FINANCIAL STATEMENTS

American Cancer Society, Mid-South Division, Inc.
As of and for the years ended August 31, 2008 and 2007
With Report of Independent Auditors

American Cancer Society, Mid-South Division, Inc.
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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 "Division") as of August 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Division'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 Division's 2007 financial statements and, in our report dated December 3, 2007 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 Division'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 Division'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 in the first paragraph present fairly, in all material respects, the financial position of the American Cancer Society, Mid-South Division, Inc. at August 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

December 5, 2008

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.
BALANCE SHEETS
AUGUST 31, 2008 AND 2007

ASSETS

	2008	2007
CASH AND CASH EQUIVALENTS	$ 5,777,933	$ 5,286,030
INVESTMENTS, at fair value		
Division's interest in Combined Investment Pool	23,975,450	21,706,714
Division's interest in Combined Endowment Pool	162,190	183,214
Other investments	17,006,359	15,555,767
Total investments	41,143,999	37,445,695
DUE FROM AFFILIATES	5,377,478	4,653,358
PLEDGES AND GRANTS RECEIVABLE, net	4,959,360	3,691,166
OTHER ASSETS	2,932,539	2,969,706
DIVISION'S INTEREST IN COMBINED PLANNED GIVING POOL	19,457,988	19,957,013
FIXED ASSETS, net	24,898,083	25,611,263
Total assets	$ 104,547,380	$ 99,614,231

LIABILITIES AND NET ASSETS

	2008	2007
ACCOUNTS PAYABLE AND ACCRUED EXPENSES:		
Accounts payable and accrued expenses	$ 2,619,735	$ 2,175,735
Accrued retirement plan benefits	994,937	1,820,517
Postretirement medical, dental and life insurance accrual	1,725,242	1,552,565
Total accounts payable and accrued expenses	5,339,914	5,548,817
DUE TO AFFILIATES	20,453,332	20,820,439
OTHER LIABILITIES	974,898	531,290
DEBT	1,508,027	2,309,739
Total liabilities	28,276,171	29,210,285
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Available for program and supporting activities	32,977,437	23,488,181
Net investment in fixed assets	22,489,745	22,850,981
Total unrestricted	55,467,182	46,339,162
Temporarily restricted	12,145,350	15,243,069
Permanently restricted	8,658,677	8,821,715
Total net assets	76,271,209	70,403,946
Total liabilities and net assets	$ 104,547,380	$ 99,614,231

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

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2008, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008	Total 2007
REVENUE, GAINS AND OTHER SUPPORT					
Support from the public:					
Received directly:					
Contributions	$ 5,571,910	$ 6,225,352	$ -	$ 11,797,262	$ 8,626,904
Special events	48,266,893	162,943	-	48,429,836	46,766,564
Legacies and bequests	4,237,092	1,100,647	-	5,337,739	8,488,091
Change in value of split-interest agreements	-	(3,828)	-	(3,828)	12,916
Merchandise and other in-kind contributions, at fair value	60,670	-	-	60,670	168,900
Received indirectly:					
Contributions raised indirectly from federated and other fund-raising organizations	1,262,525	995,060	-	2,257,585	2,358,410
Total support from the public	59,399,090	8,480,174	-	67,879,264	66,421,785
Grants and contracts from:					
Government agencies	-	187,699	-	187,699	183,180
Affiliates	1,000	3,019,185	-	3,020,185	1,993,922
Total grants and contracts	1,000	3,206,884	-	3,207,884	2,177,102
Investment income (loss):					
Interest and dividends, net	1,721,147	92,233	-	1,813,380	1,842,952
Net realized and unrealized investment income gains (losses)	(331,543)	-	-	(331,543)	1,717
Net unrealized gains (losses) on perpetual trusts	-	-	(163,038)	(163,038)	360,724
Total investment income (loss)	1,389,604	92,233	(163,038)	1,318,799	2,205,393
Exchange transactions:					
Income	4,534,481	-	-	4,534,481	4,423,237
Expenses	(4,450,692)	-	-	(4,450,692)	(4,342,427)
Net exchange transactions	83,789	-	-	83,789	80,810
Other revenue (loss)	(69,742)	-	-	(69,742)	4,623
Gain on disposal of fixed assets	317,029	-	-	317,029	11,277
Total revenue, gains and other support	61,120,770	11,779,291	(163,038)	72,737,023	70,900,990
NET ASSET RESTRICTION TRANSFERS					
Satisfaction of activity restrictions	12,410,332	(12,410,332)	-	-	-
Transfer of restriction to National Home Office	1,739,597	(1,739,597)	-	-	-
Expiration of time restrictions	727,081	(727,081)	-	-	-
Total net asset restriction transfers	14,877,010	(14,877,010)	-	-	-

