American Cancer Society, Mid-South Division, Inc.

Financial Statements

As of and for the years ended August 31, 2007 and 2006

American Cancer Society, Mid-South Division, Inc.
Contents
August 31, 2007 and 2006

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
The American Cancer Society, Mid-South Division, Inc.

We have audited the accompanying balance sheet of the American Cancer Society, Mid-South Division, Inc. (the Society) as of August 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Society's 2006 financial statements and, in our report dated November 3, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Society's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Cancer Society, Mid-South Division, Inc. at August 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

December 3, 2007

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.
BALANCE SHEETS
AUGUST 31, 2007 AND 2006

ASSETS

	2007	2006
CASH AND CASH EQUIVALENTS	$ 5,286,030	$ 6,841,713
INVESTMENTS, at fair value		
Division's interest in Combined Investment Pool	21,706,714	17,478,427
Division's interest in Combined Endowment Pool	183,214	163,070
Other investments	15,555,767	11,835,603
Total investments	37,445,695	29,477,100
DUE FROM AFFILIATES	4,653,358	4,241,194
PLEDGES AND GRANTS RECEIVABLE, net	3,691,166	4,433,802
OTHER ASSETS	2,969,706	2,965,416
DIVISION'S INTEREST IN COMBINED PLANNED GIVING POOL	19,957,013	20,513,224
FIXED ASSETS, net	25,611,263	24,924,093
Total assets	$ 99,614,231	$ 93,396,542

LIABILITIES AND NET ASSETS

	2007	2006
ACCOUNTS PAYABLE AND ACCRUED EXPENSES:		
Accounts payable and accrued expenses	$ 2,175,735	$ 2,676,490
Accrued retirement plan benefits	1,820,517	1,886,652
Postretirement medical, dental and life insurance accrual	1,552,565	1,348,841
Total accounts payable and accrued expenses	5,548,817	5,911,983
DUE TO AFFILIATES	20,820,439	17,986,199
OTHER LIABILITIES	531,290	724,957
DEBT	2,309,739	1,375,739
Total liabilities	29,210,285	25,998,878
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Available for program and supporting activities	23,488,181	19,708,492
Net investment in fixed assets	22,850,981	22,920,339
Total unrestricted	46,339,162	42,628,831
Temporarily restricted	15,243,069	16,307,842
Permanently restricted	8,821,715	8,460,991
Total net assets	70,403,946	67,397,664
Total liabilities and net assets	$ 99,614,231	$ 93,396,542

The accompanying notes are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2007, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2007	Total 2006
REVENUE, GAINS AND OTHER SUPPORT					
Support from the public:					
Received directly:					
Contributions	$ 5,765,718	$ 2,861,186	$ -	$ 8,626,904	$ 8,475,239
Special events	46,540,530	226,034	-	46,766,564	43,471,259
Legacies and bequests	8,284,581	203,510	-	8,488,091	4,604,501
Change in value of split-interest agreements	-	12,916	-	12,916	573,165
Merchandise and other in-kind contributions, at fair value	49,969	118,931	-	168,900	2,698,199
Received indirectly:					
Contributions raised indirectly from federated and other fund-raising organizations	1,318,466	1,039,944	-	2,358,410	2,322,804
Total support from the public	61,959,264	4,462,521	-	66,421,785	62,145,167
Grants and contracts from:					
Government agencies	183,180	-	-	183,180	219,524
Affiliates	28,489	1,965,433	-	1,993,922	4,483,352
Total grants and contracts	211,669	1,965,433	-	2,177,102	4,702,876
Investment income:					
Interest and dividends, net	1,760,348	82,604	-	1,842,952	1,565,001
Net realized and unrealized investment income gains (losses)	1,717	-	-	1,717	(180,355)
Net unrealized gains on perpetual trusts	-	-	360,724	360,724	457,713
Total investment income	1,762,065	82,604	360,724	2,205,393	1,842,359
Exchange transactions:					
Income	4,423,237	-	-	4,423,237	4,141,979
Expenses	(4,342,427)	-	-	(4,342,427)	(4,091,755)
Net exchange transactions	80,810	-	-	80,810	50,224
Other revenue	11,277	-	-	11,277	4,000
Other gains	4,623	-	-	4,623	3,175
Total revenue, gains and other support	64,029,708	6,510,558	360,724	70,900,990	68,747,801
NET ASSET RESTRICTION TRANSFERS					
Satisfaction of activity restrictions	5,154,177	(5,154,177)	-	-	-
Transfer of restriction to National Home Office	890,985	(890,985)	-	-	-
Expiration of time restrictions	1,530,169	(1,530,169)	-	-	-
Total net asset restriction transfers	7,575,331	(7,575,331)	-	-	-

