

**American Cancer Society  
Cancer Action Network, Inc.**

**Financial Statements  
As of and for the Years Ended December 31, 2019 and 2018**

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
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**December 31, 2019 and 2018**

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## Report of Independent Auditors

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the American Cancer Society Cancer Action Network, Inc, which comprise the balance sheets as of December 31, 2019 and 2018, 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. 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 Cancer Action Network, Inc as of December 31, 2019 and 2018, 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.

*Ernst & Young LLP*

September 30, 2020

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**BALANCE SHEETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

**Assets**

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 371,394	\$ 854,226
Amounts on deposit with affiliates	6,358,665	8,685,465
Other Receivables	489,082	-
Due from affiliates	723,956	1,248,071
Prepaid expenses and other assets	573,727	614,944
Fixed assets, net	181,114	278,824
Total assets	\$ 8,697,938	\$ 11,681,530

**Liabilities and Net Assets**

Accounts payable and other accrued expenses	\$ 2,069,621	\$ 2,722,014
Due to affiliates	318,564	885,356
Employee retirement benefits	91,159	161,575
Other liabilities	570,496	821,537
Total Liabilities	3,049,840	4,590,482
Commitments and contingencies		
Net assets:		
Without donor restrictions	3,669,915	3,189,304
With donor restrictions	1,978,183	3,901,744
Total net assets	5,648,098	7,091,048
Total liabilities and net assets	\$ 8,697,938	\$ 11,681,530

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Our mission program and support expenses were:</b>			
Mission program services:			
Prevention	\$ 18,237,818	\$ -	\$ 18,237,818
Patient support	6,532,909	-	6,532,909
Detection/treatment	8,915,232	-	8,915,232
Research	4,550,073	-	4,550,073
Total mission program services	<u>38,236,032</u>	<u>-</u>	<u>38,236,032</u>
Mission support services:			
Management and general	502,032	-	502,032
Fund-raising	3,107,232	-	3,107,232
Total mission support services	<u>3,609,264</u>	<u>-</u>	<u>3,609,264</u>
Total mission program and mission support services expenses	<u>41,845,296</u>	<u>-</u>	<u>41,845,296</u>
<b>Our mission program and support expenses were funded by:</b>			
Support from the public:			
Special events, including Relay For Life® and Making Strides Against Breast Cancer®	1,548,725	1,056,600	2,605,325
Contributions	2,139,833	2,037,628	4,177,461
Contributed services, merchandise and other in-kind contributions	472,101	-	472,101
Total support from the public	<u>4,160,659</u>	<u>3,094,228</u>	<u>7,254,887</u>
Investment income	633,612	-	633,612
Grants from affiliates	-	29,902,718	29,902,718
Grants from government	493,056	-	493,056
Other revenue	16,952	-	16,952
Total revenue, gains and other support	<u>5,304,279</u>	<u>32,996,946</u>	<u>38,301,225</u>
Use of amounts restricted by donors for specified purpose or time	34,920,507	(34,920,507)	-
Change in net assets	<u>(1,620,510)</u>	<u>(1,923,561)</u>	<u>(3,544,071)</u>
Net assets, beginning of year	<u>3,189,304</u>	<u>3,901,744</u>	<u>7,091,048</u>
Net assets, transfer from the Society	<u>2,101,121</u>	<u>-</u>	<u>2,101,121</u>
Net assets, end of year	<u>\$ 3,669,915</u>	<u>\$ 1,978,183</u>	<u>\$ 5,648,098</u>

