

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

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

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, 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 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, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

December 20, 2019

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

	Without Donor Restrictions	With Donor Restrictions	Total
Our mission program and support expenses were:			
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	36,294,325	-	36,294,325
Mission support services:			
Management and general	580,420	-	580,420
Fund-raising	2,048,526	-	2,048,526
Total mission support services	2,628,946	-	2,628,946
Total mission program and mission support services expenses	38,923,271	-	38,923,271
Our mission program and support expenses were funded by:			
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	2,385,956	3,771,493
Total support from the public	3,620,570	4,830,066	8,450,636
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	3,767,235	38,032,241	41,799,476
Use of amounts restricted by donors for specified purpose or time	34,792,873	(34,792,873)	-
Change in net assets	(363,163)	3,239,368	2,876,205
Net assets, beginning of year	3,552,467	662,376	4,214,843
Net assets, end of year	\$ 3,189,304	\$ 3,901,744	\$ 7,091,048

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, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Our mission program and support expenses were:			
Mission program services:			
Prevention	\$ 18,155,023	\$ -	\$ 18,155,023
Patient support	8,080,405	-	8,080,405
Detection/treatment	6,928,260	-	6,928,260
Research	4,684,543	-	4,684,543
Total mission program services	<u>37,848,231</u>	<u>-</u>	<u>37,848,231</u>
Mission support services:			
Management and general	510,326	-	510,326
Fund-raising	2,254,405	-	2,254,405
Total mission support services	<u>2,764,731</u>	<u>-</u>	<u>2,764,731</u>
Total mission program and mission support services expenses	<u>40,612,962</u>	<u>-</u>	<u>40,612,962</u>
Our mission program and support expenses were funded by:			
Support from the public:			
Special events, including Relay For Life® and Making Strides Against Breast Cancer®	1,045,776	1,010,198	2,055,974
Contributions	808,624	1,574,634	2,383,258
Contributed services, merchandise and other in-kind contributions	762,798	2,450,457	3,213,255
Total support from the public	<u>2,617,198</u>	<u>5,035,289</u>	<u>7,652,487</u>
Investment income	82,855	-	82,855
Grants from affiliates	-	31,905,397	31,905,397
Grants from others	-	429,596	429,596
Other revenue (loss)	49,232	(2,798)	46,434
Total revenue, gains and other support	<u>2,749,285</u>	<u>37,367,484</u>	<u>40,116,769</u>
Use of amounts restricted by donors for specified purpose or time	38,379,148	(38,379,148)	-
Change in net assets	<u>515,471</u>	<u>(1,011,664)</u>	<u>(496,193)</u>
Net assets, beginning of year	<u>3,036,996</u>	<u>1,674,040</u>	<u>4,711,036</u>
Net assets, end of year	<u>\$ 3,552,467</u>	<u>\$ 662,376</u>	<u>\$ 4,214,843</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, 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				
Mission program and support expenses											
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
Total mission program and mission support services expenses	\$ 20,179,594	\$ 6,545,839	\$ 5,157,643	\$ 4,411,249	\$36,294,325	\$ 580,420	\$ 2,048,526	\$ 2,628,946	\$38,923,271	\$ 286,368	\$39,209,639

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, 2017

	Mission Program				Total mission program	Mission Support		Total mission support	Total before exchange expenses	Exchange expenses (see note 9)	Total
	Prevention	Patient Support	Detection/ Treatment	Research		Management and General	Fund-raising				
Mission program and support expenses											
Salaries	\$ 8,468,837	\$ 3,582,139	\$ 3,192,561	\$ 2,393,293	\$17,636,830	\$ 260,618	\$ 1,047,927	\$ 1,308,545	\$18,945,375	\$ -	\$18,945,375
Employee benefits	1,604,118	671,351	598,176	464,230	3,337,875	37,599	236,681	274,280	3,612,155	-	3,612,155
Payroll taxes	624,399	260,344	231,414	175,798	1,291,955	14,518	72,029	86,547	1,378,502	-	1,378,502
Professional fees	3,885,362	1,956,997	1,583,459	630,266	8,056,084	53,321	320,416	373,737	8,429,821	5,896	8,435,717
Grants for mission program services	94,127	39,788	8,978	5,607	148,500	5,000	250	5,250	153,750	-	153,750
Educational materials	728,004	514,379	497,335	146,290	1,886,008	3,797	141,496	145,293	2,031,301	-	2,031,301
Travel	830,937	270,040	199,838	240,278	1,541,093	60,716	88,380	149,096	1,690,189	-	1,690,189
Postage and shipping	33,501	15,231	12,681	7,565	68,978	5,067	22,323	27,390	96,368	-	96,368
Meetings and conferences	730,138	264,378	163,339	294,940	1,452,795	22,618	39,361	61,979	1,514,774	183,754	1,698,528
Community office locations, including rent, maintenance and utilities	763,122	343,035	297,224	198,843	1,602,224	21,616	134,125	155,741	1,757,965	-	1,757,965
Technology	69,794	35,257	32,170	20,217	157,438	182	802	984	158,422	-	158,422
Telecommunications	68,271	27,004	24,015	19,515	138,805	1,166	16,697	17,863	156,668	-	156,668
Insurance	1,873	834	715	483	3,905	53	233	286	4,191	-	4,191
Depreciation	46,239	20,585	17,647	11,928	96,399	1,303	31,401	32,704	129,103	-	129,103
Miscellaneous	206,301	79,043	68,708	75,290	429,342	22,752	102,284	125,036	554,378	27,737	582,115
Total mission program and mission support services expenses	\$ 18,155,023	\$ 8,080,405	\$ 6,928,260	\$ 4,684,543	\$37,848,231	\$ 510,326	\$ 2,254,405	\$ 2,764,731	\$40,612,962	\$ 217,387	\$40,830,349

