		-	-
Unrealized (losses) gains	(48)	(6)	179	7,124	-
Other	-	-	-	(32,440)	(2,360)
Balance, end of year	<u>\$ 2,188</u>	<u>\$ -</u>	<u>\$ 1,418</u>	<u>\$ 328,126</u>	<u>\$ 14,204</u>

December 31, 2017	Equities	Commercial Paper	Other	Beneficial interest in trusts	Gift annuity obligation
Balance, beginning of year	\$ 2,073	\$ 914	\$ 1,597	\$ 321,145	\$ 19,601
Purchases (sold)	-	-		-	-
Unrealized gains (losses)	163	(473)	(358)	14,453	-
Other	-	-	-	17,844	(3,037)
Balance, end of year	<u>\$ 2,236</u>	<u>\$ 441</u>	<u>\$ 1,239</u>	<u>\$ 353,442</u>	<u>\$ 16,564</u>

The unrealized gains (losses) are included in change in value of split interest agreements in the accompanying statements of activities. The unrealized gains (losses) related to assets still held at December 31, 2018 and 2017 were \$7,124 and \$14,453 respectively.

The following tables set forth additional disclosures for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2018 and 2017:

Investment type	December 31, 2018		December 31, 2017	
	Fair value	Unfunded commitments	Fair value	Unfunded commitments
Index non-lending common / collective trust fund	\$ 13,446	\$ -	\$ 38,441	\$ -
Limited Partnerships	39,378	-	36,207	-
Hedge Funds	81,874	-	-	-
Total	<u>\$ 134,698</u>	<u>\$ -</u>	<u>\$ 74,648</u>	<u>\$ -</u>

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8. Fair value, continued

The index non-lending fund was mainly composed of common stocks in various business sectors. The fair values of the investments within the fund are based on the current market prices or quotations readily available on the day of valuation. Requests for common stock redemption may be made on each business day based upon the net asset value per unit and the closing market value on the valuation date of the investments bought or sold. The fund's investment objective is to approximate as closely as practicable, before expenses, the performance of the Standard & Poor's 500® Tobacco Free Index over the long term.

The limited partnership (also refer to Note 10) was mainly comprised of private real estate holdings. The private real estate holdings are recorded at net asset value, which approximates fair value as determined by independently conducted appraisals of the properties. The appraisals of the private real estate holdings have been prepared giving consideration to the income, cost and sales comparison approaches of estimating property value. Requests for redemption may be made by delivering a redemption notice at least 45 days in advance. The partnerships investment objective is to give investors a robust core real estate portfolio that provides a diversified portfolio of the highest quality assets, both durable and growing income with highly liquid assets and a conservative risk profile.

The hedge funds are private investment funds that target to provide superior risk-adjusted returns through diversified portfolio investments. The investments' net asset values are determined by valuation methods of external pricing, internal modeling, price estimates, comparable analysis, or official closing price on the principal exchange markets for such investments as of the valuation point. Investment capital can be redeemed at the end of any calendar quarter with maximums ranging from 20% to 25% depending on shareholder class.

9. Endowment

Interpretation of relevant law

As a New York corporation, we are subject to and have interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as net assets with donor restrictions: (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the donor-restricted endowment fund that we have not fulfilled the donor-stipulated purpose and/or the required time period has not been elapsed. For the amounts that are not restricted in perpetuity, we have appropriated those amounts for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Endowment assets are included in investments on the balance sheets. Net assets with donor restrictions of \$307,036 and \$301,691 at December 31, 2018 and 2017 are to be held in perpetuity such as endowments, which are included in the table below, as well as perpetual trusts.

