

**American Cancer Society, Inc.
and Affiliated Entities**

**Consolidated Financial Statements
As of and for the Year Ended August 31, 2011 with
summarized financial information for the Year Ended
August 31, 2010 with Report of Independent Auditors**

Ernst & Young LLP

 **ERNST & YOUNG**

**American Cancer Society, Inc.
and Affiliated Entities
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August 31, 2011 and 2010**

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Report of Independent Auditors

The Board of Directors
American Cancer Society, Inc. and Affiliated Entities

We have audited the accompanying consolidated balance sheet of the organizations described in Note 1 (collectively the Society) as of August 31, 2011, and the related consolidated 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 2010 consolidated financial statements and, in our report dated January 19, 2011, we expressed an unqualified opinion on those consolidated 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 in the first paragraph present fairly, in all material respects, the consolidated financial position of the organizations described in Note 1 as of August 31, 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating balance sheet and consolidating statements of activities and expenses by natural classification are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as whole.

Ernst & Young LLP

January 5, 2012

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	August 31,	
	2011	2010
CASH AND CASH EQUIVALENTS	\$ 129,289	\$ 117,968
SHORT-TERM INVESTMENTS, at fair value	959,019	844,921
SECURITIES LENT UNDER SECURITIES LENDING PROGRAM	17,573	107,821
COLLATERAL RECEIVED UNDER SECURITIES LENDING PROGRAM	17,927	109,992
RECEIVABLES, net	43,322	52,978
PREPAID EXPENSE AND OTHER ASSETS	33,959	31,309
LEGACIES AND BEQUESTS RECEIVABLE	78,268	85,410
GIFT ANNUITY INVESTMENTS, at fair value	34,946	34,838
INVESTMENTS, at fair value	102,220	88,546
BENEFICIAL INTERESTS IN TRUSTS	294,668	284,980
FIXED ASSETS, net	328,013	345,596
Total assets	\$ 2,039,204	\$ 2,104,359
LIABILITIES AND NET ASSETS		
RESEARCH AND OTHER PROGRAM AWARDS AND GRANTS PAYABLE	\$ 217,591	\$ 212,571
ACCRUED EXPENSES:		
Accounts payable and other accrued expenses	63,818	67,537
Accrued retirement plan benefits	191,125	231,396
Postretirement medical, dental and life insurance accrual	54,999	57,716
Total accrued expenses	309,942	356,649
PAYABLE UNDER SECURITIES LENDING PROGRAM	17,927	109,992
OTHER LIABILITIES	28,927	26,108
GIFT ANNUITY OBLIGATIONS	25,439	25,926
DEBT	64,993	65,715
Total liabilities	664,819	796,961
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Available for program and supporting activities	625,055	531,951
Net investment in fixed assets	260,200	277,303
Total unrestricted	885,255	809,254
Temporarily restricted	229,532	258,137
Permanently restricted	259,598	240,007
Total net assets	1,374,385	1,307,398
Total liabilities and net assets	\$ 2,039,204	\$ 2,104,359

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

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010
(In Thousands)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2011</u>	<u>2010</u>
REVENUE, GAINS AND OTHER SUPPORT					
Support from the public:					
Contributions	\$ 136,210	\$ 42,655	\$ 350	\$ 179,215	\$ 188,545
Special events	454,316	71,874	-	526,190	525,400
Other special fund-raising events	268	-	-	268	297
Legacies and bequests	97,073	19,461	5,143	121,677	113,822
Change in value of split-interest agreements	461	(7,452)	(946)	(7,937)	5,495
Contributed services, merchandise and other in-kind contributions at fair value	22,715	27,863	-	50,578	49,938
Contributions raised indirectly from federated and other fund-raising organizations	12,247	6,076	-	18,323	19,703
Total support from the public	<u>723,290</u>	<u>160,477</u>	<u>4,547</u>	<u>888,314</u>	<u>903,200</u>
Investment income (losses):					
Interest and dividends, net	15,224	3,416	-	18,640	18,589
Net realized and unrealized investment gains (losses)	9,635	5,426	(90)	14,971	7,430
Net unrealized gains on perpetual trusts	-	-	15,196	15,196	11,649
Total investment income	<u>24,859</u>	<u>8,842</u>	<u>15,106</u>	<u>48,807</u>	<u>37,668</u>
Exchange transactions:					
Income	92,641	-	-	92,641	91,680
Expenses	(92,290)	-	-	(92,290)	(91,095)
Net exchange transactions	<u>351</u>	<u>-</u>	<u>-</u>	<u>351</u>	<u>585</u>
Grants and contracts from government agencies	8,567	2,378	-	10,945	11,180
Other revenue (losses)	3,316	1,735	(468)	4,583	3,695
Gain (loss) on disposal of fixed assets	576	-	-	576	(169)
Total revenue, gains and other support	<u>760,959</u>	<u>173,432</u>	<u>19,185</u>	<u>953,576</u>	<u>956,159</u>
NET ASSET RESTRICTION TRANSFERS					
Satisfaction of activity restrictions	180,691	(180,689)	(2)	-	-
Reclassification of restrictions	(51)	(357)	408	-	-
Satisfaction of equipment acquisition restrictions	5,737	(5,737)	-	-	-
Expiration of time restrictions	16,073	(16,073)	-	-	-
Total net asset restriction transfers	<u>202,450</u>	<u>(202,856)</u>	<u>406</u>	<u>-</u>	<u>-</u>