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.
STATEMENTS OF ACTIVITIES (continued)
FOR THE YEAR ENDED AUGUST 31, 2007, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2007	%	Total 2006	%
EXPENSES							
Program services:							
Research - support provided to academic institutions and scientists to seek new knowledge about the causes, prevention, and cure of cancer, and to conduct epidemiological and behavioral studies	44,241	-	-	44,241	0%	41,791	0%
Prevention - programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer	8,578,260	-	-	8,578,260	13%	8,483,798	13%
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	7,808,235	-	-	7,808,235	11%	7,559,294	12%
Patient support - programs to assist cancer patients and their families and ease the burden of cancer for them	11,988,815	-	-	11,988,815	18%	10,984,587	17%
Total program services	28,419,551	-	-	28,419,551	42%	27,069,470	42%
Supporting services:							
Management and general - direction of the overall affairs of the Division through executive, financial and administrative services	2,173,159	-	-	2,173,159	3%	2,191,702	4%
Fund-raising - programs to secure charitable financial support for Programs and supporting services	11,624,924	-	-	11,624,924	17%	11,951,506	19%
Total supporting services	13,798,083	-	-	13,798,083	20%	14,143,208	23%
Total program and supporting services expenses	42,217,634	-	-	42,217,634	62%	41,212,678	65%
Public support allocable to national research, programs and other Activities	25,456,465	-	-	25,456,465	38%	22,287,081	35%
Total program and supporting services expenses and allocation to national activities	67,674,099	-	-	67,674,099	100%	63,499,759	100%
Change in net assets before effect of adoption of FASB Statement No. 158	3,930,939	(1,064,773)	360,724	3,226,890		5,248,042	
Effect of adoption and recognition of FASB Statement No. 158	(220,608)	-	-	(220,608)		-	
CHANGE IN NET ASSETS	3,710,331	(1,064,773)	360,724	3,006,282		5,248,042	
NET ASSETS, beginning of year	42,628,831	16,307,842	8,460,991	67,397,664		62,149,622	
NET ASSETS, end of year	$ 46,339,162	$ 15,243,069	$ 8,821,715	$70,403,946		$67,397,664	

The accompanying notes are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2007 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	Program Services				Supporting Services			Total	
	Research	Prevention	Detection/ Treatment	Patient Support	Management and General	Fund-raising	Other	2007	2006
EXPENSES									
Salaries	$ 25,921	$ 4,459,883	$4,122,287	$ 5,058,593	$ 828,703	$ 6,045,887	$ -	$ 20,541,274	$ 19,817,905
Employee benefits	7,246	1,216,093	1,139,596	1,403,366	230,290	1,688,872	-	5,685,463	5,638,639
Payroll taxes	2,277	383,217	361,469	441,812	72,177	530,775	-	1,791,727	1,734,629
Professional fees	189	563,638	243,671	324,879	449,651	735,380	-	2,317,408	2,182,432
Supplies	251	48,185	52,044	401,701	9,879	69,405	-	581,465	561,240
Telephone	1,028	186,106	175,722	210,924	40,787	260,339	-	874,906	924,147
Postage and shipping	351	67,123	67,770	88,780	13,024	124,536	-	361,584	370,958
Occupancy	190	289,342	288,076	723,122	264,630	303,878	-	1,869,238	1,658,517
Equipment rental, maintenance and information processing	237	43,822	43,094	66,813	12,520	65,384	-	231,870	245,552
Printing and publications	443	237,801	243,529	287,121	30,169	304,030	-	1,103,093	1,427,608
Meetings and conferences	1,514	169,920	184,469	161,657	19,604	211,009	-	748,173	839,896
Travel	2,046	458,916	462,005	471,750	68,772	638,098	-	2,101,587	2,214,676
Miscellaneous	252	86,816	54,740	382,324	34,202	105,507	-	663,841	249,021
Special assistance to individuals	-	579	576	1,330,189	-	-	-	1,331,344	1,600,236
Awards and grants to individuals and other organizations	-	-	15,791	84,194	-	-	-	99,985	121,341
Awards and grants to Affiliates	99	15,707	15,144	43,908	3,132	23,036	-	101,026	76,026
Insurance	287	45,651	44,016	54,954	9,104	66,952	-	220,964	283,935
Membership dues and subscriptions	28	6,379	5,867	7,214	1,773	13,201	-	34,462	51,717
Depreciation and amortization	1,867	296,748	286,119	373,031	59,177	435,212	-	1,452,154	1,139,775
Interest expense	15	2,334	2,250	72,483	25,565	3,423	-	106,070	74,428
Total program and supporting services expenses	44,241	8,578,260	7,808,235	11,988,815	2,173,159	11,624,924	-	42,217,634	41,212,678
PUBLIC SUPPORT ALLOCABLE TO NATIONAL RESEARCH, PROGRAMS AND OTHER ACTIVITIES	-	-	-	-	-	-	25,456,465	25,456,465	22,287,081
Total expenses and allocation	$ 44,241	$ 8,578,260	$7,808,235	$11,988,815	$ 2,173,159	$11,624,924	$ 25,456,465	$ 67,674,099	$ 63,499,759