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9. Endowment, continued

Endowment net asset composition by type and changes in endowments	With Donor Restrictions
Endowment net assets at December 31, 2017	\$ 101,153
Investment return, net	(1,725)
Contributions	1,224
Appropriation of endowment assets for expenditure	(4,879)
Endowment net assets at December 31, 2018	\$ 95,773

Endowment net asset composition by type and changes in endowments	With Donor Restrictions
Endowment net assets at December 31, 2016	\$ 113,549
Investment return, net	18,679
Contributions	632
Appropriation of endowment assets for expenditure	(31,707)
Endowment net assets at December 31, 2017	\$ 101,153

Funds with deficiencies

From time to time, due to adverse market conditions, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires us to retain as a fund of perpetual duration. Deficiencies of this nature reported in net assets with donor restrictions were \$57 and \$0 as of December 31, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions and continued appropriation for certain programs that we deemed prudent.

Return objectives and risk parameters

We have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of relevant market indices while assuming a moderate level of investment risk.

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9. Endowment, continued

Spending policy

We considered the following factors in developing our spending policy with regard to donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) our mission and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) our other resources, (7) our investment policies, and (8) where appropriate, alternatives to spending from the donor-restricted funds and the possible effects of those alternatives.

Unless the donor has specified otherwise, 4% of the three year rolling average fair value of an endowment is available for spending each year, to the extent of a donor restricted endowment's cumulative undistributed earnings. In addition, the difference between the actual total return each year and the spending percentage is charged or credited to net assets without donor restrictions or net assets with donor restrictions (depending on the donor's instructions regarding the use of investment income or relevant law). We believe 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% in order to maintain the purchasing power of the endowment. Endowment assets consist of:

	<u>Current Allocation</u>		<u>Target Allocation</u>
	<u>2018</u>	<u>2017</u>	
Global equity	48 %	53 %	50%
Multi-asset credit	10	-	10%
Hedge funds	11	-	10%
Private real estate	11	-	10%
Treasury inflated protected securities	5	-	5%
Core fixed income	14	42	15%
Cash and cash equivalents	1	5	0%
	<u>100 %</u>	<u>100 %</u>	

10. Employee retirement benefit plans

We maintain a noncontributory defined benefit pension plan that previously covered nearly all of our employees. The current strategic mix for the Plan's assets is a blended exposure to equity and debt market risk. The Plan employs an active management strategy that has historically generated returns in excess of established benchmarks and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility. The Plan's assets at December 31, consist of:

	<u>Current Allocation</u>		<u>Target Allocation</u>
	<u>2018</u>	<u>2017</u>	
Global equity	27 %	62 %	32%
Multi-asset credit	9	-	9%
Hedge funds	11	-	9%
Private real estate	7	-	5%
Liability hedging	44	36	45%
Cash and cash equivalents	2	2	0%
	<u>100 %</u>	<u>100 %</u>	

AMERICAN CANCER SOCIETY, INC.
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10. Employee retirement benefit plans, continued

We employ 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 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.

We also maintain a nonqualified and unfunded Supplemental Executive Retirement Plan for certain participants whose income exceeds the maximum income that can be considered under the Plan.

Effective July 1, 2016, the Plan and SERP were frozen to new participants and participants are no longer earning benefits for service performed under the Plan and SERP.

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

At the beginning of 2017, we moved from utilizing a weighted average discount rate, which was derived from the yield curve used to measure the obligation at the beginning of the period, to a spot rate yield curve to estimate the pension benefit obligation and net periodic benefit costs. The change in accounting provides a more accurate measurement of interest costs by applying the spot rate that could be used to settle each projected cash flow individually. The change in accounting did not have a material impact on net periodic benefit costs for the years ended December 31, 2018 and 2017, respectively.

