

American Cancer Society Cancer Action Network, Inc.

Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

Ernst & Young LLP



AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
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December 31, 2017 and 2016

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Ernst & Young LLP
Suite 1000
55 Ivan Allen Jr. Boulevard
Atlanta, GA 30308

Tel: +1 404 874 8300
Fax: +1 404 817 5589
ey.com

Report of Independent Auditors

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

We have audited the accompanying financial statements of the American Cancer Society Cancer Action Network, Inc., which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Cancer Society Cancer Action Network, Inc. as of December 31, 2017 and 2016, 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.

August 3, 2018

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Donor Restricted Temporarily Restricted</u>	<u>Total</u>
Our mission program and support expenses were:			
Mission program services:			
Prevention	\$ 18,155,023	\$ -	\$ 18,155,023
Patient support	8,080,405	-	8,080,405
Detection/treatment	6,928,260	-	6,928,260
Research	4,684,543	-	4,684,543
Total mission program services	<u>37,848,231</u>	<u>-</u>	<u>37,848,231</u>
Mission support services:			
Management and general	510,326	-	510,326
Fund-raising	2,254,405	-	2,254,405
Total mission support services	<u>2,764,731</u>	<u>-</u>	<u>2,764,731</u>
Total mission program and mission support services expenses	<u>40,612,962</u>	<u>-</u>	<u>40,612,962</u>
Our mission program and support expenses were funded by:			
Support from the public:			
Special events, including Relay For Life® and Making Strides Against Breast Cancer®	1,045,776	1,010,198	2,055,974
Contributions	808,624	1,574,634	2,383,258
Contributed services, merchandise and other in-kind contributions	762,798	2,450,457	3,213,255
Total support from the public	<u>2,617,198</u>	<u>5,035,289</u>	<u>7,652,487</u>
Investment income	82,855	-	82,855
Grants from affiliates	-	31,905,397	31,905,397
Grants from others	-	429,596	429,596
Other revenue (loss)	49,232	(2,798)	46,434
Total revenue, gains and other support	<u>2,749,285</u>	<u>37,367,484</u>	<u>40,116,769</u>
Use of amounts restricted by donors for specified purpose or time	38,379,148	(38,379,148)	-
Change in net assets	<u>515,471</u>	<u>(1,011,664)</u>	<u>(496,193)</u>
Net assets, beginning of year	<u>3,036,996</u>	<u>1,674,040</u>	<u>4,711,036</u>
Net assets, end of year	<u>\$ 3,552,467</u>	<u>\$ 662,376</u>	<u>\$ 4,214,843</u>

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

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Donor Restricted Temporarily Restricted</u>	<u>Total</u>
Our mission program and support expenses were:			
Mission program services:			
Prevention	\$ 17,420,168	\$ -	\$ 17,420,168
Patient support	7,569,028	-	7,569,028
Detection/treatment	5,760,986	-	5,760,986
Research	7,285,824	-	7,285,824
Total mission program services	<u>38,036,006</u>	<u>-</u>	<u>38,036,006</u>
Mission support services:			
Management and general	965,235	-	965,235
Fund-raising	2,300,333	-	2,300,333
Total mission support services	<u>3,265,568</u>	<u>-</u>	<u>3,265,568</u>
Total mission program and mission support services expenses	<u>41,301,574</u>	<u>-</u>	<u>41,301,574</u>
Our mission program and support expenses were funded by:			
Support from the public:			
Special events, including Relay For Life® and Making Strides Against Breast Cancer®	1,232,655	1,311,211	2,543,866
Contributions	796,376	797,146	1,593,522
Contributed services, merchandise and other in-kind contributions	198,148	2,275,151	2,473,299
Total support from the public	<u>2,227,179</u>	<u>4,383,508</u>	<u>6,610,687</u>
Investment income	59,814	5,347	65,161
Grants from affiliates	-	34,771,281	34,771,281
Grants from others	-	211,980	211,980
Other revenue	81,608	11,621	93,229
Total revenue, gains and other support	<u>2,368,601</u>	<u>39,383,737</u>	<u>41,752,338</u>
Use of amounts restricted by donors for specified purpose or time	39,314,854	(39,314,854)	-
Decrease in retirement plan liability	32,097	-	32,097
Change in net assets	349,784	68,883	418,667
Net assets, beginning of year	2,687,212	1,605,157	4,292,369
Net assets, end of year	<u>\$ 3,036,996</u>	<u>\$ 1,674,040</u>	<u>\$ 4,711,036</u>