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
CONSOLIDATED STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED AUGUST 31, 2011, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
				2011	%	2010	%
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	148,468	-	-	148,468	16%	148,644	16%
Prevention - programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer	149,719	-	-	149,719	16%	148,982	16%
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	102,741	-	-	102,741	11%	112,262	12%
Patient support - programs to assist cancer patients and their families and ease the burden of cancer for them	279,645	-	-	279,645	29%	270,652	28%
Total program services	680,573	-	-	680,573	72%	680,540	72%
Supporting services:							
Management and general - direction of the overall affairs of the Society through executive, financial, and administrative services	63,456	-	-	63,456	7%	68,373	7%
Fund-raising - programs to secure charitable financial support for programs and supporting services	202,941	-	-	202,941	21%	202,210	21%
Total supporting services	266,397	-	-	266,397	28%	270,583	28%
Total program and supporting services expenses	946,970	-	-	946,970	100%	951,123	100%
Net (decrease) increase in retirement plan liability	(60,381)	-	-	(60,381)		32,040	
CHANGE IN NET ASSETS	76,820	(29,424)	19,591	66,987		(27,004)	
NET ASSETS, beginning of year before the effect of adoption and recognition of ASC 958-205-45-13	809,254	258,137	240,007	1,307,398		1,334,402	
Effect of adoption and recognition of ASC 958-205-45-13	(819)	819	-	-		-	
NET ASSETS, beginning of year as adjusted	808,435	258,956	240,007	1,307,398		1,334,402	
NET ASSETS, end of year	\$ 885,255	\$ 229,532	\$ 259,598	\$ 1,374,385		\$ 1,307,398	

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

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2011, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010
(In Thousands)

	Program Services				Supporting Services		Total	
	Research	Prevention	Detection/ Treatment	Patient Support	Management	Fund-raising	2011	2010
EXPENSES								
Salaries	\$ 17,762	\$ 62,247	\$ 45,713	\$ 108,500	\$ 31,979	\$ 97,955	\$ 364,156	\$ 368,076
Employee benefits	3,824	19,219	14,292	32,999	8,421	28,870	107,625	111,700
Payroll taxes	1,305	5,079	3,804	8,819	2,691	7,644	29,342	30,601
Professional fees	7,957	12,567	7,560	14,657	393	12,242	55,376	54,584
Supplies	170	1,007	732	2,293	303	1,449	5,954	6,402
Telephone	782	2,575	1,791	4,853	1,328	3,275	14,604	16,263
Postage and shipping	225	5,353	2,244	5,461	2,671	6,557	22,511	22,190
Occupancy	2,099	7,403	4,787	17,136	2,742	9,141	43,308	44,627
Equipment rental, maintenance and information processing	1,218	2,331	1,564	4,251	1,825	3,018	14,207	12,783
Printing and publications	4,075	11,119	6,700	18,640	2,274	10,196	53,004	50,390
Meetings and conferences	1,222	3,780	2,147	4,036	1,429	4,110	16,724	16,349
Travel	1,107	5,513	3,212	6,500	1,714	6,170	24,216	21,060
Special assistance to individuals	-	1	286	28,421	-	2	28,710	28,353
Awards and grants for program services, net of cancellations	102,555	3,777	2,436	3,537	-	48	112,353	115,214
Membership dues and subscriptions	143	282	145	289	187	305	1,351	1,511
Depreciation and amortization	1,860	4,052	2,889	11,010	2,160	4,751	26,722	27,406
Interest expense	2	62	49	2,260	193	130	2,696	2,708
Contributed services and other in-kind contributions	1,953	1,552	942	2,998	532	2,387	10,364	6,371
Miscellaneous	209	1,800	1,448	2,985	2,614	4,691	13,747	14,535
Total program and supporting services expenses	<u>\$ 148,468</u>	<u>\$ 149,719</u>	<u>\$ 102,741</u>	<u>\$ 279,645</u>	<u>\$ 63,456</u>	<u>\$ 202,941</u>	<u>\$ 946,970</u>	<u>\$ 951,123</u>