Information related to our Plan, SERP, and postretirement benefit plan at December 31, 2018 and 2017 and the related changes during the years then ended are as follows:

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10. Employee retirement benefit plans, continued

December 31, 2018	Retirement Benefits	Supplemental Retirement Benefits	Total Retirement Benefits	Postretirement Nonpension Benefits
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 724,541	\$ 2,772	\$ 727,313	\$ 42,230
Service cost	-	-	-	167
Interest cost	23,345	215	23,560	1,333
Actuarial gain	(57,644)	(808)	(58,452)	(3,793)
Plan participant contributions	-	-	-	696
Benefits paid	(51,675)	(1,495)	(53,170)	(2,414)
Retiree drug subsidy reimbursement	-	-	-	-
Benefit obligation at end of year	\$ 638,567	\$ 684	\$ 639,251	\$ 38,219
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 561,777	\$ -	\$ 561,777	\$ -
Actual expenses paid	(5,690)	-	(5,690)	-
Actual return on plan assets	(16,044)	-	(16,044)	-
Employer contributions	13,000	1,495	14,495	1,718
Retiree drug subsidy reimbursement	-	-	-	-
Plan participant contributions	-	-	-	696
Benefits paid	(51,675)	(1,495)	(53,170)	(2,414)
Fair value of plan assets at end of year	\$ 501,368	\$ -	\$ 501,368	\$ -
Funded status and amounts recognized in our balance sheet in employee retirement benefits				
	\$ (137,199)	\$ (684)	\$(137,883)	\$ (38,219)
Weighted average actuarial assumptions				
Discount rate:				
Net periodic pension service cost	N/A	N/A	N/A	3.68%
Net periodic pension interest cost	3.32%	N/A	3.32%	3.90%
Benefit obligation	3.76%	Varies	3.76%	3.26%
Expected return on plan assets	7.00%	N/A	7.00%	N/A
Rate of compensation increase	N/A	N/A	N/A	4.13%
Amounts not yet recognized in net periodic pension costs				
Unrecognized prior service costs (credit) at beginning of year	\$ -	\$ 215	\$ 215	\$ (10,565)
Change in prior service (credit) cost	-	(12)	(12)	3,809
Unrecognized prior service costs (credit) at end of year	\$ -	\$ 203	\$ 203	\$ (6,756)
Unrecognized actuarial losses at beginning of year	\$ 175,072	\$ 226	\$ 175,298	\$ 10,165
Change in actuarial gains	(12,233)	(601)	(12,834)	(4,789)
Unrecognized actuarial losses (gains) at end of year	\$ 162,839	\$ (375)	\$ 162,464	\$ 5,376

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10. Employee retirement benefit plans, continued

<u>December 31, 2018</u>	<u>Retirement Benefits</u>	<u>Supplemental Retirement Benefits</u>	<u>Total Retirement Benefits</u>	<u>Postretirement Retirement Benefits</u>
Amounts recognized as a reduction (increase) to unrestricted net assets				
Amounts recognized as a reduction to unrestricted net assets at				
beginning of year	\$ 175,072	\$ 441	\$ 175,513	\$ (400)
Change in prior services (credit) cost	-	(12)	(12)	3,809
Change in actuarial gains	(12,233)	(601)	(12,834)	(4,789)
Amounts recognized as a reduction (increase) to unrestricted net assets at end of year	<u>\$ 162,839</u>	<u>\$ (172)</u>	<u>\$ 162,667</u>	<u>\$ (1,380)</u>
Components of net periodic benefit cost:				
Service cost	\$ -	\$ -	\$ -	\$ 167
Interest cost	23,345	215	23,560	1,333
Expected return on plan assets	(38,311)	-	(38,311)	-
Administrative expenses	4,100	-	4,100	-
Amortization of:				
Unrecognized prior service cost (credit)	-	12	12	(3,809)
Unrecognized actuarial losses (gains)	2,896	(82)	2,814	995
Settlement expense (credit)	7,637	(124)	7,513	-
Net periodic benefit (credit) cost	<u>\$ (333)</u>	<u>\$ 21</u>	<u>\$ (312)</u>	<u>\$ (1,314)</u>
Accumulated benefit obligation	\$ 638,567	\$ 684	\$ 639,251	\$ 38,219
Estimated future benefits payable in the next:				
12 months	\$ 42,390	\$ 220	\$ 42,610	\$ 2,847
13 - 24 months	41,467	33	41,500	2,797
25 - 36 months	41,025	3	41,028	2,745
37 - 48 months	40,696	3	40,699	2,690
49 - 60 months	39,758	3	39,761	2,649
Thereafter	189,711	73	189,784	12,511

