

Ernst & Young LLP



## **American Cancer Society, Inc.**

### **Management's Discussion and Analysis and Financial Statements**

**As of and for the Years Ended December 31, 2014 and 2013**



**Building a better  
working world**

**American Cancer Society, Inc.**  
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**December 31, 2014 and 2013**

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**AMERICAN CANCER SOCIETY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS**  
**DECEMBER 31, 2014**  
**(UNAUDITED)**

**Results from operations – expenses**

Total mission program and support services expenses for the years ended December 31, 2014 and 2013 were as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Mission program services:		
Patient support	\$ 275,907	\$ 279,856
Research	143,961	177,489
Prevention	116,988	131,915
Detection/treatment	94,852	92,191
Total mission program services	<u>631,708</u>	<u>\$ 681,451</u>
Mission support services:		
Management and general	48,606	49,319
Fund-raising	177,011	205,974
Total mission support services	<u>225,617</u>	<u>255,293</u>
Total mission program and mission support services expenses	<u>\$ 857,325</u>	<u>\$ 936,744</u>

Our overall programmatic framework, which contains a core set of mission priority areas, remained unchanged during 2014. This framework is consistent across the country regardless of location, and also includes some specific offerings that are reflective of individual community needs. Our core mission priority areas include lung cancer/tobacco control, preventing cancer through nutrition and physical activity, colorectal cancer control, breast cancer control, improving access to healthcare, and improving cancer treatment and patient care. Expenses associated with our extramural and intramural research programs are embedded in each of the priority areas. These areas are the result of careful, scientific analysis of the potential for each to reduce cancer incidence and mortality and to improve the quality of life of individuals facing a cancer diagnosis, at all stages in the cancer continuum, and their caregivers. They are based on three foundational principles: working to ensure access to all aspects of preventive and disease care; providing navigation to help people take advantage of all available services; and ensuring health equity by focusing on populations that experience greater barriers to care. These areas and principles guide our activities, which will position us to have the greatest impact on cancer related outcomes within these core mission areas.

Total mission program expenses for the year ended December 31, 2014 were \$632 million, decreasing \$50 million over 2013. Two primary factors drove the decrease in expenditures. First, to keep pace with a declining revenue environment and maintain financial stability, we intentionally planned to spend less in 2014 compared to 2013. Second, personnel expenses decreased in 2014 as we continued the process of optimizing our workforce structures to efficiently deliver on our mission. The decrease was a mixture of temporary and permanent reductions. For example, salaries related to recruiting volunteer participants for our comprehensive longitudinal cancer prevention study ("CPS-3") were lower in 2014 as most of that work was completed in 2013. This decrease was also a significant factor in our decrease in overall research expenditures. However, the overall costs of the study will fluctuate in the future due to the long-term nature of monitoring the participants and conducting surveys over many years. However, as our available resources have declined over the past few years, we continue to direct the maximum amount of resources to serving our constituents' needs balanced with operational reserve strategies to ensure our constituents receive uninterrupted services, regardless of external factors. Additionally, we have focused on the effectiveness and efficiency of our infrastructure in order to direct as much of our resources as possible toward mission program services. As a result, our mission program services represented 74 percent of total expenses in 2014, an increase of 1 percent over 2013. The remainder of our operational costs, total support services expenses were \$226 million for the year ended December 31, 2014, representing 26 percent of total expenses.

**AMERICAN CANCER SOCIETY, INC.**  
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**Results from operations – expenses, continued**

For the year ended December 31, 2014 patient support expenses were \$276 million, remaining relatively flat compared to 2013, and included work such as the following: our specific assistance to individuals through the Look Good Feel Better<sup>®</sup> program; our 24 hours a day, 7 days a week, 365 days a year National Cancer Information Center, which provides consistent, unbiased cancer information to constituents, helping them make informed decisions about their health and cancer care; and our Hope Lodge<sup>®</sup> facilities, which 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. Research expenses were \$144 million, a \$34 million decrease over 2013, and comprised both our extramural research grants and intramural research program, which includes CPS-3, an important, large, prospective study to identify factors that cause or prevent cancer. Driving the decrease are salaries and professional fees incurred in 2013 to recruit and enroll the initial cohort group of 300,000 volunteer participants for our CPS-3 study. Our investment in extramural research grants remained consistent with 2013. Prevention expenses were \$117 million, a \$15 million decrease over 2013, and included activities such as our ongoing advocacy efforts to increase certain state tobacco taxes in addition to general prevention work. Detection/treatment expenses were \$95 million, remaining consistent compared to 2013, and included activities such as our community grants for breast cancer screening, our work in the area of breast cancer awareness and assessment of screening guidelines and beginning in 2014, our national campaign to achieve 80 percent colon cancer screening rates by the end of 2018 ("80 percent by 2018"), a public health program that has garnered the support of over two hundred diverse organizations and mobilized public health events in almost every state.

Management and general expenses were \$49 million for 2014, and remained relatively constant over 2013, and were comprised of our general infrastructure costs as well as board governance and oversight and our internal audit function - which provides independent oversight of our accounting and internal control processes. Additionally, efforts directed at infrastructure efficiencies continue to produce incremental results over time.

Fundraising costs were \$177 million and were down \$29 million compared to 2013. Salaries and employee benefit expenses caused most of the decrease, which is related to open staff positions throughout 2014 as we continued to fully build our community based staffing structure along with our mission support functions. Offsetting some of the decrease were both continued and new investments, such as strategies to increase event participation and external partnerships aimed at reversing the negative revenue trend experienced in the past few years.

**Results from operations – revenue**

Total revenue, gains, and other support for the years ended December 31, 2014 and 2013 were as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Support from the public	\$ 839,732	\$ 884,587
Investment income	28,800	42,404
Change in value of split-interest agreements	10,414	32,095
Grants and contracts from government agencies	5,064	6,842
Other gains	1,564	4,576
Total revenue, gains, and other support	<u>\$ 885,574</u>	<u>\$ 970,504</u>

Total revenue for the year ended December 31, 2014 of \$886 million was a decrease of \$85 million compared to 2013. Although we have faced decreases in revenue for the past few fiscal years, we have deliberately managed our total expenses to minimize the net impact of the decline and preserve our liquidity position. Going forward we will focus on assessing both gross income and efficiency of our individual programs and overall income portfolio.

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**Results from operations – revenue, continued**

Support from the public as of December 31, 2014 was \$840 million, down \$45 million compared to the prior year primarily due to declining special event revenue. Support from the public is mostly comprised of Relay For Life<sup>®</sup>, Making Strides Against Breast Cancer<sup>®</sup>, planned giving and general contributions through a variety of programs. Over the last several years our general donor base has experienced economic uncertainty, to which we attribute a portion of the decline in public support. However, in recent years this impact has been less significant given that our average gift sizes have remained relatively level. Most of the decline in public support has been attributable to Relay For Life. In 2014 we completed implementation of a comprehensive, community based staffing structure, which we expect will position us to have a greater impact on both revenue and mission and more effectively meet needs in the communities we serve. This new structure means that many staff were new to their roles in 2014 and therefore not as productive as seasoned, tenured staff. With a full year of the new structure now complete, we expect to achieve better results in 2015. We will closely monitor the new structure and improve upon its effectiveness as necessary.

Non-public support, which primarily includes investment income, change in value of split-interest agreements and grants and contracts from government agencies was \$46 million in 2014, a \$40 million decrease over 2013. The significant decrease was due to record stock market growth and lower interest rates in 2013, which helped to produce higher valuations, resulting in larger noncash investment gains for our investment holdings and split-interest agreements in 2013 compared to 2014.