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

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010
(In Thousands)**

CASH FLOWS FROM OPERATING ACTIVITIES	2011	2010
Change in net assets	\$ 66,987	\$ (27,004)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	26,808	27,594
Net unrealized gains on perpetual trusts	(15,196)	(11,649)
Net realized and unrealized investment gains	(14,971)	(7,430)
Change in value of split-interest agreements	7,937	(5,495)
(Gain) loss on disposal of fixed assets	(576)	169
Other losses	443	-
Net change in retirement plan liability	(60,381)	32,040
Support from the public restricted for long-term investment	(4,547)	(5,090)
Support from the public restricted for fixed asset acquisition	(2,727)	(3,102)
Changes in assets and liabilities:		
Receivables, net	9,656	12,516
Prepaid expenses and other assets	(2,989)	(521)
Legacies and bequests receivable	7,142	3,506
Beneficial interests in trusts and gift annuities, net	6	5,722
Research and other program awards and grants payable	5,020	(4,768)
Accrued expenses	11,020	(8,163)
Other liabilities	3,538	(1,008)
Net cash provided by operating activities	<u>37,170</u>	<u>7,317</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(9,578)	(19,781)
Proceeds from disposal of fixed assets	1,117	678
Support from the public restricted for fixed asset acquisition	2,727	3,102
Purchase of investments	(590,835)	(570,070)
Proceeds from maturity or sale of investments	568,220	574,154
Net cash used in investing activities	<u>(28,349)</u>	<u>(11,917)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	(2,191)	(2,136)
Proceeds from issuance of debt	1,486	-
Increase in bank overdrafts	2,654	11,577
Payments on capital lease obligations	(568)	(568)
Payments to annuitants	(3,428)	(3,518)
Support from the public restricted for long-term investment	4,547	5,090
Net cash provided by financing activities	<u>2,500</u>	<u>10,445</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>11,321</u>	<u>5,845</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>117,968</u>	<u>112,123</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 129,289</u>	<u>\$ 117,968</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 2,615</u>	<u>\$ 2,667</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Fixed assets acquired through capital lease	<u>\$ 46</u>	<u>\$ 220</u>
Collateral received and payable under the securities lending program	<u>\$ (92,065)</u>	<u>\$ (56,458)</u>

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

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

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.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the American Cancer Society, Inc. (the "National Home Office") and the American Cancer Society of Puerto Rico, Inc. ("Puerto Rico"). Puerto Rico is a membership corporation with the American Cancer Society, Florida Division, Inc. as its only member. These consolidated accounts are consolidated with the accounts of the American Cancer Society Cancer Action Network ("ACS CAN") and the Society's 12 chartered Divisions (the "Divisions"), which are separately incorporated. During fiscal year 2011, the American Cancer Society, Ohio Division, Inc. and the American Cancer Society, Pennsylvania Division, Inc. merged to form the American Cancer Society, East Central Division, Inc. All significant intra-Society accounts and transactions have been eliminated in the accompanying consolidated financial statements.

The Society (including the National Home Office, its chartered Divisions and Puerto Rico) 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 in section 501(c)(3). ACS CAN 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 in section 501(c)(4). The Society prepares a separate Internal Revenue Service Form 990 for the National Home Office, ACS CAN, Puerto Rico and each of the 12 chartered Divisions.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, *Fair Value Measurements and Disclosures* ("Topic 820") – Improving Disclosures about Fair Value Measurements. This ASU requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. ASU 2010-06 requires a reporting entity to disclose significant transfers in and out of Level 1, Level 2, and Level 3 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value measurements using significant unobservable inputs. ASU 2010-06 is effective for the year ended August 31, 2011, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective for the year ended August 31, 2012. The Society has adopted ASU 2010-06 for the year ended August 31, 2011.

In May 2011, FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS's*. This ASU changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. FASB does not intend for this ASU to change the application of the requirements in Topic 820. ASU 2011-04 is effective for the year ended August 31, 2013. The Society is currently evaluating the effect that the adoption of ASU 2011-04 will have on its consolidated financial statements.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

The Society 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 short-term investments, gift annuity investments, collateral received under the securities lending program and investments, as appropriate.