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10. Employee retirement benefit plans, continued

<u>December 31, 2017</u>	<u>Retirement Benefits</u>	<u>Supplemental Retirement Benefits</u>	<u>Total Retirement Benefits</u>	<u>Postretirement Nonpension Benefits</u>
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 732,605	\$ 6,419	\$ 739,024	\$ 40,926
Service cost	-	-	-	180
Interest cost	25,783	85	25,868	1,373
Actuarial (gain) loss	76,970	1,067	78,037	1,846
Plan participant contributions	-	-	-	765
Benefits paid	(110,817)	(4,799)	(115,616)	(3,038)
Retiree drug subsidy reimbursement	-	-	-	178
Benefit obligation at end of year	\$ 724,541	\$ 2,772	\$ 727,313	\$ 42,230
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 558,729	\$ -	\$ 558,729	\$ -
Actual expenses paid	(5,283)	-	(5,283)	-
Actual return on plan assets	106,148	-	106,148	-
Employer contributions	13,000	4,799	17,799	2,095
Retiree drug subsidy reimbursement	-	-	-	178
Plan participant contributions	-	-	-	765
Benefits paid	(110,817)	(4,799)	(115,616)	(3,038)
Fair value of plan assets at end of year	\$ 561,777	\$ -	\$ 561,777	\$ -
Funded status and amounts recognized in our balance sheet in employee retirement benefits				
	\$ (162,764)	\$ (2,772)	\$(165,536)	\$ (42,230)
Weighted average actuarial assumptions				
Discount rate:				
Net periodic pension service cost	N/A	N/A	N/A	4.21%
Net periodic pension interest cost	3.62%	N/A	3.62%	4.63%
Benefit obligation	4.38%	Varies	4.38%	3.48%
Expected return on plan assets	7.25%	N/A	7.25%	N/A
Rate of compensation increase	N/A	N/A	N/A	4.13%
Amounts not yet recognized in net periodic pension costs				
Unrecognized prior service costs (credit) at beginning of year	\$ -	\$ 222	\$ 222	\$ (14,374)
Change in prior service (credit) cost	-	(7)	(7)	3,809
Unrecognized prior service costs (credit) at end of year	\$ -	\$ 215	\$ 215	\$ (10,565)
Unrecognized actuarial losses (gains) at beginning of year	\$ 190,127	\$ (248)	\$ 189,879	\$ 9,046
Change in actuarial losses (gains)	(15,055)	474	(14,581)	1,119
Unrecognized actuarial losses at end of year	\$ 175,072	\$ 226	\$ 175,298	\$ 10,165

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10. Employee retirement benefit plans, continued