The accompanying notes are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,006,282	$ 5,248,042
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,452,154	1,139,775
Net unrealized gains on perpetual trusts	(360,724)	(457,713)
Net realized and unrealized investment (gains) losses	(1,717)	182,623
Other revenue	(11,277)	(4,000)
Effect of adoption and recognition of FASB Statement No. 158	220,608	-
Change in value of split - interest agreements	(12,916)	(573,165)
Support from the public restricted for fixed asset acquisitions	1,308,899	1,931,977
Changes in assets and liabilities:		
Due from Affiliates	(412,164)	245,644
Pledges and grants receivable, net	742,636	438,228
Other assets	(4,290)	(2,771,971)
Division's interest in combined planned giving pool	929,854	1,119,642
Intangible assets	-	28,785
Accounts payable and accrued expenses	(583,774)	563,475
Due to Affiliates	2,834,240	(2,387,930)
Other liabilities	44,453	377,486
Net cash provided by operating activities	9,152,264	5,080,898
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,145,007)	(5,703,438)
Proceeds from sale of fixed assets	16,960	4,000
Purchase of investments	(80,121,811)	(63,193,260)
Proceeds from maturity or sale of investments	72,154,930	67,532,743
Support from the public restricted for fixed asset acquisitions	(1,308,899)	(1,931,977)
Net cash used in investing activities	(11,403,827)	(3,291,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	(1,150,739)	(6,125,000)
Payments on capital lease obligations	(238,120)	(220,771)
Proceeds from issuance of debt	2,084,739	625,739
Net cash provided by (used in) financing activities	695,880	(5,720,032)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,555,683)	(3,931,066)
CASH AND CASH EQUIVALENTS, beginning of year	6,841,713	10,772,779
CASH AND CASH EQUIVALENTS, end of year	$ 5,286,030	$ 6,841,713
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 84,289	$ 55,201

The accompanying notes are an integral part of the financial statements.

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007 AND 2006

1. ORGANIZATION AND ACCOUNTING POLICIES

Organization

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 American Cancer Society, Mid-South Division, Inc. (the "Division") is one of 13 chartered divisions through which the Society's objectives are carried out.

In addition to the other 12 chartered divisions, the Division is affiliated with the American Cancer Society, Inc. (the "National Home Office") and the American Cancer Society Cancer Action Network, Inc. ("ACS CAN"). The Division is also affiliated with the American Cancer Society Foundation (the "Foundation") and the American Cancer Society of Puerto Rico, Inc. ("Puerto Rico"), which are membership corporations with the National Home Office as their only member. These related organizations are collectively referred to as "Affiliates" herein.

Cash and Cash Equivalents

The Division considers 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.

Division's Interest in Combined Investment and Endowment Pools and Investments

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, the National Home Office maintains two combined investment pools: the Combined Investment Pool ("CIP") and the Combined Endowment Pool ("CEP"). The investment objectives of the CIP and CEP are subject to limitations defined by the National Home Office's Board of Directors and are set to provide maximum current income within the approved risk parameters. These portfolios are maintained on a pooled "mutual fund" accounting basis with the total earnings, investment expenses, appreciation and depreciation, whether realized or unrealized, being allocated to each participating Division on a pro rata basis.

The Division also maintains investments independent of the CIP and CEP. These investment objectives are subject to the limitations currently defined by the National Home Office's Board of Directors and are set to provide maximum current and long-term income within the approved risk parameters.

Interest and dividend income is presented net of investment advisory fees. Total earnings on unrestricted and temporarily restricted investments are credited to unrestricted net assets unless otherwise restricted by the donor.

Spending Policy

To the extent of a permanently restricted endowment's (endowment) cumulative undistributed earnings, and unless the donor has specified otherwise, 4% of the fair value of an endowment is available for spending each year. In addition, the difference between the actual total return each year and 4% is charged or credited to unrestricted or temporarily restricted net assets (depending on the donor's instructions regarding the use of investment income). The Society believes 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.

Fair Value of Financial Instruments

The Division's financial instruments consist of cash and cash equivalents, due from affiliates, pledges and grants receivable, legacies and bequests receivable, beneficial interests in trusts, investments, accounts payable and accrued expenses, due to affiliates and debt.

Pledges and grants receivable and legacies and bequests receivable are recorded at net realizable value which approximates fair value. Investments and beneficial interests in trusts are recorded at their fair values based on quoted market rates or other relevant market data. All other financial instruments are stated at cost which approximates fair value.