Total support from the public for the five most recent fiscal years was as follows (in millions):

<b>Support from the Public Revenue (in millions)</b>					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Relay For Life	\$ 388	\$ 385	\$ 378	\$ 356	\$ 314
Other community-based events (Making Strides Against Breast Cancer, Daffodil Days, others)	89	92	95	95	82
Distinguished events (gala and golf)	49	50	51	52	56
Direct response strategies (Direct mail, telemarketing)	64	68	60	54	53
Employer-based strategies - independent payroll deduction campaigns	19	19	20	22	22
Major gifts/campaigns	45	35	39	41	43
Planned giving (legacies and bequests)	114	122	122	144	139
United Way/Combined Federal Campaign	18	17	15	10	8
Memorials	28	26	26	23	21
Contributed services and other in-kind contributions	50	51	51	53	71
Other	34	31	32	35	31
<b>Total support from the public</b>	<u>\$ 898</u>	<u>\$ 896</u>	<u>\$ 889</u>	<u>\$ 885</u>	<u>\$ 840</u>

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**Results from operations – revenue, continued**

Within support from the public, special events (Relay For Life, Other community-based and Distinguished events) continue to lead our financial results, representing 54 percent of the support from the public in 2014, a \$51 million or 10 percent decline over 2013. Fundraising results for our signature event, Relay For Life, declined \$42 million or 12 percent, and accounted for approximately 69 percent of total special events revenue. The Relay For Life revenue base is very broad over a very diverse set of events (4,900 events) and constituents (more than 1.6 million participants) and is a multi-variant vehicle to build awareness, celebrate our cancer survivors and caregivers, deliver prevention and detection messaging, and develop capacity in the communities that we serve. Overall participation at Relay For Life events was down approximately 13 percent while average dollars raised per participant was flat compared to 2013. We have extensively reviewed all aspects of the Relay For Life event and experience, utilizing key volunteers from external partnerships to provide an independent assessment. These recommendations, some of which were implemented during 2014 with more to be implemented in 2015, are expected to increase participation and offer a wider variety of event experiences in 2015 and beyond as we look to achieve improved future results. Our assessment of these changes will be based on their impact on revenue.

Our Making Strides Against Breast Cancer program, raising \$58 million in 2014, is a special event that raises awareness and funds to fight breast cancer. This revenue accounted for approximately 13 percent of special event revenue during 2014. Over the past few years this event has increased significantly in participation, engaging more than 500,000 people across the nation. However, results compared to 2013 were similar to Relay For Life with fewer participants yet dollars raised per participant being relatively flat.

Major gifts/campaigns during 2014 were just over 5 percent of public support and have seen substantial increases over the past few years mainly due to campaigns that were in the early stages in prior years and have begun to show tangible results in recent years. Our campaign revenue represents funds raised for our Hope Lodge campaigns. We continue to utilize feasibility studies, such as patient needs assessments and market viability analyses supporting any anticipated capital campaign, as the campaign landscape is vastly different and substantially more competitive than in prior years. Employee giving, including United Way and Combined Federal Campaign relationships, comprised about 4 percent of our public support for each of the last two years. Direct marketing, both mail and telemarketing, made up 6 percent of public support in 2014. Support from our planned giving program (legacies and bequests) totaled \$139 million and continues to be strong relative to the years immediately following the U.S. financial crisis. The decrease in planned giving support compared to 2013 was due to a large significant gift received during 2013 as well as stronger market conditions in 2013 compared to 2014. The increase in contributed services and other in-kind donations was mostly the result of our corporate partnerships with Chevrolet for the Purple Roads campaign and the National Football League for the Crucial Catch Program, where the Society benefited from advertising that communicated our mission messaging for survivorship and breast cancer awareness, respectively.

Investment income components produced positive results in 2014. However, net interest and dividends and realized/unrealized investment gains decreased \$14 million or 32 percent due to stronger market performance in 2013.

**AMERICAN CANCER SOCIETY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS**  
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**Results from operations – revenue, continued**

Change in value of split-interest agreements was a positive change of \$10 million, a decrease of \$22 million over 2013, also driven by the stronger market performance in 2013. These values are derived from the fair values of beneficial interests in trusts (equivalent to deferred gifts) and discount rate and other assumptions used in the valuation process. Planned giving results will continue to be volatile based on valuation methodologies required in current generally accepted accounting principles (GAAP), which employ a mark-to-market approach. We evaluate the program based on probate results as well as expectancies, both of which are not as prone to significant fluctuations and provide a more accurate assessment of performance. The Planned Giving unit continues to log future gifts, although not recognizable under GAAP but accretive to the significant planned giving pipeline of future revenue. Included in the change in value of split interest agreements is \$5 million in gains recognized due to the appreciation of the underlying market value of the assets in our perpetual trusts. We are not the trustee of these trusts and therefore do not have control of the investment decisions surrounding these assets, but rather report our proportionate share of the fair value.

**Liquidity and cash flows**

At December 31, 2014, cash, cash equivalents, and all investment pools totaled more than \$1.1 billion. The primary use of cash was general mission program and support and capital expenditures. We typically utilize the cash proceeds from investment returns to supplement the annual operating and capital budgets; therefore, the reinvestment of operational proceeds into investment vehicles is a key strategy to providing additional liquid resources for future needs.

We invest operating funds in both short- and intermediate-term investments as selected, monitored, and evaluated by senior leadership, independent investment advisors, and an organizational Investment Committee (the "Committee"). The Committee is composed of Society volunteers who are professionals in the banking and investment industry. Our strategy utilizes a tiered-structure approach of short and a well-diversified portfolio of longer-term products, which has provided enhanced asset returns without the addition of substantial risk.

Given the current interest rate marketplace, we have deliberately increased our cash and cash equivalent assets over the past couple of years to increase our earned depository credit and limit banking fees incurred, helping to maximize earnings. Therefore, we maintained limited investment holdings during the year within Tier 1 of the operating pool. Our investment performance for the year ending December 31, 2014 was as follows:

	<u>Actual Return</u>	<u>Benchmark</u>	<u>Difference</u>	<u>Targeted Benchmark</u>
Combined operating pool				
Tier I	0.01 %	0.04 %	(0.03) %	90 Day U.S. Treasury bill
Tier II	0.72	0.04	0.68	90 Day U.S. Treasury bill
Tier III	1.09	(0.11)	1.20	2 Year U.S. Treasury note
Other	0.03	0.04	(0.01)	90 Day U.S. Treasury bill
Combined investment pool	4.30	3.98	0.32	Blended
Combined endowment pool	3.06	3.66	(0.60)	Blended

Our investment strategies produced incremental returns during fiscal year 2014; however, they were still not significant due to the continued low interest rate environment. This is a long-term approach and is not meant to time the markets. However, we expect additional and continued future gains from these strategies and will continue to monitor financial markets and the economic environment to ensure this approach continues to be appropriate.

**AMERICAN CANCER SOCIETY, INC.**  
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**Liquidity and cash flows, continued**

Our endowment and long-term portfolio investment policy calls for a fully diversified strategy to enhance return. Our policy with regard to minimum and maximum liquidity levels is designed to ensure continued financial health and the continuation of quality program delivery to our constituents. We are reassessing these levels periodically as needs change over time.

During 2014 we executed a lump sum option for our defined benefit plan, whereby a certain population of our terminated, vested participant population was permitted to elect payout of their benefit in the form of a lump sum. Approximately 53 percent of eligible participants elected the payment option, which represented approximately 6 percent of the assets held in the plan. An estimated \$2 million in plan fees related to servicing these participants has been eliminated along with approximately \$34 million in future plan liability. This reduction in overall plan liability was offset by changes in assumptions used to value the benefit obligation to plan participants, which caused an overall net increase in plan liability of \$123 million. The increase related to these assumptions is driven primarily by a decrease in interest rates and an increase in the life expectancy of participants. This liability is the expected liability over the life of the plan and is not equal to the immediate funding requirements. Our funding requirements are driven by federal laws and regulations that govern pension plans, which require a minimum annual funding and ultimately a full funding of the plan over time. We have elected to fund more than the minimum annual required contribution, which allows us to better predict and manage required cash needs each year.

We entered into a New Markets Tax Credit financing arrangement in 2014 to assist in the construction of a Hope Lodge facility in Salt Lake City, Utah. We combined our own funds raised through a capital campaign in the region with investor funds, structured via a series of financing arrangements, to complete the cash requirements for the construction of the facility. Under the terms of the arrangement, we expect to hold a note payable for seven years, identical to the investor's tax credit period. The results of this arrangement will net us over \$2 million in cash at the end of the seven year period.

**Looking forward**

We believe it is important to discuss our historical results to provide transparency to our decisions and the resulting impact of those decisions, as well as the impact of external pressures such as economic drivers and our response to those drivers. However, we believe it is just as important, if not more so, to provide forward-looking information to illuminate our path.

Fiscal year 2015 will be one of significant change as the Board of Directors has hired a new Chief Executive Officer (CEO), Gary M. Reedy, for the first time since 1992. A significant amount of time will be invested in onboarding the new CEO and positioning him to lead the organization in line with the Board of Directors' overarching leadership.