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Our mission program and support expenses were:</b>			
Mission program services:			
Prevention	\$ 20,179,594	\$ -	\$ 20,179,594
Patient support	6,545,839	-	6,545,839
Detection/treatment	5,157,643	-	5,157,643
Research	4,411,249	-	4,411,249
Total mission program services	<u>36,294,325</u>	<u>-</u>	<u>36,294,325</u>
Mission support services:			
Management and general	580,420	-	580,420
Fund-raising	2,048,526	-	2,048,526
Total mission support services	<u>2,628,946</u>	<u>-</u>	<u>2,628,946</u>
Total mission program and mission support services expenses	<u>38,923,271</u>	<u>-</u>	<u>38,923,271</u>
<b>Our mission program and support expenses were funded by:</b>			
Support from the public:			
Special events, including Relay For Life® and Making Strides Against Breast Cancer®	818,973	1,195,750	2,014,723
Contributions	1,416,060	1,248,360	2,664,420
Contributed services, merchandise and other in-kind contributions	1,385,537	-	1,385,537
Total support from the public	<u>3,620,570</u>	<u>2,444,110</u>	<u>6,064,680</u>
Investment income	103,490	-	103,490
Grants from affiliates	-	32,900,526	32,900,526
Grants from others	-	301,649	301,649
Other revenue	43,175	-	43,175
Total revenue, gains and other support	<u>3,767,235</u>	<u>35,646,285</u>	<u>39,413,520</u>
Use of amounts restricted by donors for specified purpose or time	32,406,917	(32,406,917)	-
Change in net assets	<u>(2,749,119)</u>	<u>3,239,368</u>	<u>490,249</u>
Net assets, beginning of year	<u>3,552,467</u>	<u>662,376</u>	<u>4,214,843</u>
Net assets, transfer from the Society	2,385,956	-	2,385,956
Net assets, end of year	<u>\$ 3,189,304</u>	<u>\$ 3,901,744</u>	<u>\$ 7,091,048</u>

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Mission Program				Mission Support			Total mission support	Total before exchange expenses	Exchange expenses (see note 9)	Total
	Prevention	Patient Support	Detection/ Treatment	Research	Total mission program	Management and General	Fund-raising				
<b>Mission program and support expenses</b>											
Salaries	\$ 8,835,156	\$ 2,670,697	\$ 3,535,394	\$ 2,184,038	\$ 17,225,285	\$ 315,800	\$ 1,457,256	\$ 1,773,056	\$ 18,998,341	\$ -	\$ 18,998,341
Employee benefits	1,798,436	559,084	749,091	446,220	3,552,831	27,735	182,206	209,941	3,762,772	-	3,762,772
Payroll taxes	665,283	200,610	263,559	164,815	1,294,267	21,191	104,197	125,388	1,419,655	-	1,419,655
Professional fees	3,325,587	1,654,221	2,775,195	935,059	8,690,062	32,905	460,101	493,006	9,183,068	6,419	9,189,487
Grants for mission program services	50,000	-	-	-	50,000	-	-	-	50,000	-	50,000
Educational materials	624,380	406,890	462,518	140,385	1,634,173	-	237,515	237,515	1,871,688	-	1,871,688
Travel	835,541	259,416	301,943	178,746	1,575,646	41,659	136,981	178,640	1,754,286	-	1,754,286
Postage and shipping	19,887	18,031	8,609	4,962	51,489	247	107,287	107,534	159,023	-	159,023
Meetings and conferences	914,160	361,397	297,157	216,265	1,788,979	46,272	106,256	152,528	1,941,507	156,749	2,098,256
Community office locations, including rent, maintenance and utilities	840,131	272,299	383,799	180,742	1,676,971	4,027	143,654	147,681	1,824,652	-	1,824,652
Technology	26,348	31,283	11,003	6,082	74,716	3,266	43,143	46,409	121,125	-	121,125
Telecommunications	70,488	20,345	26,935	17,112	134,880	922	25,177	26,099	160,979	-	160,979
Depreciation	46,901	16,611	22,473	11,725	97,710	-	31,556	31,556	129,266	-	129,266
Miscellaneous	185,520	62,025	77,556	63,922	389,023	8,008	71,903	79,911	468,934	17,303	486,237
<b>Total mission program and mission support services expenses</b>	<b>\$ 18,237,818</b>	<b>\$ 6,532,909</b>	<b>\$ 8,915,232</b>	<b>\$ 4,550,073</b>	<b>\$ 38,236,032</b>	<b>\$ 502,032</b>	<b>\$ 3,107,232</b>	<b>\$ 3,609,264</b>	<b>\$ 41,845,296</b>	<b>\$ 180,471</b>	<b>\$ 42,025,767</b>