Pledges and Grants Receivable

Pledges and grants receivable that are expected to be collected within one year are recorded at net realizable value. Pledges and grants receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Pledges and grants receivable are reflected net of an allowance for uncollectible amounts and have been discounted at rates ranging from 4% to 5%. These rates approximate the rates of return on U.S. government securities at the origination of the pledge and are commensurate with the risk associated with the ultimate collection of the receivables. The discount is amortized using an effective yield over the expected collection period of the receivables.

Fixed Assets and Depreciation

Land, buildings, equipment, and other capitalized 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 will be 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:

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

Contributed Services

A substantial number of volunteers have made significant contributions of their time to the Division'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.

Planned Gifts (Legacies and Bequests, Beneficial Interests in Trusts and Gift Annuities)

The Division is 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 the Division, or may be put in the care of a trustee, with the Division being designated as having a full or partial beneficial interest in the trust ("BIT"). Certain gifts are considered split-interest agreements whereby the Division receives benefits that are shared with either the donor or third party beneficiaries.

Both deceased donors, through a will, and living donors may restrict their gift to a specified purpose or geographic area (i.e., a purpose restriction), or defer their gift through use of a nonperpetual trust (i.e., a time restriction). Such gifts are classified as temporarily restricted revenues. A purpose restriction is satisfied when the Division incurs expenses satisfying the purpose restriction. A time restriction is satisfied when donor stipulated time has elapsed. Gifts may also be permanently restricted under a perpetual trust. See below for a further description of nonperpetual trusts and perpetual trusts.

Legacy and Bequests Receivable

Direct gifts of assets are recorded at their estimated fair value as public support (legacy or contribution revenue) when the Division has received an unconditional promise to give. Subsequent adjustments to the fair value are recognized as public support (either positive or negative) consistent with the initial recording of the gift. The Division considers a bequest unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable.

Beneficial Interests in Trusts

Nonperpetual trusts are trusts where donors have established and funded trusts under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trust's term. Nonperpetual trusts are recorded at their estimated fair value based on the present value of the Division's estimated future cash receipts from the trust. In fiscal years 2007 and 2006, based on then current financial market conditions, the Division estimated the present value of nonperpetual trusts using an investment return rate (net of trustee fees and other expenses) of 7.25%, and a discount rate of 5% and 4.75%, respectively, commensurate with the risks involved. The initial gift to the nonperpetual BIT's carrying value is recognized as temporarily restricted public support (legacy or contribution revenue) depending upon the initial source of the gift. Any subsequent adjustments to the nonperpetual BIT are recorded as a change in value of split-interest agreements.

Perpetual trusts are trusts under which the Division will receive income distributions in perpetuity, but will never receive the corpus (principal). Perpetual trusts are initially recorded as permanently restricted legacy or contribution revenue, depending on the initial source of the gift, at the fair market value of the Division's interest in the trust assets at the time of the gift. Subsequent changes to the trust's fair market value are recognized as permanently restricted unrealized gains or losses. Income received from the trusts is recognized as temporarily restricted or unrestricted investment income, depending on the existence or absence of donor-imposed restrictions.

Gift Annuities

Gift annuities require an annuity to be paid to the donor or the donor's beneficiary, funded by the donated assets, over a designated period of time or the beneficiary's lifetime, with the remainder becoming a gift to the Division. The actuarially determined liability is recorded based on the terms of the gift, and the difference between the present value of the estimated liability and the fair value of the gift is recognized as revenue at the time of the gift.

The Division may also be the beneficiary of interest in trusts and other assets in situations where it has not been notified of its interest, its interest may be conditional or revocable, or the value of its interest may not be readily ascertainable. In such circumstances, no gift has been recorded.

Division's Interest in Combined Planned Giving Pool

The Division is a participant with certain other Divisions and the National Home Office in a Planned Giving Business Unit ("PGBU") joint operating agreement. The PGBU is a cooperative effort through which participating Divisions use a centrally managed staff to coordinate a shared planned giving program. All planned giving revenue, including legacies and beneficial interests in trusts generated through the efforts of PGBU, is recorded as legacy and bequest revenue by the Division in which the donor is located with the exception of gifts that specifically restrict revenue to the National Home Office. The participating Divisions utilize a common planned giving staff and share in the planned giving revenue, including legacies and beneficial interests in trusts generated through the efforts of the PGBU staff. The sharing of the planned gifts is based on a sharing formula negotiated among all the Divisions under the operating agreement. If the donor permanently restricts the principal of a planned gift and only the income may be spent, the planned gift is not included in the sharing arrangement and the recipient Division retains 100% of the gift. Certain other receivables and beneficial interests that were recorded by the participating Divisions prior to joining PGBU are also retained 100% by that Division. During the years ended August 31, 2007 and 2006, the Division recognized $8,530,950 and $5,237,995, respectively, of legacy and planned giving income as a participant of the PGBU.