We continue to analyze our current revenue portfolio and opportunities and in 2015 are investing in a comprehensive, integrated marketing campaign aimed at re-engaging our constituent base across their preferred multi-media channels, income platforms, and mission programming. A main focus of these analytics-driven efforts will be to develop meaningful, sustainable relationships with our existing constituents as well as to tap into new constituent bases and new income sources. The investment will include multi-media advertising specifically targeting current and potential Relay For Life participants, helping to raise awareness and overall event participation. The investment will also include targeted advertising for brand recognition and awareness. Lastly, we remain focused on investing in our innovation efforts with the goal of connecting with new audiences and finding additional, significant revenue sources.



**AMERICAN CANCER SOCIETY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS**  
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**Looking forward, continued**

Regarding expenditures, we will continue to work in our intramural and extramural research programs and our six core mission priority areas. We have established six Mission Initiative teams to identify the activities that will most effectively and rapidly position the organization to have the greatest impact on cancer related outcomes in those areas. We anticipate the distribution of our program expenditures may differ in the future based on the outcome of this work. A specific incremental investment will be made in "80 percent by 2018". We have several Hope Lodge facilities under construction and, when complete, will invest in operating and maintaining those as well as our existing Hope Lodge facilities to ease the burden of patient and caregiver lodging during cancer treatment. We have also allocated funds in 2015 for our participation in Stand Up To Cancer, a groundbreaking initiative created to accelerate innovative cancer research that will deliver new therapies to patients quickly and save lives now. Continued investment will be made in our CPS-3 study as we follow the cohort of 300,000 men and women for several decades. Beginning in 2015, and approximately every three years thereafter, we will re-survey study participants to update exposure information and collect information on incident cancer diagnosis and tumor tissue specimens for a limited number of cancer sites. The results of the study will be useful in providing the scientific evidence to support our cancer prevention and control programs in the future.

From a liquidity perspective we are focused on a few particular areas in the near term. We continue to investigate strategies for reducing risk of our defined benefit plan to minimize the impact of market volatility and funding requirements. Due to the success of the lump sum window that we executed in 2014, we will evaluate whether this is an effective strategy to repeat in the short term.

Management continues to pursue a comprehensive, enterprise risk management program, that includes involvement with and engagement of the Board of Directors in overseeing the management of certain enterprise-wide strategic risks. The results of the work will enhance our operational decisions and could affect our financial reporting in the future.

We eagerly await the financial statement work that the standard-setters have been considering during the past few years and have attempted to align our financial reporting in the direction where we believe the standard-setters are headed in order to minimize impact to our financial statement users and to our operations. There may be some adjustments based on the final decisions of those bodies.

Further discussion of our mission, goals, and progress is provided in our annual *Stewardship Report*, which is available on cancer.org. Any questions should be directed to the Chief Financial Officer at 250 Williams Street, Atlanta, GA 30303



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## Report of Independent Auditors

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, 2014 and 2013, 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, Inc. at December 31, 2014 and 2013, 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.

April 30, 2015

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(In Thousands)

	Unrestricted	Donor Restricted		Total
		Temporarily Restricted	Permanently Restricted	
<b>Our mission program and mission support expenses were:</b>				
Mission program services:				
Patient support	\$ 275,907	\$ -	\$ -	\$ 275,907
Research	143,961	-	-	143,961
Prevention	116,988	-	-	116,988
Detection/treatment	94,852	-	-	94,852
Total mission program services	631,708	-	-	631,708
Mission support services:				
Management and general	48,606	-	-	48,606
Fund-raising	177,011	-	-	177,011
Total mission support services	225,617	-	-	225,617
Total mission program and mission support services expenses	857,325	-	-	857,325
<b>Our mission program and mission support expenses were funded by:</b>				
Support from the public:				
Special events, including Relay for Life® and Making Strides Against Breast Cancer®	371,468	74,276	-	445,744
Contributions	125,221	52,628	28	177,877
Bequests	93,142	37,131	6,830	137,103
Contributed services, merchandise and other in-kind contributions	22,496	48,067	-	70,563
Other	6,446	1,999	-	8,445
Total support from the public	618,773	214,101	6,858	839,732
Investment income	22,819	5,979	2	28,800
Change in value of split-interest agreements	3,780	4,705	1,929	10,414
Grants and contracts from government agencies	4,303	761	-	5,064
Other gains (losses)	1,841	(277)	-	1,564
Total revenues, gains and other support	651,516	225,269	8,789	885,574
Use of amounts restricted by donors for specified purpose or time	216,695	(217,504)	809	-
Change in net assets prior to impact of retirement plan liability	10,886	7,765	9,598	28,249
Net increase in retirement plan liability	138,002	-	-	138,002
Change in net assets	(127,116)	7,765	9,598	(109,753)
Net assets, beginning of period	785,633	257,463	280,069	1,323,165
Net assets, end of period	\$ 658,517	\$ 265,228	\$ 289,667	\$1,213,412

The notes beginning on page 16 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
(In Thousands)

	Unrestricted	Donor Restricted		Total
		Temporarily Restricted	Permanently Restricted	
<b>Our mission program and mission support expenses were:</b>				
Mission program services:				
Patient support	\$ 279,856	\$ -	\$ -	\$ 279,856
Research	177,489			177,489
Prevention	131,915	-	-	131,915
Detection/treatment	92,191	-	-	92,191
Total mission program services	681,451	-	-	681,451
Mission support services:				
Management and general	49,319	-	-	49,319
Fund-raising	205,974	-	-	205,974
Total mission support services	255,293	-	-	255,293
Total mission program and mission support services expenses	936,744	-	-	936,744
<b>Our mission program and mission support expenses were funded by:</b>				
Support from the public:				
Special events, including Relay for Life® and Making Strides Against Breast Cancer®	423,455	73,913	-	497,368
Contributions	133,490	49,667	136	183,293
Bequests	97,201	41,659	1,914	140,774
Contributed services, merchandise and other in-kind contributions	23,110	29,706	-	52,816
Other	9,281	1,055	-	10,336
Total support from the public	686,537	196,000	2,050	884,587
Investment income	25,664	16,740	-	42,404
Change in value of split-interest agreements	2,864	14,080	15,151	32,095
Grants and contracts from government agencies	3,968	2,874	-	6,842
Other gains (losses)	4,543	473	(440)	4,576
Total revenues, gains and other support	723,576	230,167	16,761	970,504
Use of amounts restricted by donors for specified purpose or time	197,016	(196,379)	(637)	-
Change in net assets prior to impact of retirement plan liability	(16,152)	33,788	16,124	33,760
Net decrease in retirement plan liability	(161,372)	-	-	(161,372)
Change in net assets	145,220	33,788	16,124	195,132
Net assets, beginning of period	640,413	223,675	263,945	1,128,033
Net assets, end of period	\$ 785,633	\$ 257,463	\$ 280,069	\$1,323,165

The notes beginning on page 16 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(In Thousands)

	Mission program				Mission support		Total
	Patient support	Research	Prevention	Detection / treatment	Management and general	Fund-raising	
<b>Mission program and mission support expenses</b>							
Salaries	\$ 121,042	\$ 24,087	\$ 54,734	\$ 44,920	\$ 23,479	\$ 89,003	\$ 357,265
Employee benefits	31,764	4,767	12,973	10,824	5,380	21,110	86,818
Payroll taxes	9,276	1,703	4,077	3,392	1,679	6,607	26,734
Professional fees	12,324	9,356	8,789	5,189	4,480	11,179	51,317
Grants for mission program services	5,799	92,161	2,974	7,084	177	324	108,519
Educational materials	22,931	1,768	9,151	6,162	2,214	11,247	53,473
Direct assistance, including wigs, and Look Good Feel Better® kits	19,886	-	54	170	-	-	20,110
Travel	6,089	1,097	3,891	2,715	892	5,643	20,327
Postage and shipping	4,354	327	3,846	1,471	1,778	3,449	15,225
Meetings and conferences	3,015	818	2,399	1,421	954	3,046	11,653
Community office locations, including rent, maintenance and utilities	18,877	2,459	5,390	4,471	2,395	8,930	42,522
Technology	3,329	1,110	1,487	1,075	946	3,333	11,280
Telecommunications	4,077	1,755	1,736	1,421	648	2,705	12,342
Depreciation and amortization	6,919	1,295	2,719	2,443	1,328	5,039	19,743
Miscellaneous	6,225	1,258	2,768	2,094	2,256	5,396	19,997
<b>Total mission program and mission support services expenses</b>	<b>\$ 275,907</b>	<b>\$ 143,961</b>	<b>\$ 116,988</b>	<b>\$ 94,852</b>	<b>\$ 48,606</b>	<b>\$ 177,011</b>	<b>\$ 857,325</b>