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Mission Program				Mission Support			Total mission support	Total before exchange expenses	Exchange expenses (see note 9)	Total
	Prevention	Patient Support	Detection/ Treatment	Research	Total mission program	Management and General	Fund-raising				
<b>Mission program and support expenses</b>											
Salaries	\$ 9,510,158	\$ 3,045,627	\$ 2,534,825	\$ 2,089,647	\$17,180,257	\$ 315,284	\$ 927,065	\$ 1,242,349	\$ 18,422,606	\$ -	\$ 18,422,606
Employee benefits	1,877,499	579,590	486,991	420,282	3,364,362	42,003	174,606	216,609	3,580,971	-	3,580,971
Payroll taxes	702,911	220,675	183,724	151,818	1,259,128	16,008	63,791	79,799	1,338,927	-	1,338,927
Professional fees	4,442,066	1,295,369	919,703	735,812	7,392,950	53,040	367,231	420,271	7,813,221	5,500	7,818,721
Grants for mission program services	122,807	154,122	14,222	170	291,321	-	-	-	291,321	-	291,321
Educational materials	425,012	340,351	288,966	82,847	1,137,176	11,847	127,446	139,293	1,276,469	-	1,276,469
Travel	880,929	254,306	202,882	291,708	1,629,825	37,592	70,086	107,678	1,737,503	-	1,737,503
Postage and shipping	44,578	6,753	7,138	8,285	66,754	869	18,901	19,770	86,524	-	86,524
Meetings and conferences	749,881	263,112	190,386	340,613	1,543,992	53,074	38,014	91,088	1,635,080	165,826	1,800,906
Community office locations, including rent, maintenance and utilities	933,826	273,690	224,883	189,792	1,622,191	26,185	136,224	162,409	1,784,600	-	1,784,600
Technology	13,168	4,276	3,353	2,890	23,687	385	1,459	1,844	25,531	-	25,531
Telecommunications	85,869	24,865	20,956	19,504	151,194	1,239	15,910	17,149	168,343	-	168,343
Insurance	2,437	790	620	535	4,382	71	269	340	4,722	-	4,722
Depreciation	53,663	17,392	13,650	11,778	96,483	1,559	27,117	28,676	125,159	-	125,159
Miscellaneous	334,790	64,921	65,344	65,568	530,623	21,264	80,407	101,671	632,294	115,042	747,336
<b>Total mission program and mission support services expenses</b>	<b>\$20,179,594</b>	<b>\$ 6,545,839</b>	<b>\$ 5,157,643</b>	<b>\$ 4,411,249</b>	<b>\$36,294,325</b>	<b>\$ 580,420</b>	<b>\$ 2,048,526</b>	<b>\$ 2,628,946</b>	<b>\$38,923,271</b>	<b>\$ 286,368</b>	<b>\$39,209,639</b>

The notes beginning on page 8 are an integral part of the financial statements.



**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

<b>Cash flows from operating activities</b>	<b>2019</b>	<b>2018</b>
<b>Cash provided by (paid for):</b>		
Special events	\$ 2,402,248	\$ 2,301,948
Contributions	4,433,616	2,819,024
Affiliates	29,860,040	34,052,116
Government grants	103,624	-
Investment income	633,612	103,490
Other revenue	16,952	43,175
Employees and suppliers	(38,145,127)	(33,364,284)
Direct Assistance	-	(280)
Retirement plan contributions	(2,064,596)	(1,717,582)
Grants paid for program services	(50,000)	(35,000)
	<u>(2,809,631)</u>	<u>4,202,607</u>
Net cash provided by (paid for) operating activities		
Additions to amounts on deposits with affiliates	(44,305,447)	(41,233,502)
Withdrawals from amounts on deposits with affiliates	46,632,246	37,117,842
	<u>2,326,799</u>	<u>(4,115,660)</u>
Net cash (paid for) provided by investing activities		
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>(482,832)</b>	<b>86,947</b>
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b>854,226</b>	<b>767,279</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 371,394</b>	<b>\$ 854,226</b>

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**1. Organization and accounting policies**

**Organization**

The American Cancer Society, Inc. (the "Society"), is the nationwide, community-based, voluntary health organization whose mission is to save lives, celebrate lives, and lead the fight for a world without cancer.

The American Cancer Society Cancer Action Network, Inc. ("ACS CAN") supports the Society's mission through public advocacy for legislation and regulatory actions at the federal, state, and local levels, as well as ballot initiatives and voter education on policy issues critical to cancer.

ACS CAN is affiliated with the Society. ACS CAN is also affiliated with the American Cancer Society of Puerto Rico, Inc. ("Puerto Rico"), which is a membership corporation, with the American Cancer Society, Inc. as its' only member. These related organizations are collectively referred to as "Affiliates" herein.

ACS CAN has received a determination letter from the Internal Revenue Service that it is exempt from income tax under Section 501(c)(4) of the U.S. Internal Revenue Code. ACS CAN raises non-tax-deductible funds to support its non-partisan electoral advocacy.