The costs of operating the PGBU are funded 70% by the participating Divisions, based on the relative portion of population domiciled in each Division's territory, as determined by the most recent census data, to the total population included in the participating Divisions. The National Home Office funds the remaining 30% of the PGBU costs, administers the program, and maintains the pool of participating assets.

The Probate and Trust Management Unit ("PTM"), sponsored by the National Home Office, provides all necessary administrative services to the Divisions for collection, valuation and management of the pool of various types of planned giving contributions and bequests, which include direct gifts of assets and gifts of beneficial interests in trusts held by third-party trustees. The pool includes gifts that were generated through the PGBU, as well as similar gifts accumulated prior to the formation of PGBU.

Due from Affiliates

The Division's Due from Affiliates typically consists of receivables resulting from normal operations of the Affiliates and mission delivery related grants from the National Home Office. As of August 31, 2007 and 2006, the Division recorded a receivable from the National Home Office in the amount of $2,452,009 and $2,447,897, respectively. As of August 31, 2007 and 2006, the Division has recorded a receivable from other Affiliates in the amount of $2,201,349 and $1,793,297, respectively. These receivables are included in Due from Affiliates in the accompanying balance sheets and are expected to be received during the subsequent fiscal year.

Due to Affiliates

It is the policy of the Society that each Division allocate 40% of its public support earned during the fiscal year to support programs and initiatives administered at the National Home Office. This allocation is subject to certain agreed upon adjustments. As of August 31, 2007 and 2006, the Division has recorded a payable to the National Home Office in the amount of $20,038,693 and $17,179,981, respectively, to support such programs and initiatives. As of August 31, 2007 and 2006, the Division has recorded other payables to Affiliates in the amount of $781,746 and $806,218, respectively. These payables are included in Due to Affiliates in the accompanying balance sheets and are expected to be paid during the subsequent fiscal year.

Accounting for Contributions

Contributions are recognized when an unconditional promise to give is made or when cash is received, if an unconditional promise does not exist. 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 or permanently restricted support that increases those net asset classes. Unconditional promises to give without a stipulated due date and for which the Division has met all conditions precedent to receipt of the contribution prior to the Division's fiscal year-end are classified as unrestricted net assets.

Contributed merchandise and other in-kind contributions, including merchandise remaining in inventory at year-end, are reflected as contributions at their estimated fair values when received or when an unconditional pledge to contribute has been made.

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

The principal and any donor restricted income from permanently restricted gifts are classified as permanently restricted net assets. Income on those assets, not permanently restricted by the donor, is classified as temporarily restricted (if purpose restricted by the donor) or unrestricted net assets.

Contributions Raised Directly by Affiliates

The American Cancer Society Foundation remits 60% of its unrestricted contributions to the appropriate Division, which are recorded as the Division’s share of public support raised by Affiliates.

Estimates

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

Presentation of Certain Prior Year Information

The fiscal year 2007 financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information in total does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Division's financial statements for the fiscal year ended August 31, 2006, from which the summarized information was derived. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("Statement 158"). Statement 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, "postretirement benefit plans") to recognize the funded status of their postretirement benefit plans in the balance sheet, measure the fair value of plan assets and benefit obligation as of the date of the fiscal year-end balance sheet, and provide additional disclosures. On August 31, 2007, the Division adopted the recognition and disclosure provisions of Statement 158. The effect of adopting Statement 158 on the Division's financial position at August 31, 2007 has been included in the accompanying financial statements. Statement 158 did not have an effect on the Division's financial position at August 31, 2006. Statement 158's provisions regarding the change in the measurement date of postretirement benefit plans are not applicable as the Division already uses a measurement date of August 31 for its pension plan. See Note 6 for further discussion of the effect of adopting Statement 158 on the Division's financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("Statement 157"). Statement 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Division will be required to adopt the provisions of Statement 157 related to fair value measurements and related disclosures for its fiscal year ending August 31, 2009. The Division is currently evaluating the effect that the adoption of Statement 157 will have on its financial position and changes in net assets.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115* ("Statement 159"). Statement 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The Division will be required to adopt the provisions of Statement 159 related to measuring financial instruments and other items at fair value and the related disclosures for its fiscal year ending August 31, 2009. The Division is currently evaluating the effect that the adoption of Statement 159 will have on its financial position and changes in net assets.