Securities Lending

The Society participates in a securities lending program with its investment custodian. The Society lends a portion of its investments to certain approved firms in exchange for collateral for the loaned securities. The Society only loans securities that are not restricted by donors. The loaned securities are contractually required to be continuously secured by collateral consisting of cash, which is reinvested, and U.S. government securities with a minimum value of 100% of the loaned securities adjusted daily. The investment custodian's general practice is to obtain collateral with a value of 102% of the loaned securities adjusted daily. The Society maintains effective control of the loaned securities through its custodian. Under the terms of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed.

The Society receives compensation, net of related fees, for lending its securities which is included in investment income. The loaned securities are reflected as securities lent under securities lending program in the accompanying consolidated balance sheets.

At August 31, 2011 and 2010, \$17,573,000 and \$107,821,000, respectively, is recorded as securities lent under securities lending program in the accompanying consolidated balance sheets. At August 31, 2011 and 2010, \$17,927,000 and \$109,992,000, respectively, is recorded as collateral received under securities lending program and as payable under securities lending program in the accompanying consolidated balance sheets.

During fiscal year 2011, the Society initiated a plan to cease participation in the securities lending program. The Society expects the transition to continue as the invested collateral matures. No additional securities are being lent.

Investments

The Society's investments are recorded at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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 or relevant law.

Investment advisory fees paid by the Society were approximately \$2,093,000 and \$2,106,000 for the fiscal years ended August 31, 2011 and 2010, respectively.

Government Grants Receivable

All government grants receivable, which are included in receivables, net in the accompanying consolidated balance sheets, are expected to be collected within one year and are recorded at net realizable value.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Pledges receivable, which are recorded in receivables, net in the accompanying consolidated balance sheets, have been discounted at rates ranging from 1.50% to 5.25%, which are the rates commensurate with the risks involved with the ultimate payment of the pledge receivable at the time the pledge is made. The discount is amortized using an effective yield over the expected life of the pledges receivable and is reflected as contribution revenue.

Fixed Assets and Depreciation

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

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

Buildings	20 to 40 years
Leasehold improvements	Lesser of term of the lease or estimated life of the improvement
Furniture, fixtures, equipment, computer software and other capitalized assets	3 to 10 years
Equipment under capital leases	Lesser of term of the lease or estimated life of the equipment

Research and Other Program Awards and Grants Payable

The Society makes awards and grants for research, education and medical projects in the field of cancer. The minimum amount for which the Society is obligated is recorded upon the grant's approval. Awards and grants, which are payable beyond one year, are reported at the present value of their estimated future cash flows and have been discounted at rates ranging from 1.75% to 6.25%, which is commensurate with the risks involved with the ultimate payment of these obligations at the time the obligation is incurred. The discount is amortized using an effective yield over the expected life of the awards and grants contracts and is reflected as program services expense.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

Contributed Services

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

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

The Society 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 Society, or may be put in the care of a trustee, with the Society being designated as having a full or partial beneficial interest in the trust ("BIT"). Certain gifts are considered split-interest agreements whereby the Society 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 public support. A purpose restriction is satisfied when the Society incurs expenses satisfying the purpose restriction. A time restriction is satisfied when the donor stipulated time has elapsed. Gifts may also be permanently restricted under a perpetual trust. See below for a further description of nonperpetual 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 Society 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 Society considers a bequest unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable.

Beneficial Interests in Trusts

Nonperpetual BIT's are initially recognized as temporarily restricted public support (legacy or contribution revenue, depending upon the initial source of the gift) at fair value based on the Society's interest in the fair value of the underlying trust assets at the time of the gift. Any subsequent adjustments to the nonperpetual BIT's are recorded as a change in value of split interest agreements.

Perpetual trusts are initially recorded as permanently restricted public support (legacy or contribution revenue, depending on the initial source of the gift) at fair value based on the Society's interest in the fair value of the underlying 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 on perpetual trusts. Income received from the trusts is recognized as temporarily restricted or unrestricted investment income, depending on the existence or absence of donor-imposed restrictions. The management of the assets within the various trusts, including purchase and sale decisions, is performed by the respective trustee and the Society has no ability to control or influence these decisions. Distributions from these trusts are based on the terms of the underlying trust agreement which generally require that investment income be distributed on at least an annual basis.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

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

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 Society. The 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. Sufficient assets are maintained to meet the annuity requirements stipulated by the various state laws.

The Society may also be the beneficiary of interests 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

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 increase those net asset classes. Unconditional promises to give without a stipulated due date are classified as unrestricted net assets.