<u>December 31, 2017</u>	<u>Retirement Benefits</u>	<u>Supplemental Retirement Benefits</u>	<u>Total Retirement Benefits</u>	<u>Postretirement Retirement Benefits</u>
Amounts recognized as a reduction (increase) to unrestricted net assets				
Amounts recognized as a reduction to unrestricted net assets at beginning of year				
	\$ 190,127	\$ (26)	\$ 190,101	\$ (5,328)
Change in prior services (credit) cost	-	(7)	(7)	3,809
Change in actuarial losses (gains)	(15,055)	474	(14,581)	1,119
Amounts recognized as a reduction (increase) to unrestricted net assets at end of year				
	<u>\$ 175,072</u>	<u>\$ 441</u>	<u>\$ 175,513</u>	<u>\$ (400)</u>
Components of net periodic benefit cost:				
Service cost	\$ -	\$ -	\$ -	\$ 180
Interest cost	25,783	85	25,868	1,373
Expected return on plan assets	(39,099)	-	(39,099)	-
Administrative expenses	4,850	-	4,850	-
Amortization of:				
Unrecognized prior service cost (credit)	-	7	7	(3,809)
Unrecognized actuarial losses	3,217	5	3,222	726
Settlement expense	22,192	588	22,780	-
Net periodic benefit cost (credit)	<u>\$ 16,943</u>	<u>\$ 685</u>	<u>\$ 17,628</u>	<u>\$ (1,530)</u>
Accumulated benefit obligation	\$ 724,541	\$ 2,772	\$ 727,313	\$ 42,230
Estimated future benefits payable in the next:				
12 months	\$ 43,091	\$ 1,715	\$ 44,806	\$ 2,778
13 - 24 months	45,157	241	45,398	2,764
25 - 36 months	43,581	36	43,617	2,743
37 - 48 months	42,319	3	42,322	2,705
49 - 60 months	42,131	3	42,134	2,657
Thereafter	203,430	461	203,891	12,723

We expect to contribute \$13,220 to the Plan and SERP over the next 12 months. We expect to contribute approximately \$2,847 to our postretirement benefit plan over the next 12 months. The actuarial losses included in net assets without donor restrictions related to our Plan and SERP that we expect to recognize in net periodic pension cost over the next 12 months are \$2,775. The prior service cost and actuarial losses included in net assets without donor restrictions related to our postretirement benefit plan that we expect to recognize in net periodic benefit cost over the next 12 months, are \$3,750 and \$265 respectively.

A description of the valuation methods we used for assets measured at fair value is available in Note 8.

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10. Employee retirement benefit plans, continued

The fair value of the Plan's assets at December 31, 2018 and 2017 by asset category is as follows:

Financial assets measured at fair value on a recurring basis as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,631	\$ 8,964	\$ -	\$ 11,595
Corporate bonds	-	215,199	-	215,199
U.S. government and government agency obligations	276	36,075	-	36,351
Commercial paper and other short-term investments				
Mortgage backed	-	3,545	-	3,545
Short-term investments	-	12,401	-	12,401
Equity				
Preferred stock	438	-	-	438
Domestic	62,008	-	-	62,008
International	17,610	10	-	17,620
Mutual Funds	34	36,705	-	36,739
Common collective trusts measured at net asset value *				16,123
Hedge Funds measured at net asset value*				53,219
Limited partnership measured at net asset value *				36,038
Other	-	-	92	92
Total investment assets, at fair value	<u>\$ 82,997</u>	<u>\$ 312,899</u>	<u>\$ 92</u>	<u>\$ 501,368</u>

Financial assets measured at fair value on a recurring basis as of December 31, 2017				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 7,060	\$ -	\$ -	\$ 7,060
Corporate bonds	-	194,299	-	194,299
U.S. government and government agency obligations	-	5,980	-	5,980
Commercial paper and other short-term investments				
Short-term investments	-	12,497	-	12,497
Equity				
Preferred stock	1,434	-	-	1,434
Domestic	121,113	-	-	121,113
International	100,999	40	-	101,039
Common collective trusts measured at net asset value *				62,887
Limited partnership measured at net asset value *				16,221
Other	39,141	-	106	39,247
Total investment assets, at fair value	<u>\$ 269,747</u>	<u>\$ 212,816</u>	<u>\$ 106</u>	<u>\$ 561,777</u>

AMERICAN CANCER SOCIETY, INC.
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10. Employee retirement benefit plans, continued

* In accordance with *Fair Value Measurement (Topic 820)*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

The table below provides a summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance, beginning of period	\$ 106	\$ 142
Sales	<u>(14)</u>	<u>(36)</u>
Balance, end of period	<u>\$ 92</u>	<u>\$ 106</u>

11. Commitments and contingencies

We are a party to legal claims arising in the course of our normal business activities. Although the ultimate outcome of these claims cannot be ascertained at this time, we believe that none of these matters, when resolved, will have a material effect on our net assets.