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

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Mission Program				Mission Support		Total
	Prevention	Patient Support	Detection/ Treatment	Research	Management and General	Fund- raising	
Mission program and support expenses							
Salaries	\$ 8,468,837	\$ 3,582,139	\$ 3,192,561	\$ 2,393,293	\$ 260,618	\$ 1,047,927	\$ 18,945,375
Employee benefits	1,604,118	671,351	598,176	464,230	37,599	236,681	3,612,155
Payroll taxes	624,399	260,344	231,414	175,798	14,518	72,029	1,378,502
Professional fees	3,885,362	1,956,997	1,583,459	630,266	53,321	320,416	8,429,821
Grants for mission program services	94,127	39,788	8,978	5,607	5,000	250	153,750
Educational materials	728,004	514,379	497,335	146,290	3,797	141,496	2,031,301
Travel	830,937	270,040	199,838	240,278	60,716	88,380	1,690,189
Postage and shipping	33,501	15,231	12,681	7,565	5,067	22,323	96,368
Meetings and conferences	730,138	264,378	163,339	294,940	22,618	39,361	1,514,774
Community office locations, including rent, maintenance and utilities	763,122	343,035	297,224	198,843	21,616	134,125	1,757,965
Technology	69,794	35,257	32,170	20,217	182	802	158,422
Telecommunications	68,271	27,004	24,015	19,515	1,166	16,697	156,668
Insurance	1,873	834	715	483	53	233	4,191
Depreciation	46,239	20,585	17,647	11,928	1,303	31,401	129,103
Miscellaneous	206,301	79,043	68,708	75,290	22,752	102,284	554,378
Total mission program and mission support services expenses	\$ 18,155,023	\$ 8,080,405	\$ 6,928,260	\$ 4,684,543	\$ 510,326	\$ 2,254,405	\$ 40,612,962

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

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Mission Program</u>				<u>Mission Support</u>		<u>Total</u>
	<u>Prevention</u>	<u>Patient Support</u>	<u>Detection/ Treatment</u>	<u>Research</u>	<u>Management and General</u>	<u>Fund- raising</u>	
Mission program and support expenses							
Salaries	\$ 7,662,546	\$ 3,551,290	\$ 2,936,537	\$ 2,941,800	\$ 410,405	\$ 1,066,191	\$ 18,568,769
Employee benefits	2,396,631	1,113,136	924,831	924,414	89,991	306,410	5,755,413
Payroll taxes	565,022	259,764	215,828	212,088	19,283	74,130	1,346,115
Professional fees	3,928,178	1,627,672	879,793	1,367,700	235,267	311,190	8,349,800
Grants for mission program services	211,137	3,552	1,500	2,261	-	5,000	223,450
Educational materials	278,137	66,753	102,657	801,697	17,077	110,183	1,376,504
Travel	863,200	318,889	237,279	385,913	98,037	116,638	2,019,956
Postage and shipping	47,750	19,865	16,887	19,297	3,798	24,151	131,748
Meetings and conferences	375,041	163,434	102,858	183,705	29,669	35,692	890,399
Community office locations, including rent, maintenance and utilities	724,246	322,816	246,558	317,119	38,782	128,163	1,777,684
Technology	5,715	2,582	1,943	2,593	232	4,741	17,806
Telecommunications	77,966	34,545	28,380	28,727	2,338	17,730	189,686
Insurance	836	364	277	350	46	110	1,983
Depreciation	46,279	20,111	15,306	19,354	2,567	28,951	132,568
Miscellaneous	237,484	64,255	50,352	78,806	17,743	71,053	519,693
Total mission program and mission support services expenses	<u>\$ 17,420,168</u>	<u>\$ 7,569,028</u>	<u>\$ 5,760,986</u>	<u>\$ 7,285,824</u>	<u>\$ 965,235</u>	<u>\$ 2,300,333</u>	<u>\$ 41,301,574</u>