2. INVESTMENTS

The fair value of investments as of August 31, 2007 and 2006 are as follows:

	2007	2006
Combined Investment Pool	$ 21,706,714	$ 17,478,427
Combined Endowment Pool	183,214	163,070
Time deposits	1,463,000	5,000
Corporate bonds	1,866,566	2,508,697
U.S. government and government agency obligations	6,614,321	5,645,274
Mortgage backed securities	3,610,157	3,306,325
Other investments	2,001,723	370,307
Total investments	$ 37,445,695	$ 29,477,100

Investment advisory fees paid by the Division were approximately $59,000 and $29,000 for the fiscal years ended August 31, 2007 and 2006, respectively.

3. PLEDGES AND GRANTS RECEIVABLE

As of August 31, 2007 and 2006, the expected future cash receipts from unconditional pledges and grants receivable are as follows:

	2007	2006
Due in one year or less	$ 2,739,085	$ 3,052,123
Due in one year through five years	1,088,953	1,511,024
Less: estimated amounts uncollectible	(29,424)	-
	3,798,614	4,563,147
Less: discount	(107,448)	(129,345)
Total	$ 3,691,166	$ 4,433,802

4. FIXED ASSETS

Fixed assets as of August 31, 2007 and 2006 are as follows:

	2007	2006
Land	$ 2,339,711	$ 2,339,711
Buildings and leasehold improvements	28,618,982	24,248,079
Furniture, fixtures, equipment and other capitalized asset	3,872,221	3,619,923
Construction in progress	51,954	2,596,640
Less: accumulated depreciation and amortization	(9,271,605)	(7,880,260)
Net fixed assets	$ 25,611,263	$ 24,924,093

Included within fixed assets as of August 31, 2007 and 2006 is $20,536,247 and $18,771,268, respectively, that relates to Hope Lodges constructed or in construction by the Division. The Hope Lodges are centers where patients receiving cancer treatment can stay, free of charge, throughout the duration of their treatment.

5. DEBT

Debt as of August 31, 2007 and 2006 is as follows:

The Division has a note payable of $625,739, outstanding at August 31, 2007 and 2006 in connection with the purchase of an office in Baton Rouge, LA. The building was purchased on September 10, 2003. The loan is collateralized by a certificate of deposit in the amount of $630,748 and carries a fixed rate of 4.63%. The Division intends to repay the loan with pledges and donations from a capital campaign for the building that is due to start during fiscal year 2008. The entire loan was renewed on March 20, 2007 for $625,739 and matures on March 20, 2008.

Industrial development bonds outstanding at August 31, 2007 and 2006 are $225,000 and $750,000, respectively. These bonds were issued in connection with the construction of a Hope Lodge completed in Nashville in September 2004. The interest rate is variable based on weekly rate periods. The rates are determined by the Remarketing Agent as the rate equal to the lowest rate, which would produce as nearly as possible a par bid for the bonds. At any time the Division has the option to convert the variable rate to a fixed rate. The rates fluctuated from 3.47% to 4% during fiscal year 2007. The bonds are credit enhanced by a letter of credit in the same amount, renewable annually on the outstanding balance priced at 75 basis points. The total remaining bonds outstanding are due by March 1, 2010.

In connection with the construction of the Hope Lodge in Lexington, the Division entered into a term note in the amount of $1,459,000 in August 2007. The principal sum outstanding bears interest at a fixed rate per annum equal to 5.3%. The loan is collateralized by a certificate of deposit in the same amount. Principal shall be due and payable in four installments, each in the amount of $100,000 on the first day of each calendar year beginning on January 1, 2008. The outstanding balance shall then be due in full on or before September 1, 2012. The note may be prepaid in whole or in part at any time, without premium or penalty.

Approximate annual payments as of August 31, 2007, excluding interest, are payable as follows:

Fiscal year:		
2008	$	725,739
2009		100,000
2010		325,000
2011		100,000
2012		-
Thereafter		1,059,000
Total	$	2,309,739

6. PENSION PLANS

The Division is a participant in the noncontributory defined benefit pension plan (the "Plan") of the Society, which covers substantially all employees of the National Home Office and participating Divisions. The benefits 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 the Division based on the amount to be funded currently, which for fiscal years 2007 and 2006 was $1,836,563 and $1,929,052, respectively. In fiscal year 2006, pension expense was based on 13% of participants' applicable earnings. During fiscal year 2007, the Society reduced the funding requirement from 13% to 10% of applicable earnings. The Division's liability for contributions accrued and unpaid as of August 31, 2007 and 2006 was $1,129,146 and $1,286,035, respectively.

The Division also maintains a nonqualified and unfunded Supplemental Executive Retirement Plan (the "SERP") for certain employees whose income exceeds the maximum income that can be considered under the Plan.