**Our mission**

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

- Prevention – Programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer.
- Patient support – Programs to assist cancer patients and their families and ease the burden of cancer for them.
- 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.
- 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.

**Our mission program and mission support expenses**

ACS CAN's 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: 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 represented in both categories depending on their role and set of activities. For the years ended December 31, 2019 and 2018, ACS CAN's mission expenses were allocated to these two areas as follows:

	<b>2019</b>		<b>2018</b>	
Mission program expenses	\$ 38,236,032	91 %	\$ 36,294,325	93 %
Mission support expenses	3,609,264	9	2,628,946	7
Total	<u>\$ 41,845,296</u>	<u>100 %</u>	<u>\$ 38,923,271</u>	<u>100 %</u>

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**1. Organization and accounting policies, continued**

**Cash and cash equivalents**

ACS CAN considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

**Amounts on deposit with affiliates**

Pending actual disbursement for budgeted program expenditures, funds are invested in securities designed to maximize resources available for programs while minimizing risk. To help achieve these objectives, ACS CAN participates in the Society's Combined Investment Pool ("CIP"). The investment objectives of the CIP are subject to limitations defined by the Society's board of directors and are set to provide maximum current income within the approved risk parameters. The portfolio is maintained on a pooled "mutual fund" accounting basis with the total earnings and investment expenses being allocated to ACS CAN on a pro rata basis.

**Fixed assets and depreciation**

Fixed assets are recorded at cost. Contributions of long-lived assets are recorded at the estimated fair market value at the date of receipt and are recorded as net assets without donor restrictions unless the use of such contributed assets is restricted by a donor-imposed restriction. If donors contribute long-lived assets with stipulations as to how long the assets must be used or with any other restrictions, such contributions are reported as net assets with donor restrictions.

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

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

**Contributed services**

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

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**1. Organization and accounting policies, continued**

**Resource sharing agreements**

ACS CAN has entered into Resource Sharing Agreements with the Society and certain affiliates of the Society to share resources, such as office space, furniture, equipment, and personnel.

ACS CAN recorded an equity transfer and professional fee expenses in the amount of \$2,101,121 and \$2,385,956 for the years ended December 31, 2019 and 2018, respectively, which is related to services received from the Society. Reclassifications have been made to prior year amounts to conform to the current year presentation.

ACS CAN supports the Society's mission through direct legislative and electoral advocacy and regularly receives grants from the Society for direct legislative advocacy efforts. For the years ended December 31, 2019 and 2018, the Society granted ACS CAN \$29,902,718 and \$32,806,584, respectively. These grants are reported as Grants from Affiliates in the Statements of Activities.

**Due from affiliates**

ACS CAN's Due from Affiliates consists of receivables relating to reimbursements from the grant from the Society for normal operations and mission delivery related grants. As of December 31, 2019, and 2018, ACS CAN recorded a receivable from the Society in the amount of \$723,956 and \$1,248,071, respectively. This receivable is included in Due from Affiliates in the accompanying Balance Sheets and is expected to be received during the subsequent year.

**Prepaid expenses**

Prepaid expenses are amortized as expenses are incurred.

**Due to affiliates**

As of December 31, 2019, and 2018, ACS CAN has recorded a payable for personnel and other overhead costs under the Resource Sharing Agreement to the Society in the amount of \$318,564 and \$885,356, respectively. This payable is included in Due to Affiliates in the accompanying Balance Sheets and is expected to be paid during the subsequent year.

**Advertising costs**

Advertising costs are expensed as incurred. Advertising expenses incurred for the years ended December 31, 2019 and 2018 were \$1,726,686 and \$953,142, respectively, and are included in Educational Materials in the accompanying Statements of Functional Expenses.

**Accounting for contributions**

All contributions are classified as net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor restricted support that increases the net asset class. Unconditional promises to give without a stipulated due date and for which ACS CAN has met all conditions precedent to receipt of the contribution prior to year-end are classified as revenue without donor restrictions.

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**1. Organization and accounting policies, continued**

**Accounting for contributions, continued**

A donor restriction is satisfied when a stipulated time restriction expires or when a purpose restriction is accomplished. Upon satisfaction, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statements of Activities as net assets released from restrictions. Donor restricted contributions received in the same year in which the restrictions are met are recorded as an increase to net assets with donor restrictions at the time of receipt and as satisfaction of activity restrictions.

Contributed merchandise and other in-kind contributions are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been made.

**Estimates**

ACS CAN prepares its financial statements in conformity with accounting principles generally accepted in the United States of America which require that management 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 could differ from those estimates.