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

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Cash flows from operating activities	2017	2016
Cash provided by (paid for):		
Special events	\$ 2,273,361	\$ 2,804,679
Contributions	2,828,173	1,796,002
Affiliates	31,366,527	35,086,474
Investment income	82,855	65,161
Other revenue	46,434	93,229
Employees and suppliers	(35,391,909)	(34,791,909)
Direct Assistance	(883)	-
Retirement plan contributions	(1,821,786)	(4,056,479)
Grants paid for program services	(153,750)	(223,450)
	<u>(770,978)</u>	<u>773,707</u>
 Cash flows from investing activities		
Purchase of fixed assets	(7,725)	-
Additions to amounts on deposits with affiliates	(38,550,419)	(52,578,096)
Withdrawals from amounts on deposits with affiliates	38,638,668	51,562,637
	<u>80,524</u>	<u>(1,015,459)</u>
 Net change in cash and cash equivalents	 (690,454)	 (241,752)
 Cash and cash equivalents, beginning of year	 <u>1,457,733</u>	 <u>1,699,485</u>
 Cash and cash equivalents, end of year	 <u>\$ 767,279</u>	 <u>\$ 1,457,733</u>
 Cash flows from operating activities		
Change in net assets	\$ (496,193)	\$ 418,667
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	129,103	132,568
Net change in retirement plan liability	-	32,097
Changes in assets and liabilities:		
Due from affiliates	(699,212)	498,186
Prepaid expense and other assets	36,291	(115,379)
Accounts payable and other accrued expenses and employee retirement benefits	271,511	78,124
Due to affiliates	160,342	(182,993)
Other liabilities	(172,820)	(87,563)
	<u>(770,978)</u>	<u>773,707</u>
 Net cash provided by (paid for) operating activities	 <u>\$ (770,978)</u>	 <u>\$ 773,707</u>

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

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Assets

	2017	2016
Cash and cash equivalents	\$ 767,279	\$ 1,457,733
Amounts on deposit with affiliates	4,569,804	4,658,053
Due from affiliates	1,963,583	1,264,371
Prepaid expenses and other assets	439,795	476,086
Fixed assets, net	382,781	478,498
Total assets	\$ 8,123,242	\$ 8,334,741

Liabilities and net assets

Accounts payable and other accrued expenses	\$ 2,348,839	\$ 1,965,295
Due to affiliates	449,278	288,936
Employee retirement benefits	77,155	163,527
Other liabilities	1,033,127	1,205,947
Total Liabilities	3,908,399	3,623,705
Commitments and contingencies		
Net assets:		
Unrestricted		
Available for program and supporting activities	3,420,360	2,874,565
Net investment in fixed assets	132,107	162,431
Total unrestricted	3,552,467	3,036,996
Temporarily restricted net assets	662,376	1,674,040
Total net assets	4,214,843	4,711,036
Total liabilities and net assets	\$ 8,123,242	\$ 8,334,741

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

**AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016**

1. Organization and Accounting Policies

Organization

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

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

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

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

Our mission

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

- Prevention – Programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer.
- Patient support – Programs to assist cancer patients and their families and ease the burden of cancer for them.
- Detection/Treatment – Programs that are directed at finding cancer before it is clinically apparent and that provide information and education about cancer treatments for cure, recurrence, symptom management and pain control.
- Research – Support to fund and conduct research into the causes of cancer; how it can be prevented, detected early, and treated successfully; how to improve quality of life for people living with cancer; and to advocate for laws and policies that help further cancer research.