12. Subsequent events

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through September 27, 2019, the date the financial statements were issued. During this period, there were no subsequent events that required recognition or disclosure in the financial statements.

Supplementary Information and Reports
and Schedule Required by the
Uniform Guidance

**AMERICAN CANCER SOCIETY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING DECEMBER 31, 2018**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<i>U.S. Department of Health & Human Services</i>				
Direct Program:				
Centers for Disease Control & Prevention - Investigations & Technical Assistance	93.283	Not Applicable	\$ 770,331	\$ 52,688
Centers for Disease Control & Prevention - Capacity Building Assistance to Strengthen Public Health Immunizaion Infrastructure and Performance Financed in Part by the Prevention and Public Health Fund	93.733	Not Applicable	31,881	-
Centers for Disease Control & Prevention - Immunization Cooperative Agreements	93.268	Not Applicable	394,835	-
Centers for Disease Control & Prevention - Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	93.185	Not Applicable	1,390,015	-
Research and Development Cluster:				
Direct Program:				
National Institutes of Health - International Research and Research Training	93.989	Not Applicable	334,475	223,228
Pass Through from U.S. Civilian Research & Development Foundation:				
Department of Agriculture, Agricultural Research Basic and Applied Research Service - Economics of Tobacco Farming in Indonesia	10.001	DAA3-16-62716-1	33,196	-
Pass Through from Beckman Research Institute of the City of Hope:				
National Institutes of Health - Cancer Cause & Prevention Research	93.393	PTE NO. 52454.2002720.66920 3/524542002720.669	46,662	-
Pass Through from Fred Hutchinson University:				
National Institutes of Health - Cancer Cause and Prevention Research	93.393	0000920324 & 0000956640	32,478	-
Pass Through from Mt. Sinai University:				
National Institutes of Health - Cancer Cause and Prevention Research	93.393	Grant #0255-2961-4609	17,655	-
Pass Through from Case Western Reserve University:				
National Institutes of Health - Cancer Centers Support Grants	93.397	Grant #5P50CA150964	7,212	-
<i>Total Research and Development Cluster</i>			<u>\$ 471,678</u>	<u>\$ 223,228</u>

AMERICAN CANCER SOCIETY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDING DECEMBER 31, 2018

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<i>Other Programs</i>				
Direct Program:				
Centers for Disease Control & Prevention - Comprehensive Cancer Control Technical Assistance and Training Program	93.427	Not Applicable	\$ 65,638	\$ -
Centers for Disease Control & Prevention - Category C: Hospital Systems	93.421	Not Applicable	32,779	-
Pass Through from South Carolina Department of Health and Environmental Control: Centers for Disease Control and Prevention - Well-Integrated Screening & Evaluation for Women Across the Nation	93.094	BC-12-033/WW-8-930	88,976	-
Pass Through from University of South Florida: Centers for Disease Control and Prevention - Centers for Research & Demonstration for Health Promotion & Disease Prevention	93.135	5U48DP005024-D4	14,124	-
Pass Through from Connecticut Department of Public Health: Centers for Disease Control and Prevention - Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds	93.758	2015-0052	31,903	-
Pass Through from South Carolina Department of Health and Environmental Control: Centers for Disease Control and Prevention - Cancer Prevention and Control Programs for State, Territorial & Tribal Organizations	93.898	#BC-8-930	83,204	-
Pass Through from Vermont Department of Health: Centers for Disease Control and Prevention - Cancer Prevention and Control Programs for State, Territorial & Tribal Organizations	93.898	03420-7097s	76,969	-
Pass Through from State of Colorado: Centers for Disease Control and Prevention - Cancer Prevention and Control Programs for State, Territorial & Tribal Organizations	93.898	FHLA 104201	125	-
Pass Through from Virginia Department of Health: Centers for Disease Control and Prevention - Cancer Prevention and Control Programs for State, Territorial & Tribal Organizations	93.898	709AA832756	<u>4,263</u>	<u>-</u>
<i>Total CFDA 93.898</i>			164,561	-
Pass Through from State of Colorado Department of Public Health and Environment: Centers for Disease Control and Prevention - Organized Approaches to Increase Colorectal Cancer Screening	93.800	FHLA 104201	125	-
Pass Through from Iowa Department of Public Health: Centers for Disease Control and Prevention - Organized Approaches to Increase Colorectal Cancer Screening	93.800	MOU-2016-CRC01, Amendment 1-6	277,127	216,512