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

The principal from permanently restricted gifts is classified as permanently restricted net assets. Income on those assets, not permanently restricted by the donor, is classified as temporarily restricted (if restricted by the donor or relevant law) or unrestricted revenue.

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 promise to give has been made. The Society does not imply time restrictions on contributions of long-lived assets (or of other assets restricted to the purchase of long-lived assets) received without donor stipulations about how long the contributed assets must be used. As a result, contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as temporarily restricted revenue that increases temporarily restricted net assets; those restrictions expire when the long-lived assets are placed in service.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. ORGANIZATION AND ACCOUNTING POLICIES, continued

Grant Revenue

Grant revenue on cost-reimbursement grants or contracts is recognized when the Society requests reimbursement from granting agencies after the program expenditures have been incurred. As such, the Society recognizes revenue and records a receivable for the reimbursement amount from the granting agency. Such grant programs are subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. Such review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Society's management believes that costs ultimately disallowed, if any, would not materially affect the consolidated financial position of the Society.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses incurred for fiscal years ended August 31, 2011 and 2010 were \$26,308,000 and \$21,381,000, respectively.

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 consolidated 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 and Reclassifications

The fiscal year 2011 consolidated 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 Society's consolidated financial statements for the fiscal year ended August 31, 2010, from which the summarized information was derived. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

2. FAIR VALUE

Fair Value of Financial Instruments

The Society's financial instruments consist of cash and cash equivalents, short-term investments, securities lent under securities lending program, collateral received under securities lending program, receivables, gift annuity investments, investments, legacies and bequests receivable, beneficial interests in trusts, research and other program awards and grants payable, accounts payable and accrued expenses, gift annuity obligation, payable under securities lending program and debt.

Receivables, legacies and bequests receivable and research and other program awards and grants payable are recorded at their net realizable value, which approximates fair value. Short-term investments, securities lent under securities lending program, collateral received under securities lending program, investments, beneficial interest in trusts and gift annuity investments and the related obligations are recorded at their fair values. The carrying value of all other financial instruments approximates fair value.

Fair Value Measurement

Topic 820 of the Accounting Standards Codification ("ASC") provides the framework for measuring and reporting fair value. The fair value framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

2. FAIR VALUE, continued

Fair Value Measurement, continued

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The significance of transfers between levels was evaluated based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended August 31, 2011 and 2010, there were no significant transfers in or out of Levels 1, 2 or 3.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies from August 31, 2010.

Money market funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded on the last business day of each period presented using the market approach.

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

United States government and government agency obligations (including those loaned under securities lending program) are valued on the basis of evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities using the income approach.

Corporate bonds, commercial paper and other short-term investments are valued on the basis of evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities using the income approach.

Equities, including securities listed on national and international exchanges, are principally valued at the regular trading session closing price on the exchange or market in which such securities are principally traded on the last business day of each period presented using the market approach.

Investments in common collective trusts are generally valued using the market approach on the basis of the relative interest of each participating investor (including each participant) in the fair value of the underlying net assets of each of the respective common collective trusts.

Collateral received under the securities lending program is recorded at fair value using the market approach on the basis of the relative interest of each participating investor (including each participant) in the fair value of the underlying net assets of the collateral trust.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

2. FAIR VALUE, continued

Fair Value Measurement, continued

Nonperpetual trusts are recorded at their estimated fair value based on the present value of the Society's estimated future cash receipts from the trust. Future cash receipts are based on an income approach (present value techniques) using internally developed models. Assumptions are made regarding the expected rate of return on the investments in the trust, the discount rate, and the expected mortality of the individual(s) if the termination of the agreement is dependent on life expectancy. An expected rate of return on the investments in the trusts is estimated using historical investment returns for various relevant market indices for the estimated asset allocation of the nonperpetual trusts. In fiscal years 2011 and 2010, based on then current financial market conditions, the Society estimated the present value of nonperpetual trusts using an investment return rate (net of trustee fees and other expenses) of 6.25% and 7.25%, respectively, for both years, and a discount rate of 5.25% and 5.00%, respectively, commensurate with the risks involved. The expected mortality is estimated using the Annuity 2000 tables. Each of these calculations is based on the fair value of the underlying assets of the trust. As trust statements are not received as of August 31 for each trust, the fair value, as of various dates, of the underlying assets is adjusted based on changes in the relevant market indices from the date of the trustee statement to year-end that correlate to the estimated asset allocation of the underlying assets. As the fair value of these trusts is derived from internal estimates of the present value of the Society's interest in the underlying assets, incorporating market data when available, the amounts ultimately received could differ from the amounts reflected in the historical financial statements.