The notes beginning on page 16 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
(In Thousands)

	<u>Mission program</u>				<u>Mission support</u>		<u>Total</u>
	<u>Patient support</u>	<u>Research</u>	<u>Prevention</u>	<u>Detection / treatment</u>	<u>Management and general</u>	<u>Fund-raising</u>	
<b>Mission program and mission support expenses</b>							
Salaries	\$ 113,431	\$ 34,026	\$ 57,146	\$ 42,299	\$ 22,659	\$ 103,005	\$ 372,566
Employee benefits	39,366	10,143	17,603	13,542	7,160	32,679	120,493
Payroll taxes	8,723	2,478	4,183	3,195	1,473	7,612	27,664
Professional fees	15,221	15,817	11,996	6,673	4,646	14,804	69,157
Grants for mission program services	3,266	94,042	4,495	4,653	72	101	106,629
Educational materials	15,037	5,101	11,294	5,703	1,357	8,502	46,994
Direct assistance, including wigs, and Look Good Feel Better® kits	33,556	-	21	237	-	-	33,814
Travel	4,558	1,309	3,470	2,304	802	5,236	17,679
Postage and shipping	3,468	989	3,336	1,117	2,433	3,479	14,822
Meetings and conferences	2,075	900	1,944	1,142	992	2,769	9,822
Community office locations, including rent, maintenance and utilities	16,971	3,261	5,633	3,831	2,696	8,641	41,033
Technology	3,663	2,311	1,764	1,213	674	2,811	12,436
Telecommunications	4,066	2,325	2,035	1,451	639	3,283	13,799
Depreciation and amortization	7,036	2,198	3,607	2,541	1,322	6,063	22,767
Miscellaneous	9,419	2,589	3,388	2,290	2,394	6,989	27,069
Total mission program and mission support services expenses	<u>\$ 279,856</u>	<u>\$ 177,489</u>	<u>\$ 131,915</u>	<u>\$ 92,191</u>	<u>\$ 49,319</u>	<u>\$ 205,974</u>	<u>\$ 936,744</u>

The notes beginning on page 16 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**  
(In Thousands)

<b>Cash flows from operating activities</b>	<u>2014</u>	<u>2013</u>
Cash received from (paid for):		
Special events	\$ 494,480	\$ 551,590
Contributions	153,920	182,411
Bequests	139,197	127,395
Other support from the public	1,522	8,764
Government grants	6,838	10,291
Interest and dividends on investments, net	18,891	20,011
Other revenue	6,759	8,663
Program services	28,940	30,671
Interest on debt	(614)	(2,136)
Employees and suppliers	(686,763)	(791,804)
Direct assistance	(20,106)	(11,812)
Retirement plan contributions	(50,369)	(48,612)
Grants for mission program services	(118,185)	(118,173)
Net cash paid for operating activities	<u>(25,490)</u>	<u>(32,741)</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(6,438)	(8,274)
Proceeds from disposal of fixed assets	73	3,983
Support from the public restricted for fixed asset acquisition	16,488	10,471
Purchase of investments	(60,745)	(195,922)
Proceeds from maturity or sale of investments	48,246	260,136
Loan for New Markets Tax Credit	(6,667)	-
Net cash (paid for) received from investing activities	<u>(9,043)</u>	<u>70,394</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt for New Markets Tax Credit	9,750	-
Proceeds from issuance of debt	-	41,040
Payments on debt	(3,303)	(43,435)
Proceeds from annuitants	658	2,095
Payments to annuitants	(3,816)	(3,199)
Support from the public restricted for long-term investment	6,858	2,050
Net cash received from (paid for) financing activities	<u>10,147</u>	<u>(1,449)</u>
<b>Net change in cash and cash equivalents</b>	(24,386)	36,204
<b>Cash and cash equivalents, beginning of year</b>	<u>174,900</u>	<u>138,696</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 150,514</u>	<u>\$ 174,900</u>

The notes beginning on page 16 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**  
**(In Thousands)**

<b>Cash flows from operating activities</b>	<u><b>2014</b></u>	<u><b>2013</b></u>
Change in net assets	\$ (109,753)	\$ 195,132
Adjustments to reconcile change in net assets to net cash paid for operating activities:		
Depreciation and amortization	19,783	22,819
Net realized and unrealized investment gains	(9,909)	(22,393)
Change in value of split-interest agreements	(10,414)	(32,095)
Loss on disposal of fixed assets	708	1,397
Net increase (decrease) in retirement plan liability	138,002	(161,372)
Support from the public restricted for long-term investment	(6,858)	(2,050)
Support from the public restricted for fixed asset acquisition	(16,488)	(10,471)
Changes in assets and liabilities:		
Receivables, net	676	5,308
Prepaid expenses and other assets	(3,319)	(1,663)
Bequests receivable	5,733	(14,932)
Beneficial interests in trusts	(5,146)	2,838
Research and other program grants payable	(9,666)	(11,543)
Accounts payable and other accrued expenses and employee retirement benefits	(14,589)	(2,484)
Other liabilities	<u>(4,250)</u>	<u>(1,232)</u>
Net cash paid for operating activities	<u>\$ (25,490)</u>	<u>\$ (32,741)</u>

The notes beginning on page 16 are an integral part of the financial statements.



**AMERICAN CANCER SOCIETY, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2014 and 2013**  
**(In Thousands)**

**Assets**

	<b>2014</b>	<b>2013</b>
Current assets:		
Cash and cash equivalents	\$ 150,514	\$ 174,900
Investments	4,084	4,083
Receivables, net	15,515	19,535
Prepaid expenses	20,359	17,264
Bequests receivable	68,042	73,775
Total current assets	258,514	289,557
Receivables, net	26,892	16,881
Other assets	5,883	5,659
Gift annuity investments	39,541	39,283
Investments	969,069	943,609
Beneficial interests in trusts	315,823	304,182
Fixed assets, net	278,261	292,387
Total assets	\$ 1,893,983	\$ 1,891,558

**Liabilities and net assets**

Current liabilities:		
Accounts payable and other accrued expenses	\$ 57,802	\$ 61,374
Research and other program grants payable	89,936	94,629
Employee retirement benefits	45,978	45,198
Debt	2,361	2,243
Other liabilities	10,161	13,367
Total current liabilities	206,238	216,811
Research and other program grants payable	109,195	114,168
Employee retirement benefits	273,448	147,243
Other liabilities	15,530	16,574
Debt	53,201	46,872
Gift annuity obligations	22,959	26,725
Total liabilities	680,571	568,393
Commitments and contingencies		
Net assets:		
Unrestricted:		
Available for mission program and support activities	435,818	545,611
Net investment in fixed assets	222,699	240,022
Total unrestricted	658,517	785,633
Temporarily restricted	265,228	257,463
Permanently restricted	289,667	280,069
Total net assets	1,213,412	1,323,165
Total liabilities and net assets	\$ 1,893,983	\$ 1,891,558

The notes beginning on page 16 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013  
(Dollars in thousands)**

**STEWARDSHIP FOCUSED DISCLOSURES**

**1. Organizational Overview**

**Our mission**

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

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 organizations. 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.