**Adoption of new accounting pronouncements**

While there are many new accounting pronouncements issued that ACS CAN has adopted or will be adopting soon, the following pronouncements have significant requirements that may 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)* which 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 provided an optional one-year deferral of the effective date. Additionally, on May 20, 2020, FASB further extended the effective date by one year, providing nonpublic entities the option of adopting the standard on the current implementation date or deferring implementation by one year. ACS CAN has chosen to defer adoption effective for fiscal years beginning after December 15, 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 fiscal years beginning after December 15, 2021 with early adoption permitted. 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.

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**1. Organization and accounting policies, continued**

**Adoption of new accounting pronouncements continued**

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flow: Topic 230: Restricted Cash* to provide consistency in presentation of restricted cash and cash equivalents in the Statement of Cash Flow for both public and non-public entities and to inform the user of the availability and uses of amounts generally described as restricted cash and restricted cash equivalents on the statement of financial position. The guidance is effective for non-public entities for fiscal years beginning after December 15, 2018 with an option for early adoption. We have adopted the standard effective for fiscal year ending December 31, 2019, which has no material impact to our financial statements.

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. ACS CAN adopted this standard on a modified prospective basis for the year ended December 31, 2019 and the adoption of this standard did not materially impact financial statements.

**2. Liquidity considerations**

**Financial assets available for use**

ACS CAN structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, ACS CAN participates and has ownership in a combined investment pool managed by ACS, Inc. This combined investment pool generally invests its cash in excess of weekly requirements in short-term investments. The investment pool's remaining assets are invested in a fully diversified mix of investment vehicles designed to provide continued liquidity, preserve capital, and grow corpus.

A significant portion of ACS CAN's total annual spend is funded via a restricted grant from ACS, Inc. designed to deliver ACS, Inc.'s public policy advocacy programs of work. ACS CAN raises additional unrestricted funds to support ongoing administration of the organization and to carry out additional strategic initiatives.

ACS CAN's Board of Directors monitors liquidity on a periodic basis to ensure net assets without donor restrictions are sufficient to fund the ongoing operations of the organization.

ACS CAN's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

**Financial assets without donor restrictions:**

Cash, cash equivalents and additions to amounts on deposits with affiliates	\$ 4,953,464
Current receivables, net	389,432
<b>Total financial assets available to management for general expenditures</b>	<b>5,342,896</b>
<b>Add funds with donor restrictions expected to be spent within 12 months December 31, 2019</b>	<b>994,643</b>
<b>Total financial assets managed for liquidity</b>	<b>\$ 6,337,539</b>

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**3. Fixed Assets**

Fixed assets as of December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Leasehold improvements	\$ 573,092	\$ 573,092
Furniture, fixtures, equipment, and other capitalized assets	490,812	490,812
Less: Accumulated depreciation	(882,790)	(785,080)
Net fixed assets	\$ 181,114	\$ 278,824

Depreciation expense incurred for the years ended December 31, 2019 and 2018 was \$129,266 and \$125,159, respectively.

**4. Retirement benefit plans**

ACS CAN participates in the American Cancer Society, Inc. Retirement Annuity Plan (“the Plan”), a noncontributory defined benefit pension plan that, prior to its freezing in 2016, covered substantially all employees of the Society and participating Affiliates. The Plan’s employer identification number is 13-1788491 and the plan number is 012. The financial statements of the Plan are prepared on the accrual basis of accounting. As of December 31, 2019, and 2018, the total fair value of the Plan’s assets was \$569,177,000 and \$501,368,000, respectively, and the accumulated benefit obligation was \$733,808,000 and \$638,567,000, respectively. As of January 1, 2020, the plan was funded at 98%, based on regulatory funding levels. ACS CAN made contributions into the Plan of \$954,284 and \$752,146 during the fiscal years ended December 31, 2019 and 2018, respectively. The benefits to participants are based on years of service and the employees’ average compensation over the highest consecutive 36 months during the last ten years of service. Pension expense is recognized by ACS CAN based on the amount to be funded currently, which for the years ended December 31, 2019 and 2018 was \$896,265 and \$821,274, respectively. As of December 31, 2019, and 2018, the funding requirement was based on a percentage of applicable earnings. ACS CAN’s liability for contributions accrued and unpaid as of December 31, 2019 and 2018 was \$74,689 and \$132,707, respectively.