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, 2018 and 2017

Cash flows from operating activities	<u>2018</u>	<u>2017</u>
Cash provided by (paid for):		
Special events	\$ 2,301,948	\$ 2,273,361
Contributions	2,819,024	2,828,173
Affiliates	34,052,116	31,366,527
Investment income	103,490	82,855
Other revenue	43,175	46,434
Employees and suppliers	(33,364,284)	(35,391,909)
Direct Assistance	(280)	(883)
Retirement plan contributions	(1,717,582)	(1,821,786)
Grants paid for program services	<u>(35,000)</u>	<u>(153,750)</u>
 Net cash provided by (paid for) operating activities	 <u>4,202,607</u>	 <u>(770,978)</u>
 Cash flows from investing activities		
Purchase of fixed assets	-	(7,725)
Additions to amounts on deposits with affiliates	(41,233,502)	(38,550,419)
Withdrawals from amounts on deposits with affiliates	<u>37,117,842</u>	<u>38,638,668</u>
 Net cash (paid for) provided by investing activities	 <u>(4,115,660)</u>	 <u>80,524</u>
 Net change in cash and cash equivalents	 86,947	 (690,454)
 Cash and cash equivalents, beginning of year	 <u>767,279</u>	 <u>1,457,733</u>
 Cash and cash equivalents, end of year	 <u>\$ 854,226</u>	 <u>\$ 767,279</u>

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

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

Assets

	2018	2017
Cash and cash equivalents	\$ 854,226	\$ 767,279
Amounts on deposit with affiliates	8,685,465	4,569,804
Due from affiliates	1,248,071	1,963,583
Prepaid expenses and other assets	614,944	439,795
Fixed assets, net	278,824	382,781
Total assets	\$ 11,681,530	\$ 8,123,242

Liabilities and net assets

Accounts payable and other accrued expenses	\$ 2,722,014	\$ 2,348,839
Due to affiliates	885,356	449,278
Employee retirement benefits	161,575	77,155
Other liabilities	821,537	1,033,127
Total Liabilities	4,590,482	3,908,399
Commitments and contingencies		
Net assets:		
Without donor restrictions	3,189,304	3,552,467
Net assets with donor restrictions	3,901,744	662,376
Total net assets	7,091,048	4,214,843
Total liabilities and net assets	\$ 11,681,530	\$ 8,123,242

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, 2018 and 2017**

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: 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 represented in both categories depending on their role and set of activities. For the years ended December 31, 2018 and 2017, ACS CAN's mission expenses were allocated to these two areas as follows:

	2018			2017		
Mission program expenses	\$	36,294,325	93 %	\$	37,848,231	93 %
Mission support expenses		2,628,946	7		2,764,731	7
Total	\$	38,923,271	100 %	\$	40,612,962	100 %

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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, 2018 and 2017

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 contributed service revenue and professional fee expenses in the amount of \$2,385,956 and \$2,450,457 for the years ended December 31, 2018 and 2017, respectively which is related to services received from the Society.

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, 2018 and 2017, the Society granted ACS CAN \$32,806,584 and \$31,905,397, 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, 2018 and 2017, ACS CAN recorded a receivable from the Society in the amount of \$1,154,129 and \$1,963,583, 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, 2018 and 2017, ACS CAN has recorded a payable for personnel and other overhead costs under the Resource Sharing Agreement to the Society in the amount of \$885,356 and \$449,278, 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, 2018 and 2017 were \$953,142 and \$1,680,689, 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.

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.

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

1. Organization and accounting policies, continued

Accounting for contributions, continued

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 in the near future, the following pronouncements have significant 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 and do not expect it to have a material impact to our financial results.