**Our mission program and mission support expenses**

Our expenses fall into two categories: first, program services – our mission activities – which are the four areas above, and second, 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 and internal control 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, 2014 and 2013, our mission expenses were allocated to these two areas as follows:

	<b>2014</b>		<b>2013</b>	
Mission program expenses	\$ 631,708	74 %	\$ 681,451	73 %
Mission support expenses	225,617	26	255,293	27
Total	<u>\$ 857,325</u>	<u>100 %</u>	<u>\$ 936,744</u>	<u>100 %</u>

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 and 2013**  
**(Dollars in thousands)**

**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 and targets the following asset classes and related ranges:

Domestic equities	7-11%
Developed non-U.S. equities	7-11%
Emerging markets equities	2-6%
Global real estate investment trusts	1-5%
High quality fixed income	43-53%
Global/non-U.S. fixed income	17-27%
Inflation linked bonds	3-7%
Cash equivalents	0-3%

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

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
Money market funds and time deposits	\$ 42,016	4 %	\$ 28,612	3 %
Corporate bonds	208,433	21	188,824	19
U.S. government and government agency and obligations	273,378	27	300,591	30
Commercial paper and other short-term investments	129,937	13	96,551	10
Equities	329,106	32	338,448	34
Other	29,824	3	33,949	4
	<u>\$ 1,012,694</u>	<u>100 %</u>	<u>\$ 986,975</u>	<u>100 %</u>

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 and 2013**  
(Dollars in thousands)

**2. Liquidity considerations, continued**

**Investments, continued**

The components of our investment income were as follows:

	<b>Year Ended December 31, 2014</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Interest and dividends, net	\$ 14,668	\$ 4,221	\$ 2	\$ 18,891
Net realized and unrealized investment gains	8,151	1,758	-	9,909
Total investment income	<u>\$ 22,819</u>	<u>\$ 5,979</u>	<u>\$ 2</u>	<u>\$ 28,800</u>

  

	<b>Year Ended December 31, 2013</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Interest and dividends, net	\$ 15,821	\$ 4,190	\$ -	\$ 20,011
Net realized and unrealized investment gains	9,843	12,550	-	22,393
Total investment income	<u>\$ 25,664</u>	<u>\$ 16,740</u>	<u>\$ -</u>	<u>\$ 42,404</u>

Interest and dividend income in the statements of activities and above is presented net of fees paid to our investment advisors. Those fees were approximately \$3,873 and \$2,827 for the years ended December 31, 2014 and 2013, respectively.

**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 \$16,582 and \$12,558 at December 31, 2014 and 2013, 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, 2014 and 2013, approximately 56% and 60% of our revenue from bequests was cash and 44% and 40% 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, 2014 and 2013**  
(Dollars in thousands)

**2. Liquidity considerations, continued**

**Use of net assets**

Included in unrestricted net assets at December 31, 2014 and 2013 is \$222,699 and \$240,022, respectively that is invested in our fixed assets and is not available to spend on current operations.

Donor-restricted net assets result from contributions of assets whose use by the Society is specified by our donors. 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 is met with the passage of time. For permanently restricted net assets, the principal contributed by the donor is restricted in perpetuity, and only the earnings on the net assets shown above may be spent for the purpose specified by the donor. Included in temporarily restricted net assets at December 31, 2014 and 2013 is \$162,605 and \$151,257, respectively, that we have not yet received in cash that will be used for our mission program services once received. The use of temporarily restricted net assets as of December 31, 2014 and 2013 has been limited by our donors for the following purposes:

	<b>Temporarily</b>		<b>Permanently</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Mission programs:				
Patient Support:				
Hope Lodge facilities	\$ 59,833	\$ 42,190	\$ 14,618	\$ 14,617
Other	13,256	21,449	16,558	17,025
Research	51,716	51,184	67,501	62,707
Prevention	1,717	3,775	1,482	1,482
Detection/treatment	14,889	14,216	1,652	1,602
Across mission programs:				
Time restrictions (primarily planned giving including perpetual trusts)	109,707	109,150	135,887	132,150
Specific geographic locations	11,859	14,033	33,069	32,984
Fixed asset acquisitions / building fund	102	472	-	-
Other mission program and mission support services	2,149	994	18,900	17,502
<b>Total</b>	<b>\$ 265,228</b>	<b>\$ 257,463</b>	<b>\$ 289,667</b>	<b>\$ 280,069</b>

**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, 2014 and 2013 is \$203,003 and \$211,443, respectively. The present value of our future payments as of December 31, 2014 and 2013 is \$199,131 and \$208,787, respectively. The discount at December 31, 2014 of \$3,872 will be recognized as grants for mission program services expense in 2014 through 2017. As of December 31, 2014, our future payments are as follows:

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 and 2013**  
(Dollars in thousands)

**2. Liquidity considerations, continued**

**Research and other program grants, continued**

Payable in the next:

12 months	\$	89,936
13 - 24 months		59,444
25 - 36 months		34,093
37 - 48 months		16,699
49 - 60 months		2,831
Discount		<u>(3,872)</u>
Total	\$	<u>199,131</u>

**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 2022. Our future minimum annual lease payments under leases with terms that are not cancellable are as follows as of December 31, 2014:

Payable in the next:

12 months	\$	23,930
13 - 24 months		19,446
25 - 36 months		15,338
37 - 48 months		12,442
49 - 60 months		9,915
Thereafter		<u>20,112</u>
Total	\$	<u>101,183</u>

Rental expense under operating leases was \$23,915 and \$23,796 for the years ended December 31, 2014 and 2013, respectively.

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 and 2013**  
(Dollars in thousands)

**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, 2014 and 2013 is as follows:

Type	Issuer	Maturity Date	Interest rate	Balance at 12/31/2014	Balance at 12/31/2013	Collateral
Industrial Revenue Bonds	Oklahoma Industries Authority	2022	0.06%	\$ 5,970	\$ 6,535	Certificates of deposit, property and letters of credit, which expire at various dates through 2017
Note Payable	TD Bank, N.A.	2020	Libor + 0.90%	39,398	41,040	All assets constituting general revenues
Note Payable	Alliance Finance Fund	2044	1.00%	9,750	-	Salt Lake City Hope Lodge Facility
Notes Payable	Various	Various	2.00% - 5.75%	444	1,540	Not Applicable
<b>Total</b>				<u>\$ 55,562</u>	<u>\$ 49,115</u>	

Our future principal payments are as follows:

Payable in the next:

12 months	\$ 2,361
13 - 24 months	2,401
25 - 36 months	2,437
37 - 48 months	2,487
49 - 60 months	2,523
Thereafter	43,353
<b>Total</b>	<u>\$ 55,562</u>

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 and 2013**  
**(Dollars in thousands)**

**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 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, 2014 and 2013, 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 21<sup>st</sup> 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 \$5,955 and \$5,686 for the years ended December 31, 2014 and 2013, respectively. We sponsor a supplemental executive retirement plan as well for certain employees 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 \$3,312 and \$3,139 for these benefits from our general assets during the years ended December 31, 2014 and 2013, respectively.

We expect to contribute approximately \$45,978, of which \$40,000 is being funded at management's discretion, to all of our plans over the next 12 months.

**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, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Media communication and production services	\$ 25,011	\$ 5,149
Discovery Shops	21,062	21,404
Cosmetic kits and wigs	12,933	17,803
Guestroom program	4,328	3,245
Peer review services (approximately 645 and 335 volunteers donated 25,800 and 13,400 hours, respectively)	1,909	1,038
Other in-kind contributions	<u>5,320</u>	<u>4,177</u>
Total contributed services, merchandise, and other in-kind contributions at fair value	<u>\$ 70,563</u>	<u>\$ 52,816</u>



**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 and 2013**  
**(Dollars in thousands)**

**OTHER REQUIRED DISCLOSURES**

**4. Significant accounting policies**

**Accounting for contributions**

Temporarily restricted contributions received in the same year in which the restrictions are met are recorded as an increase to temporarily 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 temporarily restricted revenue that increase temporarily restricted net assets; those restrictions expire when we place those long-lived assets in service.

**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 temporarily 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 permanently restricted 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 permanently restricted 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 temporarily restricted or unrestricted 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.

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 and 2013**  
**(Dollars in thousands)**

**4. Significant accounting policies, continued**

**Fixed assets**

Fixed assets are recorded at costs 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 temporarily restricted support.

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

**Advertising costs**

Our advertising costs are expensed as incurred and were \$35,660 and \$30,189 for the years ended December 31, 2014 and 2013, respectively.

**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, 2014 and 2013. 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:

Pledges receivable	1.50% to 5.25%
Research and other program grants payable	0.70% to 6.25%

Our cost-reimbursement grant programs are subject to independent audit under the Office of Management and Budget Circular A-133 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.