ACS CAN maintains a defined contribution retirement plan covering substantially all its full-time employees. For the years ended December 31, 2019 and 2018, contribution expense related to the defined contribution plan totaled \$900,273 and \$803,897, respectively.

**5. Postretirement non pension benefits**

ACS CAN participates in the postretirement benefit plan of the Society. Employees hired prior to January 1, 1995 retiring from the Society on or after attaining age 55 who have rendered at least ten years of service to the Society receive postretirement medical, dental, and life insurance coverage. These benefits are subject to deductibles, co-payment provisions, and other limitations, and the Society may amend or change the postretirement plan periodically. Actuarial information regarding the accumulated postretirement benefit obligation is calculated solely for the postretirement plan.

The Society accrues the cost of providing postretirement benefits for medical, dental, and life insurance coverage over the active service period of employees and is amortizing the unrecognized transition obligation over 20 years. For the years ended December 31, 2019 and 2018, ACS CAN recognized postretirement benefit expense of \$197,642 and \$176,830, respectively. ACS CAN’s liability for postretirement benefits at December 31, 2019 and 2018 was \$16,470 and \$28,868 respectively.

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**6. Operating leases**

ACS CAN has operating leases for its headquarters in Washington D.C. and state office in California, which are subject to escalation and expire in 2021 and 2022, respectively. Future minimum annual rentals with non-cancelable terms are as follows as of December 31, 2019:

Payable in the next:		
12 months	\$	1,694,751
13-24 months		1,437,567
25-36 months		30,808
37-48 months		-
49-60 months		-
Thereafter		-
Total	<u>\$</u>	<u>3,163,126</u>

Rental expense from operating leases for both years ended December 31, 2019 and 2018 was \$1,701,793 and \$1,475,012 respectively.

**7. With donor restriction net assets**

With donor restriction net assets at December 31, 2019 and 2018 have been restricted by donors in the following manner:

	<u>2019</u>	<u>2018</u>
Specific geographic locations	\$ 4,758	\$ 4,758
Elimination of tobacco use	132,093	501,533
General advocacy and lobbying activities	1,836,729	3,390,850
Other	4,603	4,603
Total	<u>\$ 1,978,183</u>	<u>\$ 3,901,744</u>

**8. Contributed services, merchandise and other in-kind contributions**

ACS CAN recorded contributed services related to professional services provided for mission program activities and professional services received from the Society that supports all mission program and mission support activities. ACS CAN also recorded contributed merchandise in-kind for use at special events. Total contributed services, merchandise, and other in-kind contributions included in the accompanying Statements of Activities for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Professional services	\$ 461,643	\$ 1,361,753
In-kind contributions for use at special events	10,458	23,784
Total contributed services, merchandise and other in-kind contributions at fair value	<u>\$ 472,101</u>	<u>\$ 1,385,537</u>



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**9. Exchange transactions**

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

Exchange transaction revenues and expenses for the years ended December 31, 2019 and 2018 were as follows:

	Exchange Income		Exchange Expenses	
	2019	2018	2019	2018
Special events	\$ 180,471	\$ 220,023	\$ 180,471	\$ 220,023
Lobby Day	10,350	37,700	-	-
Other	6,600	70,320	-	66,345
	<u>\$ 197,421</u>	<u>\$ 328,043</u>	<u>\$ 180,471</u>	<u>\$ 286,368</u>

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

**10. Commitments and contingencies**

ACS CAN is not a party to any legal claims arising in the course of its normal business activities.

**11. Subsequent events**

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through September 30, 2020, the date the financial statements were available to be issued. Subsequent to the balance sheet date, the outbreak and spread of the COVID -19 virus was classified as a pandemic by the World Health Organization resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. After close monitoring, responses and guidance from federal, state and local governments, ACS CAN began taking measures to mitigate the spread of COVID-19. The measures include closing offices and canceling in person meetings and fundraising events. ACS CAN continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate possible extensions to all or part of such closures and cancellations. As a result of canceling, delaying or virtualizing many of our in-person fundraising events we have seen a significant decline in donations. Therefore, we have taken several steps to strengthen our financial position and maintain financial liquidity and flexibility, including, reviewing and cutting operating expenses. As the COVID-19 pandemic is complex and rapidly evolving, ACS CAN's plans as described above may change. As of September 30, 2020, the date the financial statements were issued, we cannot reasonably estimate the duration and severity of this pandemic, which could have a significant impact on our business, results of operations, financial position and cash flows.