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.
STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED AUGUST 31, 2008, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007

		Temporarily	Permanently	Total			
	Unrestricted	Restricted	Restricted	2008	%	2007	%
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	44,201	-	-	44,201	0%	44,241	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	8,652,578	-	-	8,652,578	13%	8,578,260	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	7,715,001	-	-	7,715,001	11%	7,808,235	11%
Patient support - programs to assist cancer patients and their families and ease the burden of cancer for them	12,082,480	-	-	12,082,480	18%	11,988,815	18%
Total program services	28,494,260	-	-	28,494,260	42%	28,419,551	42%
Supporting services:							
Management and general - direction of the overall affairs of the Division through executive, financial and administrative services	2,091,644	-	-	2,091,644	3%	2,173,159	3%
Fund-raising - programs to secure charitable financial support for Programs and supporting services	11,727,170	-	-	11,727,170	18%	11,624,924	17%
Total supporting services	13,818,814	-	-	13,818,814	21%	13,798,083	20%
Total program and supporting services expenses	42,313,074	-	-	42,313,074	63%	42,217,634	62%
Public support allocable to national research, programs and other Activities	24,777,294	-	-	24,777,294	37%	25,456,465	38%
Total program and supporting services expenses and allocation to national activities	67,090,368	-	-	67,090,368	100%	67,674,099	100%
Net change in retirement plan liability	220,608	-	-	220,608		-	
Effect of adoption and recognition of FASB Statement No. 158	-	-	-	-		(220,608)	
CHANGE IN NET ASSETS	9,128,020	(3,097,719)	(163,038)	5,867,263		3,006,283	
NET ASSETS, beginning of year	46,339,162	15,243,069	8,821,715	70,403,946		67,397,664	
NET ASSETS, end of year	$ 55,467,182	$ 12,145,350	$ 8,658,677	$ 76,271,209		$ 70,403,947	

The accompanying notes are an integral part of the financial statements

AMERICAN CANCER SOCIETY, MID-SOUTH DIVISION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2008 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007