Our mission program and mission support expenses

ACS CAN's expenses fall into two categories: first, our mission program activities – which are the four areas above, and second, mission support services – expenses incurred to support our mission activities – which include: board governance and oversight; our internal audit function, which provides oversight of our accounting, internal control, and information technology processes; our shared services organization, which processes enterprise-wide financial and constituent transactions; general infrastructure costs; and the costs of fundraising. Other than our volunteer base, our largest resource – our staff – are represented in both categories depending on their role and set of activities. For the years ended December 31, 2017 and 2016, ACS CAN's mission expenses were allocated to these two areas as follows:

	<u>2017</u>		<u>2016</u>	
Mission program expenses	\$37,848,231	93 %	\$ 38,036,006	92 %
Mission support expenses	2,764,731	7	3,265,568	8
Total	<u>\$40,612,962</u>	<u>100 %</u>	<u>\$ 41,301,574</u>	<u>100 %</u>

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

1. Organization and Accounting Policies, continued

Cash and cash equivalents

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

Amounts on deposit with affiliates

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

Fixed assets and depreciation

Fixed assets are recorded at cost. Contributions of long-lived assets are recorded at the estimated fair market value at the date of receipt and are recorded as unrestricted support unless the use of such contributed assets is restricted by a donor-imposed restriction. If donors contribute long-lived assets with stipulations as to how long the assets must be used or with any other restrictions, such contributions are reported as temporarily restricted support.

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

Leasehold improvements	Lesser of term of the lease or estimated life of the improvement
Furniture, fixtures, equipment, computer software, and other capitalized assets	3 to 10 years

Contributed services

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

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

1. Organization and Accounting Policies, continued

Resource sharing agreements

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

ACS CAN recorded contributed service revenue and professional fee expenses in the amount of \$2,450,457 and \$2,275,143 for the years ended December 31, 2017 and 2016, respectively which is related to services received from the Society.

ACS CAN supports the Society's mission through direct legislative and electoral advocacy and regularly receives grants from the Society for direct legislative advocacy efforts. For the years ended December 31, 2017 and 2016, the Society granted ACS CAN \$31,905,397 and \$34,771,281, respectively. These grants are reported as Grants from Affiliates in the Statements of Activities.

Due from affiliates

ACS CAN's Due from Affiliates consists of receivables relating to reimbursements from the grant from the Society for normal operations and mission delivery related grants. As of December 31, 2017 and 2016, ACS CAN recorded a receivable from the Society in the amount of \$1,963,583 and \$1,264,371, respectively. This receivable is included in Due from Affiliates in the accompanying Balance Sheets and is expected to be received during the subsequent year.

Prepaid expenses

Prepaid expenses are amortized as expenses are incurred.

Due to affiliates

As of December 31, 2017 and 2016, ACS CAN has recorded a payable for personnel and other overhead costs under the Resource Sharing Agreement to the Society in the amount of \$449,278 and \$288,936, respectively. This payable is included in Due to Affiliates in the accompanying Balance Sheets and is expected to be paid during the subsequent year.

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses incurred for the years ended December 31, 2017 and 2016 were \$1,680,689 and \$953,111, respectively, and are included in Educational materials in the accompanying Statements of Functional Expenses.

Accounting for contributions

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

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

1. Organization and Accounting Policies, continued

A donor restriction is satisfied when a stipulated time restriction expires or when a purpose restriction is accomplished. Upon satisfaction, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. 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 satisfaction of activity restrictions.

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

Estimates

ACS CAN prepares its financial statements in conformity with accounting principles generally accepted in the United States of America which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of new accounting pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which, when effective, will supersede the guidance in former ASC 605, *Revenue Recognition*. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application of the new standard may result in significant changes to current practice. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date*, which provides an optional one-year deferral of the effective date. Therefore, this standard is effective for the year ending December 31, 2019.

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

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which when effective will require organizations to recognize assets and liabilities on the balance sheet for the rights and obligations created by the leases. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The guidance is effective for the year ending December 31, 2019 and early adoption is permitted.

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

1. Organization and Accounting Policies, continued

In June 2018, the FASB issued ASU 2018-08 – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all not-for-profits that receive or make contributions, including business entities. This guidance update is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The guidance is effective for the year ending December 31, 2019.