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 currently 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, 2020. 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, 2018 and 2017

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:

Investments, cash, and cash equivalents		\$ 5,635,396
Current receivables, net		<u>152,727</u>
Total financial assets available to management for general expenditures		5,788,123
Add funds with donor restrictions expected to be spent within 12 months December 31, 2019		<u>3,343,445</u>
Total financial assets managed for liquidity		\$ <u>9,131,568</u>

3. Fixed Assets

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

	2018		2017
Leasehold improvements	\$ 573,092		\$ 573,092
Furniture, fixtures, equipment, and other capitalized assets	490,812		490,812
Less: accumulated depreciation	<u>(785,080)</u>		<u>(681,123)</u>
 Net fixed assets	 <u>\$ 278,824</u>		 <u>\$ 382,781</u>

Depreciation expense incurred for the years ended December 31, 2018 and 2017 was \$125,159 and \$129,103, respectively.

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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, 2018 and 2017, the total fair value of the Plan’s assets was \$501,368,000 and \$561,777,000, respectively, and the accumulated benefit obligation was \$638,567,000 and \$724,541,000, respectively. As of January 1, 2017, the plan was funded at 100%, based on regulatory funding levels. ACS CAN made contributions into the Plan of \$752,146 and \$863,122 during the fiscal years ended December 31, 2018 and 2017, 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, 2018 and 2017 was \$821,274 and \$757,963, respectively. As of December 31, 2018 and 2017, the funding requirement was based on a percentage of applicable earnings. ACS CAN’s liability for contributions accrued and unpaid as of December 31, 2018 and 2017 was \$132,707 and \$63,174, respectively.

ACS CAN maintains a defined contribution retirement plan covering substantially all of its full-time employees. For the years ended December 31, 2018 and 2017, contribution expense related to the defined contribution plan totaled \$803,897 and \$794,049, respectively.

5. Postretirement nonpension 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 as a whole.

The Society accrues the cost of providing postretirement benefits for medical, dental, and life insurance coverage over the active service period of employees and is amortizing the unrecognized transition obligation over 20 years. For the years ended December 31, 2018 and 2017, ACS CAN recognized postretirement benefit expense of \$176,830 and \$167,769, respectively. ACS CAN’s (asset) liability for postretirement benefits at December 31, 2018 and 2017 was \$28,868 and \$13,981 respectively.

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, 2018:

Payable in the next:		
12 months	\$	1,515,242
13-24 months		1,688,823
25-36 months		1,436,432
37-48 months		30,808
49-60 months		-
Thereafter		-
Total	\$	4,671,305

Rental expense from operating leases for both years ended December 31, 2018 and 2017 was \$1,475,012 and \$1,433,952 respectively.

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7. With donor restriction net assets

With donor restriction net assets at December 31, 2018 and 2017 have been restricted by donors in the following manner:

	2018		2017	
Specific geographic locations	\$	4,758	\$	70,290
Elimination of tobacco use		501,533		368,939
General advocacy and lobbying activities		3,390,850		218,544
Other		4,603		4,603
Total	\$	3,901,744	\$	662,376

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, 2018 and 2017 are as follows:

	2018		2017	
Professional services	\$	1,361,753	\$	726,690
Affiliate personnel services		2,385,956		2,450,457
In-kind contributions for use at special events		23,784		36,108
Total contributed services, merchandise and other in-kind contributions at fair value	\$	3,771,493	\$	3,213,255

9. 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 ACS CAN's mission and expects to receive nothing of direct value in exchange. Costs of exchange transactions that benefit the recipient of the exchange and are not directly related to 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, 2018 and 2017 were as follows:

	Exchange Income		Exchange Expenses	
	2018	2017	2018	2017
Special events	\$ 220,023	\$ 201,076	\$ 220,023	\$ 201,076
Lobby Day	37,700	40,363	-	-
Other	70,320	22,236	66,345	16,311
	\$ 328,043	\$ 263,675	\$ 286,368	\$ 217,387

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9. Exchange transactions (continued)

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. Activities with joint costs

For the years ended December 31, 2018 and 2017, ACS CAN conducted activities that included fund-raising appeals as well as program and management and general components. Those activities included direct mail, telecommunications, and other constituent relationship activities. The costs of conducting those joint activities which met the purpose, audience and content criteria of ASC 958-720-45-28 included a total of \$62,444 and \$45,423 of joint costs for the years ended December 31, 2018 and 2017, respectively, which were functionally allocated as follows:

	<u>2018</u>	<u>2017</u>
Prevention	\$ 21,895	\$ 16,198
Detection/treatment	4,975	3,852
Patient support	12,891	8,214
Management and general	10,830	8,244
Fund-raising	11,853	8,915
Total	<u>\$ 62,444</u>	<u>\$ 45,423</u>

11. Commitments and contingencies

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

12. Subsequent events

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through December 20, 2019, the date the financial statements were available to be issued. During this period, there were no subsequent events that required recognition or disclosure in the financial statements.