Adoption of Statement 158

On August 31, 2007, the Division adopted the recognition and disclosure provisions of Statement 158. Statement 158 required the Division to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its SERP in the August 31, 2007 balance sheet, with a corresponding adjustment to unrestricted net assets. The adjustment to unrestricted net assets at adoption represents the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligation remaining from the initial adoption of FASB Statement No. 87, *Employers' Accounting for Pensions* ("Statement 87"), all of which were previously netted against the plan's funded status in the Division's balance sheet pursuant to the provisions of Statement 87. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Division's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in unrestricted net assets at adoption of Statement 158.

The incremental effects of adopting the provisions of Statement 158 on the Division's balance sheet at August 31, 2007 are presented in the following table. The adoption of Statement 158 had no effect on the Division's total program and supporting services expenses and allocation to national activities for the year ended August 31, 2007, or for any prior period presented, and it will not affect the Division's total program and supporting services expenses and allocation to national activities in future periods.

	At August 31, 2007		
	Prior to Adopting Statement 158	**Effect of Adopting Statement 158**	**As Reported at August 31, 2007**
Accrued pension liability	470,763	220,608	691,371
Unrestricted net assets	-	(220,608)	(220,608)

Other information related to the Division's SERP as of August 31, 2007 and 2006, and the related changes during the years then ended is as follows:

Measurement date	August 31, 2007	August 31, 2006
Change in benefit obligation		
Benefit obligation at beginning of year	$ 1,169,657	$ 1,196,563
Service cost	38,206	35,956
Interest cost	61,301	58,692
Amendments	-	-
Actuarial gain	(173,953)	(97,613)
Benefits paid	(403,840)	(23,941)
Benefit obligation at end of year	$ 691,371	$ 1,169,657
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	403,840	23,941
Benefits paid	(403,840)	(23,941)
Fair value of plan assets at end of year	$ -	$ -
Reconciliation of funded status		
Funded status	$ (691,371)	$ (1,169,657)
Unrecognized prior service cost	-	167,216
Unrecognized actuarial loss	-	401,824
Net amount recognized	$ (691,371)	$ (600,617)
Amounts recognized in the balance sheets		
Prepaid benefit cost	$ -	$ -
Accrued benefit liability	(691,371)	(600,617)
Intangible assets	-	-
Net amount recognized	$ (691,371)	$ (600,617)
Actuarial assumptions		
Discount rate:		
Net periodic pension cost	6.00%	5.00%
Benefit obligation	6.25%	6.00%
Rate of compensation increase	Varies by individual: 4.00% to 5.00%	Varies by individual: 4.00% to 5.00%
Components of net periodic benefit cost		
Service cost	$ 38,206	$ 35,956
Interest cost	61,301	58,692
Expected return on plan assets	-	-
Amortization of:		
Unrecognized prior service cost	11,632	14,621
Unrecognized actuarial loss	15,255	223,404
Impact of settlement	147,592	-
Net periodic benefit cost	$ 273,986	$ 332,673
Accumulated benefit obligation	$ 399,196	$ 309,535
Vested benefit obligation	399,196	309,535

Estimated future benefit payments	
2008	$ 8,964
2009	17,902
2010	9,742
2011	14,139
2012	18,743
2013-2017	1,274,490

The Division expects to contribute $8,964 in fiscal year 2008.

Included in unrestricted net assets at August 31, 2007 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service costs of $155,584 and unrecognized actuarial losses of $65,024. The prior service cost included in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year-ended August 31, 2008 is $8,643.

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.

7. POSTRETIREMENT NONPENSION BENEFITS

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. Effective January 1, 2006, the Division rejoined the Society postretirement medical and life insurance plans. Actuarial information regarding the accumulated postretirement benefit obligation is calculated solely for the postretirement plan as a whole.

The Society accrued 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 fiscal years ended August 31, 2007 and 2006, the Division recognized postretirement benefit expense of $332,664 and $126,447, respectively.

8. OPERATING LEASES

The Division occupies office and other space under operating leases, some of which are subject to escalation and expire on various dates through fiscal year 2022. Future minimum annual rentals with noncancelable terms, are as follows as of August 31, 2007:

Fiscal year:	
2008	$ 650,255
2009	493,294
2010	356,618
2011	280,668
2012	192,688
Thereafter	603,683
Total	$ 2,577,206

Rental expense from operating leases for the years ended August 31, 2007 and 2006 was approximately $806,000 and $771,000, respectively.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets and the earnings from permanently restricted net assets as of August 31, 2007 and 2006 have been restricted by donors as follows:

	Temporarily		Permanently	
	2007	2006	2007	2006
Patient support	$ 360,302	$ 334,120	$ -	$ -
Prevention	952,137	1,110,456	-	-
Detection/treatment	218,552	531,832	-	-
Fixed asset acquisitions	9,890,821	9,584,067	-	-
Hope Lodges	256,307	360,917	-	-
Specific geographic location	202,767	360,917	6,823,619	6,564,475
Time restrictions	3,362,183	4,386,450	1,998,096	1,896,516
Total	$ 15,243,069	$16,307,842	$ 8,821,715	$ 8,460,991

For net assets that are shown as time restricted, the earnings are not restricted as to purpose. For permanently restricted net assets, the principal is restricted in perpetuity, and only the earnings on the net assets shown above may be spent for the restricted purpose.