	Program Services				Supporting Services			Total	
	Research	Prevention	Detection/ Treatment	Patient Support	Management and General	Fund-raising	Other	2008	2007
EXPENSES									
Salaries	$ 26,744	$ 4,468,721	$ 4,234,953	$ 5,208,930	$ 850,719	$ 6,237,246	$ -	$ 21,027,313	$ 20,541,274
Employee benefits	6,455	1,073,788	1,016,597	1,256,396	205,575	1,504,463	-	5,063,274	5,685,463
Payroll taxes	2,256	374,322	356,830	439,490	71,514	525,922	-	1,770,334	1,791,727
Professional fees	126	529,276	199,896	346,071	344,167	684,387	-	2,103,923	2,317,408
Supplies	294	59,992	57,404	116,653	12,772	95,869	-	342,984	581,465
Telephone	1,014	177,926	169,889	209,861	37,182	258,889	-	854,761	874,906
Postage and shipping	397	74,446	70,943	104,552	14,088	132,035	-	396,461	361,584
Occupancy	160	306,718	305,757	872,107	285,467	318,999	-	2,089,208	1,869,238
Equipment rental, maintenance and information processing	417	72,792	69,313	95,356	17,363	104,801	-	360,042	231,870
Printing and publications	203	374,767	207,605	310,788	30,566	330,842	-	1,254,771	1,103,093
Meetings and conferences	1,198	203,335	178,738	224,972	24,958	237,086	-	870,287	748,173
Travel	2,546	508,073	443,408	619,400	71,996	669,994	-	2,315,417	2,101,587
Miscellaneous	74	38,723	37,699	61,929	23,037	58,153	-	219,615	663,841
Special assistance to individuals	-	834	827	1,581,610	-	-	-	1,583,271	1,331,344
Awards and grants to individuals and other organizations	-	15,848	5,578	85,019	21	18,241	-	124,707	99,985
Awards and grants to Affiliates	98	16,874	16,200	46,772	3,132	25,949	-	109,025	101,026
Insurance	252	39,999	38,566	48,149	7,977	58,662	-	193,605	220,964
Membership dues and subscriptions	29	8,212	7,895	10,352	2,236	14,018	-	42,742	34,462
Depreciation and amortization	1,938	307,932	296,903	386,494	61,408	451,614	-	1,506,289	1,452,154
Interest expense	-	-	-	57,579	27,466	-	-	85,045	106,070
Total program and supporting services expenses	44,201	8,652,578	7,715,001	12,082,480	2,091,644	11,727,170	-	42,313,074	42,217,634
PUBLIC SUPPORT ALLOCABLE TO NATIONAL RESEARCH, PROGRAMS AND OTHER ACTIVITIES	-	-	-	-	-	-	24,777,294	24,777,294	25,456,465
Total expenses and allocation	$ 44,201	$ 8,652,578	$ 7,715,001	$ 12,082,480	$ 2,091,644	$ 11,727,170	$ 24,777,294	$ 67,090,368	$ 67,674,099

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, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,867,263	$ 3,006,282
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,506,289	1,452,154
Net unrealized (gains) losses on perpetual trusts	163,038	(360,724)
Net realized and unrealized investment (gains) losses	331,543	(1,717)
Gain on disposal of fixed assets	(317,029)	(11,277)
Net change in retirement plan liability	(220,608)	-
Effect of adoption and recognition of FASB Statement No. 158	-	220,608
Change in value of split - interest agreements	3,828	(12,916)
Support from the public restricted for fixed asset acquisitions	2,673,071	1,308,899
Changes in assets and liabilities:		
Due from Affiliates	(724,120)	(412,164)
Pledges and grants receivable, net	(1,268,194)	742,636
Other assets	37,167	(4,290)
Division's interest in combined planned giving pool	332,159	929,854
Accounts payable and accrued expenses	11,704	(583,774)
Due to Affiliates	(367,107)	2,834,240
Other liabilities	(6,161)	44,453
Net cash provided by operating activities	8,022,843	9,152,264
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(386,298)	(2,145,007)
Proceeds from sale of fixed assets	493,444	16,960
Purchase of investments	(68,963,022)	(80,121,811)
Proceeds from maturity or sale of investments	64,933,177	72,154,930
Support from the public restricted for fixed asset acquisitions	(2,673,071)	(1,308,899)
Net cash used in investing activities	(6,595,770)	(11,403,827)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	(801,712)	(1,150,739)
Payments on capital lease obligations	(133,458)	(238,120)
Proceeds from issuance of debt	-	2,084,739
Net cash provided by (used in) financing activities	(935,170)	695,880
NET CHANGE IN CASH AND CASH EQUIVALENTS	491,903	(1,555,683)
CASH AND CASH EQUIVALENTS, beginning of year	5,286,030	6,841,713
CASH AND CASH EQUIVALENTS, end of year	$ 5,777,933	$ 5,286,030
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 75,654	$ 84,289
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Fixed assets acquired through capital lease	$ 567,414	$ -

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

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.