Perpetual trusts are recorded at fair value based on the Society's interest in the fair value of the underlying trust assets. As trust statements are not received as of August 31 for each trust, the most recent fair value of the underlying assets is adjusted based on changes in the relevant market indices from the date of the trustee statement to year-end that correlate to the estimated asset allocation of the underlying assets.

Gift annuity obligation is recorded at fair value based on Level 3 inputs and other relevant market data. In fiscal years 2011 and 2010, the assumptions used in the valuation of the annuity liability include mortality in accordance with the Annuity 2000 Table and a discount rate of 5.00% and 5.65% for all annuities for fiscal year 2011 and 2010, respectively, compounded annually, net of expenses. These rates are commensurate with the risks associated with the ultimate payment of the obligation. The Society has elected fair value accounting for its gift annuity obligations.

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Society's assets and liabilities measured on a recurring basis as of August 31, 2011 and 2010. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

2. FAIR VALUE, continued

		Assets and liabilities measured at fair value as of August 31, 2011 (in thousands)			
Assets		Level 1	Level 2	Level 3	Total
Short term investments, at fair value					
Money market funds		\$ 347,363	\$ 15,995	\$ -	363,358
Time deposits		11,167	97	-	11,264
Corporate bonds		232	248,223	-	248,455
U.S. government and government agency and obligations		64,701	150,085	-	214,786
Commercial paper and other short-term investments				-	
Mortgage backed		-	8,157	-	8,157
Assets backed		-	51,794	-	51,794
Short term investments		5,385	2,971		8,356
Equities					
Domestic		13,850	-	235	14,085
International		1,069	-	-	1,069
Common collective trusts		383	27,523	27	27,933
Other		7,418	1,289	1,055	9,762
Total short term investments, at fair value		451,568	506,134	1,317	959,019
Securities lent under securities lending program					
Corporate bonds		-	15,899	-	15,899
U.S. government and government agency obligations		-	1,674	-	1,674
Total securities lent under securities lending program		-	17,573	-	17,573
Collateral received under securities lending program					
		-	17,927	-	17,927
Gift annuity investments, at fair value					
Money market funds		1,694	-	-	1,694
Corporate bonds		-	6,127	-	6,127
U.S. government and government agency obligations		6,229	6,781	-	13,010
Equities					
Common collective trusts		-	13,330	-	13,330
Other		-	-	785	785
Total gift annuity investments, at fair value		7,923	26,238	785	34,946
Investments, at fair value					
Money market funds		245	426	-	671
Time deposits		97	-	-	97
Corporate bonds		2,237	5,655	-	7,892
U.S. government and government agency and obligations		3,781	21,332	-	25,113
Commercial paper and other short-term investments					
Mortgage backed		209	197	-	406
Short term investments		5,400	-	-	5,400
Equities					
Domestic		47,283	34	-	47,317
International		1,221	-	-	1,221
Common collective trusts		-	12,402	-	12,402
Other		1,497	-	204	1,701
Total investments, at fair value		61,970	40,046	204	102,220
Beneficial interest in trusts					
		-	-	294,668	294,668
Liabilities					
Gift annuity obligations					
		-	-	25,439	25,439

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

2. FAIR VALUE, continued

		Assets and liabilities measured at fair value as of August 31, 2010 (in thousands)			
	Assets	Level 1	Level 2	Level 3	Total
Short term investments, at fair value					
Money market funds		\$ 1,440	\$ 27,922	\$ -	\$ 29,362
Time deposits		965	13,201	-	14,166
Corporate bonds		10,915	144,540	-	155,455
U.S. government and government agency and obligations		74,397	184,218	-	258,615
Commercial paper and other short-term investments					
Assets backed		-	53,216	-	53,216
Short term investments		9,107	260,765	-	269,872
Equities					
Domestic		35,426	-	283	35,709
International		477	330	-	807
Common collective trusts		5,478	19,209	-	24,687
Other		91	1,817	1,124	3,032
Total short term investments, at fair value		138,296	705,218	1,407	844,921
Securities lent under securities lending program					
U.S. government and government agency obligations		-	107,821	-	107,821
Collateral received under securities lending program					
		-	109,992	-	109,992
Gift annuity investments, at fair value					
Money market funds		1,087	-	-	1,087
Corporate bonds		-	6,163	-	6,163
U.S. government and government agency obligations		-	14,865	-	14,865
Equities					-
Common collective trusts		-	11,935	-	11,935
Other		-	-	788	788
Total gift annuity investments, at fair value		1,087	32,963	788	34,838
Investments, at fair value					
Money market funds		532	1,446	-	1,978
Time deposits		-	97	-	97
Corporate bonds		2,579	1,837	-	4,416
U.S. government and government agency and obligations		3,976	19,416	-	23,392
Commercial paper and other short-term investments					-
Mortgage backed		1,034	-	-	1,034
Short term investments		4,253	-	-	4,253
Equities					-
Domestic		41,034	31	-	41,065
International		1,532	-	-	1,532
Common collective trusts		-	10,544	-	10,544
Other		31	-	204	235
Total investments, at fair value		54,971	33,371	204	88,546
Beneficial interest in trusts				284,980	284,980
Liabilities					
Gift annuity obligations				25,926	25,926