2. Fixed Assets

Fixed assets as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 573,092	\$ 573,092
Furniture, fixtures, equipment, and other capitalized assets	490,812	483,087
Less: accumulated depreciation	<u>(681,123)</u>	<u>(577,681)</u>
Net fixed assets	<u>\$ 382,781</u>	<u>\$ 478,498</u>

Depreciation expense incurred for the years ended December 31, 2017 and 2016 was \$129,103 and \$132,568, respectively.

3. Retirement Benefit Plans

ACS CAN participates in the American Cancer Society, Inc. Retirement Annuity Plan (“the Plan”), a noncontributory defined benefit pension plan that, prior to its freezing in 2016, covered substantially all employees of the Society and participating Affiliates. The Plan’s employer identification number is 13-1788491 and the plan number is 012. The financial statements of the Plan are prepared on the accrual basis of accounting. As of December 31, 2017 and 2016, the total fair value of the Plan’s assets was \$561,777,000 and \$558,729,000, respectively, and the accumulated benefit obligation was \$724,541,000 and \$732,605,000, respectively. As of January 1, 2017, the plan was funded at 100%, based on regulatory funding levels. ACS CAN made contributions into the Plan of \$863,122 and \$2,018,849 during the fiscal years ended December 31, 2017 and 2016, respectively. The benefits to participants are based on years of service and the employees’ average compensation over the highest consecutive 36 months during the last ten years of service. Pension expense is recognized by ACS CAN based on the amount to be funded currently, which for the years ended December 31, 2017 and 2016 was \$757,963 and \$2,018,453, respectively. As of December 31, 2017 and 2016, the funding requirement was based on a percentage of applicable earnings. ACS CAN’s liability for contributions accrued and unpaid as of December 31, 2017 and 2016 was \$63,174 and \$168,204, respectively.

ACS CAN also maintained a nonqualified and unfunded Supplemental Executive Retirement Plan (“SERP”) for certain employees whose income exceed the maximum income that can be considered under the Plan. The SERP was paid out during 2016.

AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

3. Retirement Benefit Plans, continued

Information related to ACS CAN's SERP as of December 31, 2016, and the related changes for the year ended December 31, 2016 is as follows:

	<u>December 31, 2016</u>
Change in benefit obligation	
Benefit obligation at beginning of period	\$ 103,697
Interest cost	2,697
Actuarial loss	17,890
Benefits paid	<u>(124,284)</u>
Benefit obligation at end of period	<u>\$ -</u>
Change in Plan Assets	
Company Contributions	\$ 124,284
Benefits Paid	<u>(124,284)</u>
Benefit obligation at end of period	<u>\$ -</u>
Funded status and amounts recognized in our balance sheet in employee retirement benefits	
	<u>\$ -</u>
Weighted average actuarial assumptions	
Discount rate:	
Net periodic pension cost	4.50%
Benefit obligation	N/A
Amounts not yet recognized in net periodic pension costs	
Unrecognized prior service credit at beginning of period	\$ (1,696)
Change in prior service credit	<u>1,696</u>
Unrecognized prior service credit at end of period	<u>\$ -</u>
Unrecognized actuarial gains at beginning of period	\$ (30,401)
Net change in actuarial gains	<u>30,401</u>
Unrecognized actuarial gains at end of period	<u>\$ -</u>
Amounts recognized as a reduction to unrestricted net assets	
Amounts recognized as a reduction to unrestricted net assets at beginning of period	
	\$ (32,097)
Change in prior services credit	1,696
Change in actuarial gains	<u>30,401</u>
Amounts recognized as a reduction to unrestricted net assets at end of period	<u>\$ -</u>
Components of net periodic benefit cost:	
Interest cost	\$ 2,697
Amortization of:	
Unrecognized prior service credit	(161)
Unrecognized actuarial losses	<u>(20,031)</u>
Net periodic benefit cost	(17,495)
Statement Charges/(Credit)	<u>5,985</u>
Total ASC 715 Expense/Income	<u>\$ (11,510)</u>
Accumulated benefit obligation	\$ -

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3. Retirement Benefit Plans, continued

Effective July 1, 2016, the Plan and SERP were frozen and our employees will no longer earn benefits for service performed after that date under the Plan. In addition, ACS CAN enhanced potential benefits available to our employees through our defined contribution plan, including a one-time contribution totaling \$1,316,222 made in 2016.