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 Group Form 990 for the combined Divisions.

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 investments are credited to unrestricted net assets unless otherwise restricted by the donor.

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

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, investments, due from affiliates, pledges and grants receivable, legacies and bequests receivable, beneficial interests in trusts, 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 3.5% to 5.0%. 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 and reflected as contribution revenue.

Fixed Assets and Depreciation

Land, buildings, leasehold improvements, furniture, fixtures, 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:

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

Fixed Assets and Depreciation, continued

Buildings	20 to 40 years
Leasehold improvements	Lesser of life of the lease or estimated life of the improvement
Furniture, fixtures, equipment, 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 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.

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

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 2008 and 2007, 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 7.50% and 7.25%, respectively, and a discount rate of 5.00% for both years, respectively, commensurate with the risks involved. The carrying value of the initial gift of the nonperpetual BIT is recognized as temporarily restricted public support (legacy or contribution revenue depending on 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 net 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 an 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 contribution revenue has been recorded.

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

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 or contribution 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. Legacies receivable 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, 2008 and 2007, the Division recognized $5,413,767 and $8,530,950, 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, 2008 and 2007, the Division recorded a receivable from the National Home Office in the amount of $3,050,314 and $2,452,009, respectively. As of August 31, 2008 and 2007, the Division has recorded a receivable from other Affiliates in the amount of $2,327,164 and $2,201,349, 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, 2008 and 2007, the Division has recorded a payable to the National Home Office in the amount of $19,759,571 and $20,038,693, respectively, to support such programs and initiatives. As of August 31, 2008 and 2007, the Division has recorded other payables to Affiliates in the amount of $693,761 and $781,746, respectively. These payables are included in Due to Affiliates in the accompanying balance sheets and are expected to be paid during subsequent fiscal years.

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

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 statement 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 2008 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, 2007, from which the summarized information was derived. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return when there is uncertainty about whether a tax position will ultimately be sustained upon examination. On September 1, 2007, the Division adopted the recognition and disclosure provisions of FIN 48. The effect of adopting FIN 48 did not have an effect on the Division's financial position or changes in net assets.

In August 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (“FSP FAS 117-1”). FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional funds Act of 2006 (“UPMIFA”).UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. FSP FAS 117-1 also enhances disclosures about an organization’s endowment funds, whether or not the organization is subject to UPMIFA. This FSP will be effective for the Division’s fiscal year ending August 31, 2009. The Division is currently evaluating the effect that the adoption of FSP FAS 117-1 will have on its financial position and changes in net assets.

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, 2008 and 2007 are as follows:

	2008	2007
Combined Investment Pool	$ 23,975,450	$ 21,706,714
Combined Endowment Pool	162,190	183,214
Time deposits	1,462,000	1,463,000
Corporate bonds	1,859,099	1,866,566
U.S. government and government agency obligations	6,195,992	6,614,321
Mortgage backed securities	4,490,901	3,610,157
Other investments	2,998,366	2,001,723
Total investments	$ 41,143,998	$ 37,445,695

Investment advisory fees paid by the Division were approximately $95,000 and $59,000 for the fiscal years ended August 31, 2008 and 2007, respectively.

3. PLEDGES AND GRANTS RECEIVABLE

As of August 31, 2008 and 2007, the expected future cash receipts from unconditional pledges and grants receivable are as follows:

	2008	2007
Due in one year or less	$ 3,148,573	$ 2,739,085
Due in one year through five years	2,010,047	1,088,953
Less: estimated amounts uncollectible	(50,014)	(29,424)
	5,108,606	3,798,614
Less: discount	(149,246)	(107,448)
Total	$ 4,959,360	$ 3,691,166

4. FIXED ASSETS

Fixed assets as of August 31, 2008 and 2007 are as follows:

	2008	2007
Land	$ 2,274,711	$ 2,339,711
Buildings and leasehold improvements	28,377,075	28,618,982
Furniture, fixtures, equipment, and other capitalized assets	3,924,079	3,872,221
Construction in progress	144,021	51,954
Less: accumulated depreciation and amortization	(9,821,803)	(9,271,605)
Net fixed assets	$ 24,898,083	$ 25,611,263

Depreciation expense incurred for the years ended August 31, 2008 and 2007 was $1,506,289 and $1,452,154, respectively.