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**4. Significant accounting policies, continued**

**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).

**5. Activities with joint costs**

For the years ended December 31, 2014 and 2013, 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>2014</u>	<u>2013</u>
Patient support	\$ 59,875	\$ 55,095
Prevention	37,153	38,660
Detection/treatment	20,276	20,329
Management and general	7,263	7,611
Fundraising	61,646	65,709
Total	<u>\$ 186,213</u>	<u>\$ 187,404</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 as follows for the years ended December 31, 2014 and 2013:

	<b>Exchange Income</b>		<b>Exchange Expenses</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Special events	\$ 50,008	\$ 54,244	\$ 50,008	\$ 54,244
Discovery Shop	22,215	22,787	33,332	33,574
Sales to third parties	7,905	8,156	5	8
Other	4,748	4,964	94	37
	<u>\$ 84,876</u>	<u>\$ 90,151</u>	<u>\$ 83,439</u>	<u>\$ 87,863</u>

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**6. Exchange transactions, continued**

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.

**7. Fixed assets**

Our fixed assets are as follows as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 38,100	\$ 38,209
Buildings and leasehold improvements	384,089	384,736
Furniture, fixtures, equipment, and other capitalized assets	66,355	99,981
Computer software	58,221	57,406
Construction in progress	6,503	1,248
Less: accumulated depreciation and amortization	<u>(275,007)</u>	<u>(289,193)</u>
Net fixed assets	<u>\$ 278,261</u>	<u>\$ 292,387</u>

Depreciation expense including expenses on assets used in exchange transactions for the years ended December 31, 2014 and 2013 was \$19,722 and \$19,642, respectively.

**8. Fair value**

**Fair value of financial instruments**

Our financial instruments consist of cash and cash equivalents, investments, receivables (Level 2), gift annuity investments, bequests receivable (Level 2), beneficial interests in trusts, research and other program grants payable (Level 2), accounts payable and accrued expenses (Level 2), gift annuity obligations, and debt (Level 2). Receivables, bequests receivable, and research and other program grants payable are recorded at their net realizable value, which approximates fair value. Investments, beneficial interest in trusts, and gift annuity investments and the related obligations are recorded at their fair values. The carrying value of all other financial instruments approximates fair value.

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**8. Fair value, continued**

**Fair value of financial instruments, continued**

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.

**Fair value measurement**

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, 2014 and 2013, 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.

Time deposits are recorded based on their carrying value, which approximates fair value.

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.

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**8. Fair value, continued**

**Fair value measurement, continued**

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.

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, 2014 and 2013, 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 6.80% and 6.50%, respectively, and a discount rate of 6.80% and 6.50%, respectively, commensurate with the risks involved. The expected mortality is estimated using the Annuity 2000 tables. 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 each 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 each trust, 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, 2014 and 2013, the assumptions used in the valuation of the annuity liability include mortality in accordance with the Annuity 2000 Table and a discount rate of 2.50% and 2.30% 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.

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**8. Fair value, continued**

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, 2014 and 2013. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets	Financial assets and liabilities measured at fair value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
<b>Investments, current</b>				
Money market funds and time deposits	\$ 4,084	\$ -	\$ -	\$ 4,084
<b>Gift annuity investments, at fair value</b>				
Money market funds and time deposits	\$ -	\$ 1,099	\$ -	\$ 1,099
Corporate bonds	-	4,147	-	4,147
U.S. government and government agency obligations	4,861	3,756	-	8,617
Commercial paper and other short-term investments				
Mortgage backed	21	328	-	349
Equities				
Preferred stocks	-	136	-	136
Domestic	18,807	16	13	18,836
International	2,608	-	-	2,608
Mutual funds	3,089	-	-	3,089
Other	-	-	660	660
Total gift annuity investments, at fair value	<u>\$ 29,386</u>	<u>\$ 9,482</u>	<u>\$ 673</u>	<u>\$ 39,541</u>
<b>Investments</b>				
Money market funds and time deposits	\$ 1,982	\$ 34,851	\$ -	\$ 36,833
Corporate bonds	-	204,286	-	204,286
U.S. government and government agency obligations	62	264,699	-	264,761
Commercial paper and other short-term investments				
Mortgage backed	-	45,813	-	45,813
Asset backed	-	63,127	-	63,127
Short-term investments	88	20,560	-	20,648
Equities				
Preferred stocks	16	-	-	16
Domestic	92,743	-	245	92,988
International	74,296	-	-	74,296
Common collective trusts	-	137,137	-	137,137
Other	27,461	823	880	29,164
Total investments	<u>\$196,648</u>	<u>\$771,296</u>	<u>\$ 1,125</u>	<u>\$969,069</u>
<b>Beneficial interests in trusts</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$315,823</u>	<u>\$315,823</u>
<b>Liabilities</b>				
<b>Gift annuity obligations</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,959</u>	<u>\$ 22,959</u>

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**8. Fair value, continued**

Assets	Financial assets and liabilities measured at fair value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
<b>Investments, current</b>				
Money market funds and time deposits	\$ 4,083	\$ -	\$ -	\$ 4,083
<b>Gift annuity investments, at fair value</b>				
Money market funds and time deposits	\$ -	\$ 2,170	\$ -	\$ 2,170
Corporate bonds	-	3,760	-	3,760
U.S. government and government agency obligations	6,334	3,057	-	9,391
Commercial paper and other short-term investments				
Mortgage backed	-	726	-	726
Equities				
Preferred stocks	105	-	-	105
Domestic	17,197	-	21	17,218
International	2,698	-	-	2,698
Mutual funds	2,415	-	-	2,415
Other	-	-	800	800
Total gift annuity investments, at fair value	<u>\$ 28,749</u>	<u>\$ 9,713</u>	<u>\$ 821</u>	<u>\$ 39,283</u>
<b>Investments</b>				
Money market funds and time deposits	\$ 305	\$ 22,054	\$ -	\$ 22,359
Corporate bonds	-	185,064	-	185,064
U.S. government and government agency obligations	4,025	287,175	-	291,200
Commercial paper and other short-term investments				
Mortgage backed	-	41,319	-	41,319
Asset backed	-	47,207	-	47,207
Short-term investments	-	7,299	-	7,299
Equities				
Preferred stocks	17	-	-	17
Domestic	85,132	-	235	85,367
International	82,148	-	-	82,148
Common collective trusts	-	148,480	-	148,480
Other	31,110	1,158	881	33,149
Total investments	<u>\$202,737</u>	<u>\$739,756</u>	<u>\$ 1,116</u>	<u>\$943,609</u>
<b>Beneficial interests in trusts</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$304,182</u>	<u>\$304,182</u>
<b>Liabilities</b>				
<b>Gift annuity obligations</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,725</u>	<u>\$ 26,725</u>



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**8. Fair value, continued**

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, 2014 and 2013:

<b>December 31, 2014</b>	<b>Equities</b>	<b>Other</b>	<b>Beneficial interest in trusts</b>	<b>Gift annuity obligation</b>
Balance, beginning of year	\$ 256	\$ 1,681	\$ 304,182	\$ 26,725
Unrealized gains	-	-	1,931	-
Other	2	(141)	9,710	(3,766)
Balance, end of year	<u>\$ 258</u>	<u>\$ 1,540</u>	<u>\$ 315,823</u>	<u>\$ 22,959</u>

<b>December 31, 2013</b>	<b>Equities</b>	<b>Other</b>	<b>Beneficial interest in trusts</b>	<b>Gift annuity obligation</b>
Balance, beginning of year	\$ 228	\$ 1,778	\$ 277,609	\$ 27,734
Unrealized gains	1	-	15,040	-
Other	27	(97)	11,533	(1,009)
Balance, end of year	<u>\$ 256</u>	<u>\$ 1,681</u>	<u>\$ 304,182</u>	<u>\$ 26,725</u>

The unrealized gains are included in the investment income in the accompanying statements of activities. The unrealized gains related to assets still held at December 31, 2014 and 2013 were \$2,105 and \$15,704, 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, 2014 and 2013:

<b>Investment type</b>	<b>December 31, 2014</b>		<b>December 31, 2013</b>	
	<b>Fair value</b>	<b>Unfunded commitments</b>	<b>Fair value</b>	<b>Unfunded commitments</b>
Index non-lending common / collective trust fund	\$ 23,944	\$ -	\$ 34,797	\$ -
Inflation-index securities common / collective trust fund	113,193	-	113,683	-
Money market fund	34,851	-	22,054	-
Total	<u>\$ 171,988</u>	<u>\$ -</u>	<u>\$ 170,534</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 inflation-indexed fund was mainly composed of foreign fixed income securities in various government agencies. The fair values of the investments are based on quotations from the primary market in which they are traded and translated at each valuation date from the local currency into U.S. dollars using the prevailing exchange rates. Securities traded on generally recognized securities exchanges are valued at their closing price. If there are no sales, valuation is at the midpoint between the last recorded bid and ask prices. Securities traded only in over-the-counter markets for which reliable quotations are available are valued at the midpoint between the latest current bid and ask prices. Requests for redemption may only be made on the first business day of each month and must be made at least 10 business days before month-end. The fund investment objective is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities.