ACS CAN maintains a defined contribution retirement plan covering substantially all of its full-time employees. For the years ended December 31, 2017 and 2016, contribution expense related to the defined contribution plan totaled \$794,049 and \$624,200, respectively.

4. Postretirement Nonpension Benefits

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

The Society accrues the cost of providing postretirement benefits for medical, dental, and life insurance coverage over the active service period of employees and is amortizing the unrecognized transition obligation over 20 years. For the years ended December 31, 2017 and 2016, ACS CAN recognized postretirement benefit (gain) expense of \$167,769 and (\$56,118), respectively. ACS CAN's (asset) liability for postretirement benefits at December 31, 2017 and 2016 was \$13,981 and (\$4,677) respectively.

5. Operating Leases

ACS CAN has operating leases for its headquarters in Washington D.C. and state office in California, which are subject to escalation and expire in 2021 and 2022, respectively. Future minimum annual rentals with non-cancelable terms are as follows as of December 31, 2017:

Payable in the next:	
12 months	\$ 1,580,149
13-24 months	1,619,832
25-36 months	1,660,365
37-48 months	1,428,632
49-60 months	30,808
Thereafter	-
Total	<u>\$ 6,319,786</u>

Rental expense from operating leases for the years ended December 31, 2017 and 2016 was \$1,433,952 and \$1,678,845, respectively.

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6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 have been restricted by donors in the following manner:

	<u>2017</u>	<u>2016</u>
Specific geographic locations	\$ 70,290	\$ 106,471
Elimination of tobacco use	368,939	357,053
General advocacy and lobbying activities	218,544	1,205,913
Other	4,603	4,603
Total	<u>\$ 662,376</u>	<u>\$ 1,674,040</u>

7. Contributed services, Merchandise and Other in-Kind Contributions

ACS CAN recorded contributed services related to professional services provided for mission program activities and professional services received from the Society that supports all mission program and mission support activities. ACS CAN also recorded contributed merchandise in-kind for use at special events. Total contributed services, merchandise, and other in-kind contributions included in the accompanying statements of activities for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Professional services	\$ 726,690	\$ 162,039
Affiliate personnel services	2,450,457	2,275,143
In-kind contributions for use at special events	36,108	36,117
Total contributed services, merchandise and other in-kind contributions at fair value	<u>\$ 3,213,255</u>	<u>\$ 2,473,299</u>

8. Exchange Transactions

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

Exchange transaction revenues and expenses for the years ended December 31, 2017 and 2016 were as follows:

	Exchange Income		Exchange Expenses	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Special events	\$ 201,076	\$ 232,164	\$ 201,076	\$ 232,164
Lobby Day	40,363	50,939	-	-
Other	22,236	58,254	16,311	27,474
	<u>\$ 263,675</u>	<u>\$ 341,357</u>	<u>\$ 217,387</u>	<u>\$ 259,638</u>

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8. Exchange Transactions, continued

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

9. Activities With Joint Costs

For the years ended December 31, 2017 and 2016, ACS CAN conducted activities that included fund-raising appeals as well as program and management and general components. Those activities included direct mail, telecommunications, and other constituent relationship activities. The costs of conducting those joint activities which met the purpose, audience and content criteria of ASC 958-720-45-28 included a total of \$45,423 and \$106,003 of joint costs for the years ended December 31, 2017 and 2016, respectively, which were functionally allocated as follows:

	<u>2017</u>	<u>2016</u>
Prevention	\$ 16,198	\$ 38,444
Detection/treatment	3,852	7,883
Patient support	8,214	15,693
Management and general	8,244	16,987
Fund-raising	8,915	26,996
Total	<u>\$ 45,423</u>	<u>\$ 106,003</u>

10. Commitments and Contingencies

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

11. Subsequent Events

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through August 3, 2018, 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.