10. EXCHANGE TRANSACTIONS AND CONTRIBUTED MERCHANDISE

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 the Society'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 the Society's mission are reported as exchange expenses. Costs related to exchange transactions that directly benefit or support the Society's mission are included with the Division's program or supporting services expenses.

Exchange transaction income and expenses for fiscal years 2007 and 2006 are as follows:

	Exchange Income		Exchange Expenses	
	2007	2006	2007	2006
Special events	$ 4,241,682	$ 3,976,982	$ 4,242,680	$ 3,982,982
Cars For a Cure	42,305	47,855	55,071	63,233
Sales to third parties	31,285	40,220	31,609	40,220
Rental income	71,285	59,772	12,617	5,198
Program services fees	36,680	17,150	450	122
	$ 4,423,237	$ 4,141,979	$ 4,342,427	$ 4,091,755

Benefits Purchased by Donors at Special Events

The Division 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 the Division. The direct costs of the special events that ultimately benefit the donor rather than the Division are recorded as exchange transaction income 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.

Contributed Merchandise:

Cars For a Cure

The Division participates in the Cars For a Cure program to solicit donations of used vehicles from the public. The Division sells these donated vehicles, primarily at wholesale dealer auctions, to generate cash to support the Division's life saving programs. The contribution of the vehicle is recorded as merchandise and other in-kind contributions in the accompanying statements of activities at the gross wholesale proceeds for vehicles sold by August 31 and at estimated gross proceeds for donated vehicles not sold by August 31. The transactions recorded during fiscal years 2007 and 2006 are as follows:

	2007	2006
Contribution Amount for Donated Vehicles	$ 42,305	$ 47,855
Exchange Transaction Income/Expense Attributable to Vehicle Sold	42,305	47,855
Exchange Selling Expenses	12,766	15,378
Net Proceeds Realized	29,539	32,477

11. REVENUE AND COST SHARING WITH THE NATIONAL HOME OFFICE

In accordance with the Society's policy, which is reviewed and approved annually by the National Assembly, 40% of each Division's support from the public during the fiscal year is allocated to the National Home Office to support programs and initiatives which are more effectively administered on a national basis, subject to certain agreed upon exceptions. Certain expenses of the Society are shared among Affiliates and the National Home Office on agreed upon formulas determined on a case-by-case basis. During fiscal years 2006 and 2005 (the latest years for which audited figures are available), the National Home Office's expenditures were as follows:

	2006	2005
Program services:		
Research	33%	32%
Prevention	16%	18%
Detection/treatment	12%	14%
Patient support	14%	13%
Total program services	75%	77%
Supporting services:		
Management and general	14%	11%
Fund-raising	11%	12%
Total supporting services	25%	23%
Total program and supporting services	100%	100%

This revenue sharing is reflected in the statements of activities as public support allocable to national research, programs and other activities.

12. ACTIVITIES WITH JOINT COSTS

In fiscal years 2007 and 2006, the Division 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 AICPA Statement of Position ("SOP") 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities That Include Fund-Raising*, included a total of $18,228,431 and $16,931,391 of joint costs for fiscal years 2007 and 2006, respectively, that were functionally allocated as follows:

	2007	**2006**
Fund-raising	$ 7,249,081	$ 7,717,105
Management and general	337,769	349,381
Prevention	2,675,796	2,894,314
Detection/treatment	3,507,838	3,070,345
Patient support	4,457,947	2,900,246
Total	$ 18,228,431	$ 16,931,391

13. COMMITMENTS AND CONTINGENCIES

The Division is party to legal claims arising in the course of its normal business activities. Although the ultimate outcome of these claims cannot be ascertained at this time, it is the opinion of management that none of these matters, when resolved, will have a material effect on the Division's net assets.

The Division is committed to improving the quality of life for cancer patients through Hope Lodge facilities. The Division began a capital campaign in fiscal year 2007 to raise funds for the construction of a Hope Lodge facility in Memphis, Tennessee. The actual construction will be contingent upon reaching the campaign goal.

14. TAX STATUS

The Society (including the National Home Office, its chartered Divisions, and the Foundation) has received a determination letter from the Internal Revenue Service that it is exempt from income tax under Section 501(a) of the U.S. Internal Revenue Code as an organization described under Section 501(c)(3). The Society prepares an Internal Revenue Service Form 990 for the combined Divisions.