4. FIXED ASSETS, continued

Included within fixed assets as of August 31, 2008 and 2007 is $21,394,068 and $20,536,247, 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, 2008 and 2007 is as follows:

The Division has a note payable of $624,027 and $625,739, outstanding at August 31, 2008 and 2007, respectively, in connection with the purchase of an office in Baton Rouge, LA. The building was purchased on September 10, 2003. The loan was collateralized by a certificate of deposit in the amount of $651,967 and carries a fixed rate of 3.4%. The entire loan was renewed on April 9, 2008 for $625,739 and matures on April 9, 2009. The Division repaid the loan in full in September 2008.

Industrial development bonds outstanding at August 31, 2008 and 2007 are $100,000 and $225,000, 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 1.53% to 4.00% during fiscal year 2008. 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. The Division repaid the loan in full in October 2008.

In connection with the construction of the Hope Lodge in Lexington, the Division has a term note outstanding at August 31, 2008 and 2007 in the amount of $784,000 and $1,459,000, respectively. The principal sum outstanding bears interest at a fixed rate per annum equal to 5.30%. The loan is collateralized by a certificate of deposit in the amount of $1,459,000. 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, 2008, excluding interest, are payable as follows:

Fiscal year:		
2009	$	824,027
2010		100,000
2011		100,000
2012		484,000
2013		-
Total	$	1,508,027

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 2008 and 2007 was $1,547,680 and $1,836,563, respectively. In fiscal year 2007, pension expense was reduced from 13% to 10% of participants’ applicable earnings. During fiscal year 2008, the Society reduced the funding requirement from 10% to 9% of applicable earnings. The Division’s liability for contributions accrued and unpaid as of August 31, 2008 and 2007 was $994,937 and $1,129,146, respectively.

Prior to August 31, 2008 the Division maintained a nonqualified and unfunded Supplemental Executive Retirement Plan (the "SERP") for certain employees whose income exceeded the maximum income that can be considered under the Plan. During the fiscal year 2008, the Division’s sole participant transferred from the Division to the National Home Office. Other information related to the Division's SERP as of August 31, 2008 and 2007, and the related changes during the years then ended is as follows:

6. PENSION PLANS, continued

Measurement date	August 31, 2008	August 31, 2007
Change in benefit obligation		
Benefit obligation at beginning of year	$ 691,371	$ 1,169,657
Service cost	9,328	38,206
Interest cost	14,280	61,301
Amendments	-	-
Actuarial gain	4,350	(173,953)
Benefits paid	(13,043)	(403,840)
Impact of Settlement	(393,094)	-
Transfer to National Home Office	(313,192)	-
Benefit obligation at end of year	$ -	$ 691,371
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	13,043	403,840
Benefits paid	(13,043)	(403,840)
Fair value of plan assets at end of year	$ -	$ -
Funded status	$ -	$ (691,371)
Amounts recognized in the balance sheets		
Prepaid benefit cost	$ -	$ -
Accrued benefit liability	-	(691,371)
Net amount recognized	$ -	$ (691,371)
Actuarial assumptions		
Discount rate:		
Net periodic pension cost	6.25%	6.00%
Benefit obligation	N/A	6.25%
Rate of compensation increase	5.00%	Varies by individual 4% to 5%
Components of net periodic benefit cost		
Service cost	$ 9,328	$ 38,206
Interest cost	14,280	61,301
Expected return on plan assets	-	-
Amortization of:		
Unrecognized prior service cost	-	11,632
Unrecognized actuarial loss	2,881	15,255
Impact of settlement	(171,017)	147,592
Net periodic benefit cost	$ (144,528)	$ 273,986
Accumulated benefit obligation	$ -	$ 399,196
Vested benefit obligation	$ -	$ 399,166
Estimated future benefit payments		
2009	-	
2010	-	
2011	-	
2012	-	
2013	-	
2014-2018	-	