AMERICAN CANCER SOCIETY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDING DECEMBER 31, 2018

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<i>Other Programs, continued</i>				
Pass Through from University of South Carolina: Centers for Disease Control and Prevention - Organized Approaches to Increase Colorectal Cancer Screening	93.800	18-3433 & 18-3694	\$ 90,632	\$ -
Pass Through from District of Columbia Department of Health: Centers for Disease Control and Prevention - Organized Approaches to Increase Colorectal Cancer Screening	93.800	CHA2016-000081	4,109	-
<i>Total CFDA 93.800</i>			371,993	216,512
Pass Through from Sacred Heart Health Services: Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	1 P10RH32094-01- 00	4,513	-
<i>Total US Department of Health & Human Services</i>			<u>\$ 3,800,031</u>	<u>\$ 492,428</u>
Total Federal Expenditures			<u>\$ 3,833,227</u>	<u>\$ 492,428</u>

See accompanying notes to the schedule of expenditures of federal awards

AMERICAN CANCER SOCIETY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the American Cancer Society, Inc. (“the Society”), for the year ended December 31, 2018. The information in this schedule is also presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Society, it is not intended to and does not present the financial position, results and activities, changes in net assets or cash flows of the Society.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The Society did not elect to use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

3. CONTINGENCIES

These Federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Society’s continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Society expects such amounts, if any, to be immaterial.



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and The Board of Directors
American Cancer Society, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the American Cancer Society, Inc. (“the Society”), which comprise the balance sheet as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Society’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

September 27, 2019



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Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Management and The Board of Directors
American Cancer Society Inc.

Report on Compliance for Each Major Federal Program

We have audited the American Cancer Society Inc.'s (the "Society") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Society's major federal program for the year ended December 31, 2018. The Society's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Society's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Society's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Society's compliance.

Opinion on Each Major Federal Program

In our opinion, the American Cancer Society, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

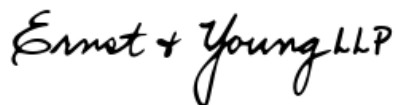
Report on Internal Control Over Compliance

Management of the Society is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Society's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



September 27, 2019

**American Cancer Society, Inc.
Schedule of Findings and Questioned Costs
for the Year Ended December 31, 2018**

Section I—Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ **yes** X **no**

Significant deficiency(ies) identified?

_____ **yes** X **none reported**

Noncompliance material to financial statements noted?

_____ **yes** X **no**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ **yes** X **no**

Significant deficiency(ies) identified?

_____ **yes** X **none reported**

Type of auditor’s report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ **yes** X **no**

Identification of major federal programs:

CFDA number(s)

93.185

Name of federal program or cluster

Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects.

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X **yes** _____ **no**

**American Cancer Society, Inc.
Schedule of Findings and Questioned Costs
for the Year Ended December 31, 2018**

Section II—Financial Statement Findings

Findings: None noted

**American Cancer Society, Inc.
Schedule of Findings and Questioned Costs
for the Year Ended December 31, 2018**

Section III—Federal Award Findings and Questioned Costs

Findings: None noted.