The money market fund is mainly composed of domestic and foreign money market securities, U.S. government securities, certificates of deposit, repurchase agreements, and commercial paper. 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. The per-unit net asset value of the fund is determined at the end of each month. Requests for redemption may be made on each business day based upon the net asset value per unit determined at the close of each day the New York Stock Exchange opens for regular trading and must be made at least 10 days prior to month-end. The fund's investment objective seeks to maximize current income, to the extent consistent with the preservation of capital and liquidity and the maintenance of a stable \$1.00 per share net asset value.

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**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 permanently restricted net assets: (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the donor-stipulated purpose has been fulfilled and/or the required time period has elapsed, and 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.

<b>Endowment net asset composition by type and changes in endowments</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at December 31, 2013	\$ (8)	\$ 29,999	\$ 87,338	\$ 117,329
Investment income	-	1,491	-	1,491
Net appreciation (realized and unrealized)	-	1,535	-	1,535
Contributions	-	-	1,647	1,647
Reclassification of restrictions	(9)	233	(224)	-
Appropriation of endowment assets for expenditure	-	(6,100)	-	(6,100)
<b>Donor restricted endowment net assets at December 31, 2014</b>	<b>\$ (17)</b>	<b>\$ 27,158</b>	<b>\$ 88,761</b>	<b>\$ 115,902</b>

<b>Endowment net asset composition by type and changes in endowments</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at December 31, 2012	\$ (23)	\$ 19,084	\$ 83,673	\$ 102,734
Investment income	-	1,694	-	1,694
Net appreciation (realized and unrealized)	-	13,836	-	13,836
Contributions	-	-	3,640	3,640
Reclassification of restrictions	15	(481)	466	-
Appropriation of endowment assets for expenditure	-	(4,134)	(441)	(4,575)
<b>Donor restricted endowment net assets at December 31, 2013</b>	<b>\$ (8)</b>	<b>\$ 29,999</b>	<b>\$ 87,338</b>	<b>\$ 117,329</b>

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**9. Endowment, continued**

**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 are reported in temporarily restricted net assets, to the extent there are accumulated gains available to absorb such loss, or otherwise in unrestricted net assets. Deficiencies of this nature that are reported in unrestricted net assets were \$17 and \$8 as of December 31, 2014 and 2013, 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. Subsequent gains that restore the fair value of the assets of the endowment fund up to the required level will be classified as an increase in unrestricted net assets.

**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.

**Spending policy**

Unless the donor has specified otherwise, 4% of the fair value of an endowment is available for spending each year, to the extent of a permanently 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 unrestricted or temporarily restricted net assets (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:

	<b>Percent of Fair Value</b>		<b>Target Range</b>
	<b>2014</b>	<b>2013</b>	
Equity securities	49 %	64 %	46-68%
Debt securities	47	35	31-47%
Cash and cash equivalents	4	1	1-7%
	<u>100 %</u>	<u>100 %</u>	

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**10. Employee retirement benefit plans**

We maintain a noncontributory defined benefit pension plan (the “Plan”) that covers 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:

	<b>Percent of Fair Value</b>		<b>Target Range</b>
	<b>2014</b>	<b>2013</b>	
Equity securities	63 %	68 %	55-69%
Debt securities	36	31	25-45%
Cash and cash equivalents	1	1	1-5%
	<b>100 %</b>	<b>100 %</b>	

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 (SERP) for certain employees whose income exceeds the maximum income that can be considered under the Plan.

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.

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**10. Employee retirement benefit plans, continued**

Information related to our Plan, SERP, and postretirement benefit plan at December 31, 2014 and 2013 and the related changes during the years then ended are as follows:

<u>December 31, 2014</u>	<u>Retirement Benefits</u>	<u>Supplemental Retirement Benefits</u>	<u>Total Retirement Benefits</u>	<u>Postretirement Nonpension Benefits</u>
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 650,760	\$ 11,422	\$ 662,182	\$ 53,606
Service cost	27,836	489	28,325	410
Interest cost	31,549	524	32,073	2,588
Amendments	-	-	-	-
Actuarial loss (gain)	127,773	(550)	127,223	5,330
Benefits paid	(69,768)	(1,236)	(71,004)	(3,312)
Retiree drug subsidy reimbursement	-	-	-	193
<b>Benefit obligation at end of year</b>	<b>\$ 768,150</b>	<b>\$ 10,649</b>	<b>\$ 778,799</b>	<b>\$ 58,815</b>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 523,347	\$ -	\$ 523,347	\$ -
Actual expenses paid	(1,979)	-	(1,979)	-
Actual return on plan assets	26,588	-	26,588	-
Employer contributions	40,000	1,236	41,236	3,312
Benefits paid	(69,768)	(1,236)	(71,004)	(3,312)
<b>Fair value of plan assets at end of year</b>	<b>\$ 518,188</b>	<b>\$ -</b>	<b>\$ 518,188</b>	<b>\$ -</b>
<b>Funded status and amounts recognized in our balance sheet in employee retirement benefits</b>				
	<b>\$ (249,962)</b>	<b>\$ (10,649)</b>	<b>\$(260,611)</b>	<b>\$ (58,815)</b>
<b>Weighted average actuarial assumptions</b>				
Discount rate:				
Net periodic pension cost	4.25%	4.25%	4.25%	4.25%
Benefit obligation	4.25%	4.25%	4.25%	4.25%
Expected return on plan assets	7.50%	N/A	7.50%	N/A
Rate of compensation increase	4.13%	Varies	Varies	4.13%
<b>Amounts not yet recognized in net periodic pension costs</b>				
Unrecognized prior service costs (credit) at beginning of year	\$ 373	\$ 1,587	\$ 1,960	\$ (2,068)
Change in prior service (credit) cost	(249)	(254)	(503)	280
Unrecognized prior service costs (credit) at end of year	<b>\$ 124</b>	<b>\$ 1,333</b>	<b>\$ 1,457</b>	<b>\$ (1,788)</b>
Unrecognized actuarial losses (gains) at beginning of year	\$ 122,391	\$ (878)	\$ 121,513	\$ 5,811
Change in actuarial losses (gains)	133,045	(66)	132,979	5,265
Unrecognized actuarial losses (gains) at end of year	<b>\$ 255,436</b>	<b>\$ (944)</b>	<b>\$ 254,492</b>	<b>\$ 11,076</b>

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

<u>December 31, 2014</u>	<u>Retirement Benefits</u>	<u>Supplemental Retirement Benefits</u>	<u>Total Retirement Benefits</u>	<u>Postretirement Retirement Benefits</u>
<b>Amounts not yet recognized in net periodic pension costs, continued</b>				
Unrecognized transition obligation at beginning of year	\$ -	\$ -	\$ -	\$ 37
Change in transition obligation	-	-	-	(19)
Unrecognized transition obligation at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18</u>
<b>Amounts recognized as a reduction to unrestricted net assets</b>				
Amounts recognized as a reduction to unrestricted net assets at beginning of year	\$ 122,764	\$ 709	\$ 123,473	\$ 3,779
Change in prior services (credit) cost	(249)	(254)	(503)	280
Change in actuarial losses (gains)	133,045	(66)	132,979	5,265
Change in transition obligation	-	-	-	(19)
Amounts recognized as a reduction to unrestricted net assets at end of year	<u>\$ 255,560</u>	<u>\$ 389</u>	<u>\$ 255,949</u>	<u>\$ 9,305</u>
<b>Components of net periodic benefit cost:</b>				
Service cost	\$ 27,836	\$ 489	\$ 28,325	\$ 410
Interest cost	31,549	524	32,073	2,588
Expected return on plan assets	(38,881)	-	(38,881)	-
Administrative expenses	1,820	-	1,820	-
Amortization of:				
Unrecognized prior service cost (credit)	249	203	452	(279)
Unrecognized actuarial losses (gains)	7,182	(226)	6,956	64
Unrecognized transition obligation	-	-	-	18
Other	-	(208)	(208)	-
<b>Net periodic benefit cost</b>	<u>\$ 29,755</u>	<u>\$ 782</u>	<u>\$ 30,537</u>	<u>\$ 2,801</u>
Accumulated benefit obligation	\$ 702,710	\$ 8,389	\$ 711,099	\$ 58,815
<b>Estimated future benefits payable in the next:</b>				
12 months	\$ 38,628	\$ 2,148	\$ 40,776	\$ 3,830
13 - 24 months	38,239	1,800	40,039	3,787
25 - 36 months	39,315	1,519	40,834	3,748
37 - 48 months	40,526	1,116	41,642	3,689
49 - 60 months	43,592	384	43,976	3,655
Thereafter	225,675	4,941	230,616	17,987