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, 2008 and 2007, the Division recognized postretirement benefit expense of $317,219 and $332,664, 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, 2008:

Fiscal year:	
2009	$ 744,382
2010	600,939
2011	463,048
2012	353,875
2013	230,044
Thereafter	402,099
Total	$ 2,794,387

Rental expense from operating leases for the years ended August 31, 2008 and 2007 was approximately $845,000 and $806,000, respectively.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets and the earnings from permanently restricted net assets as of August 31, 2008 and 2007 have been restricted by donors as follows:

	Temporarily		Permanently	
	2008	2007	2008	2007
Patient support	$ 597,062	$ 360,302	$ -	$ -
Prevention	1,775,715	952,137	-	-
Detection/treatment	205,917	218,552	-	-
Fixed asset acquisitions	5,642,034	9,890,821	-	-
Hope Lodges	332,630	256,307	-	-
Specific geographic locations	208,443	202,767	6,707,850	6,823,619
Time restrictions	3,383,549	3,362,183	1,950,827	1,998,096
Total	$ 12,145,350	$ 15,243,069	$ 8,658,677	$ 8,821,715

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.

In fiscal year 2008, the Division recorded a reclassification of $7,731,315 to unrestricted net assets from temporarily restricted net assets to more accurately reflect temporarily restricted assets. This reclassification is presented in the accompanying statement of activities within the nets assets restriction transfers and had no impact on total changes in net assets or total net assets.

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 2008 and 2007 are as follows:

	Exchange Income		Exchange Expenses	
	2008	2007	2008	2007
Special events	$ 4,404,128	$ 4,241,682	$ 4,404,128	$ 4,242,680
Cars For a Cure	26,141	42,305	33,619	55,071
Sales to third parties	5,578	31,285	5,553	31,609
Rental income	71,161	71,285	5,682	12,617
Program services fees	27,473	36,680	1,710	450
	$ 4,534,481	$ 4,423,237	$ 4,450,692	$ 4,342,427

10. EXCHANGE TRANSACTIONS AND CONTRIBUTED MERCHANDISE, continued

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 revenue in the accompanying statement 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 statement 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 2008 and 2007 are as follows:

	2008	2007
Contribution Amount for Donated Vehicles	$ 26,141	$ 42,305
Exchange Transaction Income/Expense		
Attributable to Vehicle Sold	$ 26,141	$ 42,305
Exchange Selling Expenses	7,478	12,766
Net Proceeds Realized	$ 18,663	$ 29,539

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 2007 and 2006 (the latest years for which audited figures are available), the National Home Office's expenditures were as follows:

11. REVENUE AND COST SHARING WITH THE NATIONAL HOME OFFICE

	2007	2006
Program services:		
Research	34%	33%
Prevention	15%	16%
Detection/treatment	13%	12%
Patient support	14%	14%
Total program services	76%	75%
Supporting services:		
Management and general	14%	14%
Fund-raising	10%	11%
Total supporting services	24%	25%
Total program and supporting services	100%	100%

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

12. ACTIVITIES WITH JOINT COSTS

In fiscal years 2008 and 2007, 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 $18,574,863 and $18,228,431 of joint costs for fiscal years 2008 and 2007, respectively, that were functionally allocated as follows:

	2008	2007
Fund-raising	$ 6,716,684	$ 7,249,081
Prevention	2,968,923	2,675,796
Detection/treatment	2,462,684	3,507,838
Patient support	6,146,811	4,457,947
Management and general	279,761	337,769
Total	$ 18,574,863	$ 18,228,431

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.