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**10. Employee retirement benefit plans, continued**

<u>December 31, 2013</u>	<u>Retirement Benefits</u>	<u>Supplemental Retirement Benefits</u>	<u>Total Retirement Benefits</u>	<u>Postretirement Nonpension Benefits</u>
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 740,130	\$ 18,008	\$ 758,138	\$ 60,078
Service cost	32,135	650	32,785	496
Interest cost	30,625	698	31,323	2,473
Amendments	-	604	604	-
Actuarial gain	(79,213)	(3,065)	(82,278)	(6,417)
Benefits paid	(72,917)	(5,473)	(78,390)	(3,139)
Retiree drug subsidy reimbursement	-	-	-	115
<b>Benefit obligation at end of year</b>	<b>\$ 650,760</b>	<b>\$ 11,422</b>	<b>\$ 662,182</b>	<b>\$ 53,606</b>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 479,155	\$ -	\$ 479,155	\$ -
Actual expenses paid	(1,820)	-	(1,820)	-
Actual return on plan assets	78,929	-	78,929	-
Employer contributions	40,000	5,473	45,473	3,139
Benefits paid	(72,917)	(5,473)	(78,390)	(3,139)
<b>Fair value of plan assets at end of year</b>	<b>\$ 523,347</b>	<b>\$ -</b>	<b>\$ 523,347</b>	<b>\$ -</b>
<b>Funded status and amounts recognized in our balance sheet in employee retirement benefits</b>				
	<b>\$ (127,413)</b>	<b>\$ (11,422)</b>	<b>\$ (138,835)</b>	<b>\$ (53,606)</b>
<b>Weighted average actuarial assumptions</b>				
Discount rate:				
Net periodic pension cost	5.00%	5.00%	5.00%	5.00%
Benefit obligation	5.00%	5.00%	5.00%	5.00%
Expected return on plan assets	7.50%	N/A	7.50%	N/A
Rate of compensation increase	4.13%	Varies	Varies	4.13%
<b>Amounts not yet recognized in net periodic pension costs</b>				
Unrecognized prior service costs (credit) at beginning of year	\$ 812	\$ 1,579	\$ 2,391	\$ (2,347)
Change in prior service (credit) cost	(439)	8	(431)	279
Unrecognized prior service costs (credit) at end of year	<b>\$ 373</b>	<b>\$ 1,587</b>	<b>\$ 1,960</b>	<b>\$ (2,068)</b>
Unrecognized actuarial losses at beginning of year	\$ 271,497	\$ 3,313	\$ 274,810	\$ 13,251
Change in actuarial gains	(149,106)	(4,191)	(153,297)	(7,440)
Unrecognized actuarial losses (gains) at end of year	<b>\$ 122,391</b>	<b>\$ (878)</b>	<b>\$ 121,513</b>	<b>\$ 5,811</b>



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

<u>December 31, 2013</u>	<u>Retirement Benefits</u>	<u>Supplemental Retirement Benefits</u>	<u>Total Retirement Benefits</u>	<u>Postretirement Nonpension Benefits</u>
<b>Amounts not yet recognized in net periodic pension costs, continued</b>				
Unrecognized transition obligation at beginning of year	\$ -	\$ -	\$ -	\$ 520
Change in transition obligation	-	-	-	(483)
Unrecognized transition obligation at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37</u>
<b>Amounts recognized as a reduction to unrestricted net assets</b>				
Amounts recognized as a reduction to unrestricted net assets at beginning of year	\$ 272,309	\$ 4,892	\$ 277,201	\$ 11,423
Change in prior services (credit) cost	(439)	8	(431)	279
Change in actuarial losses	(149,106)	(4,191)	(153,297)	(7,440)
Change in transition obligation	-	-	-	(483)
Amounts recognized as a reduction to unrestricted net assets at end of year	<u>\$ 122,764</u>	<u>\$ 709</u>	<u>\$ 123,473</u>	<u>\$ 3,779</u>
<b>Components of net periodic benefit cost:</b>				
Service cost	\$ 32,135	\$ 650	\$ 32,785	\$ 496
Interest cost	30,625	698	31,323	2,473
Expected return on plan assets	(34,373)	-	(34,373)	-
Administrative expenses	2,220	-	2,220	-
Amortization of:				
Unrecognized prior service cost (credit)	439	265	704	(279)
Unrecognized actuarial losses	24,935	143	25,078	1,023
Unrecognized transition obligation	-	-	-	483
Other	-	1,316	1,316	-
<b>Net periodic benefit cost</b>	<u>\$ 55,981</u>	<u>\$ 3,072</u>	<u>\$ 59,053</u>	<u>\$ 4,196</u>
Accumulated benefit obligation	\$ 587,354	\$ 8,537	\$ 595,891	\$ 53,606

We expect to contribute \$42,148 to the Plan and SERP over the next 12 months. We expect to contribute \$3,830 to our postretirement benefit plan over the next 12 months. The prior service cost and actuarial losses included in unrestricted net assets related to our Plan and SERP that we expect to recognize in net periodic pension cost over the next 12 months are \$208 and \$22,025, respectively. The transition obligation, prior service credit, and actuarial losses included in unrestricted net assets related to our postretirement benefit plan that we expect to recognize in net periodic benefit cost over the next 12 months, are \$18, \$279, and \$721, respectively.

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

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

The fair value of the Plan's assets at December 31, 2014 and 2013 by asset category is as follows:

<b>Financial assets measured at fair value on a recurring basis as of December 31, 2014</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 178	\$ -	\$ -	\$ 178
Money market funds	-	6,374	-	6,374
Corporate bonds	-	79,398	-	79,398
U.S. government and government agency obligations	-	62,608	-	62,608
Commercial paper and other short-term investments				
Mortgage backed	-	14,263	-	14,263
Short-term investments	22	271	-	293
Equity				
Preferred stock	750	-	-	750
Domestic	174,442	-	-	174,442
International	80,865	-	-	80,865
Common collective trusts	-	67,500	-	67,500
Government money fund	5,857	-	-	5,857
Limited partnership	-	-	263	263
Other	25,397	-	-	25,397
Total investment assets, at fair value	<u>\$ 287,511</u>	<u>\$ 230,414</u>	<u>\$ 263</u>	<u>\$ 518,188</u>

<b>Financial assets measured at fair value on a recurring basis as of December 31, 2013</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Money market funds	-	10,067	-	10,067
Corporate bonds	-	33,058	-	33,058
U.S. government and government agency obligations	-	74,983	-	74,983
Commercial paper and other short-term investments				
Mortgage backed	-	15,323	-	15,323
Short-term investments	12,926	-	-	12,926
Equity				
Preferred stock	662	-	-	662
Domestic	174,662	-	-	174,662
International	82,770	-	-	82,770
Common collective trusts	-	89,271	-	89,271
Government money fund	4,435	-	-	4,435
Limited partnership	-	-	339	339
Other	24,712	139	-	24,851
Total investment assets, at fair value	<u>\$ 300,167</u>	<u>\$ 222,841</u>	<u>\$ 339</u>	<u>\$ 523,347</u>

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**10. Employee retirement benefit plans, continued**

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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balance, beginning of period	\$ 339	\$ 446
Sales	<u>(76)</u>	<u>(107)</u>
Balance, end of period	<u>\$ 263</u>	<u>\$ 339</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 April 30, 2015, 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.

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