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

2. FAIR VALUE, continued

The tables below set forth a summary of changes in the fair value of the Society's Level 3 assets and liabilities measured on a recurring basis for the years ended August 31, 2011 and 2010 (in thousands):

August 31, 2011	Equities	Other	Beneficial interest in trusts	Gift annuity obligation	Total
Balance, beginning of year	\$ 283	\$ 2,116	\$ 284,980	\$ 25,926	\$ 313,305
Realized and unrealized gains	10	-	14,753	-	14,763
Purchases, sales, issuances, and settlements (net)	(31)	(72)	(5,065)	(487)	(5,655)
Balance, end of year	<u>\$ 262</u>	<u>\$ 2,044</u>	<u>\$ 294,668</u>	<u>\$ 25,439</u>	<u>\$ 322,413</u>

August 31, 2010	Equities	Other	Beneficial interest in trusts	Gift annuity obligation	Total
Balance, beginning of year	\$ 249	\$ 2,149	\$ 270,257	\$ 26,230	\$ 298,885
Realized and unrealized losses	22	-	11,649	-	11,671
Transfer in	-	10	-	-	10
Purchases, sales, issuances, and settlements (net)	12	(43)	3,074	(304)	2,739
Balance, end of year	<u>\$ 283</u>	<u>\$ 2,116</u>	<u>\$ 284,980</u>	<u>\$ 25,926</u>	<u>\$ 313,305</u>

The unrealized gains and losses are included in the net unrealized gains and losses on beneficial interests in trusts and equities in the accompanying consolidated statement of activities and are related to assets still held at August 31, 2011 and 2010, respectively.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

2. FAIR VALUE, continued

The following tables set forth additional disclosures for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of August 31, 2011 and 2010 (in thousands):

August 31, 2011		
Investment type	Fair value	Unfunded commitments
Index non-lending common/collective trust fund	\$ 53,282	\$ -
Money market fund	16,421	-
Total	\$ 69,703	\$ -

August 31, 2010		
Investment type	Fair value	Unfunded commitments
Index non-lending common/collective trust fund	\$ 41,688	\$ -
Money market fund	29,368	-
Total	\$ 71,056	\$ -

The index non-lending fund was composed mainly of common stocks in various business sectors. The fair values of the investments within the fund were based on the current market prices or quotations readily available on the day of valuation. Requests for redemption may be made on each business day based upon the net asset value per unit and the closing market value on the valuation date of the investments bought or sold. The investment objective of the fund is to approximate as closely as practicable, before expenses, the performance of the Standard & Poor's 500® Tobacco Free over the long term.

The money market fund was mainly composed of domestic and foreign money market securities, U.S. Government securities, certificates of deposit, repurchase agreements, and commercial paper. The fair values of the investments within the fund were based on the current market prices or quotations readily available on the day of valuation. Requests for redemption may be made on each business day based upon the net asset value per unit determined at the close of each day the New York Stock Exchange opens for regular trading. The fund's investment objective seeks to maximize current income, to the extent consistent with the preservation of capital and liquidity and the maintenance of a stable \$1.00 per share net asset value.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
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AUGUST 31, 2011 AND 2010**

3. ENDOWMENT

Interpretation of Relevant Law

ACS CAN, the National Home Office and certain Divisions are subject to an enacted version of UPMIFA, while Puerto Rico and certain other Divisions remain subject to the Uniform Management of Institutional Funds Act ("UMIFA") or other relevant law. During the year, the National Home Office and one division adopted the provisions of UPMIFA, which resulted in a reclassification adjustment to net assets of \$819,000. The interpretation of relevant law among the entities of the Society is discussed below.

The Society has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets to the extent the donor restricted income earned on such endowments to a particular purpose or time, and in all other cases is classified as unrestricted net assets. Such amounts recorded as temporarily restricted net assets are released from restriction when the donor stipulated purpose has been fulfilled and/or the required time period has elapsed.

The Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the donor stipulated purpose has been fulfilled and/or the required time period has elapsed and those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following represents the changes in endowments for the year ended August 31, 2011 and 2010 (in thousands).

Endowment net assets at the beginning of fiscal year 2011	Pre-Adoption of ASC 958-205-45-13 Balance	Post-Adoption of ASC 958-205-45-13 Balance	Reclassification Adjustment
Permanently Restricted	\$ 72,312	\$ 72,312	\$ -
Temporarily Restricted	9,856	10,675	(819)
Unrestricted	1,447	628	819
Total	\$ 83,615	\$ 83,615	\$ -

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

3. ENDOWMENT, continued

Endowment net asset composition by type of fund as of August 31, 2011 is as follows:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (995)	\$ 14,068	\$ 77,033	\$ 90,106
Total funds at August 31, 2011	<u>\$ (995)</u>	<u>\$ 14,068</u>	<u>\$ 77,033</u>	<u>\$ 90,106</u>

Changes in endowments for the year ended August 31, 2011

Endowment net assets at August 31, 2010	\$ 1,447	\$ 9,856	\$ 72,312	\$ 83,615
Investment income	170	1,219	-	1,389
Net appreciation (realized and unrealized)	243	4,846	451	5,540
Contributions	-	-	4,039	4,039
Reclassification of restriction	(811)	115	231	(465)
Appropriation of endowment assets for expenditure	(2,044)	(1,968)	-	(4,012)
Endowment net assets at August 31, 2011	<u>\$ (995)</u>	<u>\$ 14,068</u>	<u>\$ 77,033</u>	<u>\$ 90,106</u>

Endowment net asset composition by type of fund as of August 31, 2010 is as follows:

Endowment funds	\$ (402)	\$ 9,856	\$ 72,312	\$ 81,766
Board-designated endowment funds	1,849	-	-	1,849
Total funds at August 31, 2010	<u>\$ 1,447</u>	<u>\$ 9,856</u>	<u>\$ 72,312</u>	<u>\$ 83,615</u>

Changes in endowments for the year ended August 31, 2010

Endowment net assets at August 31, 2009	\$ 92	\$ 9,064	\$ 67,171	\$ 76,327
Investment income	247	1,156	-	1,403
Net depreciation (realized and unrealized)	642	1,029	231	1,902
Contributions	-	331	4,577	4,908
Reclassification of restrictions	548	(256)	333	625
Appropriation of endowment assets for expenditure	(82)	(1,468)	-	(1,550)
Endowment net assets at August 31, 2010	<u>\$ 1,447</u>	<u>\$ 9,856</u>	<u>\$ 72,312</u>	<u>\$ 83,615</u>

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

3. ENDOWMENT, continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Society to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature would be reported in temporarily restricted net assets to the extent there are accumulated gains available to absorb such loss, or otherwise in unrestricted net assets. Deficiencies of this nature that are reported in unrestricted net assets were \$1,010,000 and \$1,239,000 as of August 31, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions and continued appropriation for certain programs that was deemed prudent by the Society. Subsequent gains that restore the fair value of the assets of the endowment fund up to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Society, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of relevant market indices while assuming a moderate level of investment risk.

Spending Policy

To the extent of a permanently restricted endowment's cumulative undistributed earnings, and unless the donor has specified otherwise, 4%-5% (based on the policy of the respective division) 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 the spending percentage is charged or credited to unrestricted or temporarily restricted net assets (depending on the donor's instructions regarding the use of investment income or relevant law). 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%-5% in order to maintain the purchasing power of the endowment.

4. PLEDGES AND GRANTS RECEIVABLE

As of August 31, 2011 and 2010, the expected future cash receipts from unconditional pledges and grants receivable, excluding amounts due from federated fund raising organizations, government grants and receivables related to donated land under lease of \$12,306,000 and \$18,032,000 for the years ended August 31, 2011 and 2010, respectively, are as follows (in thousands):

	2011	2010
Due in one year or less	\$ 21,480	\$ 21,887
Due in one year through five years	7,496	15,770
Due after five years	275	125
Less: estimated uncollectible amounts	(546)	(1,241)
	28,705	36,541
Less: discount	(1,081)	(1,595)
Total	\$ 27,624	\$ 34,946

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

5. FIXED ASSETS

Fixed assets as of August 31, 2011 and 2010 are as follows (in thousands):

	2011	2010
Land	\$ 37,594	\$ 35,665
Buildings and leasehold improvements	379,353	371,735
Furniture, fixtures, equipment, and other capitalized assets	86,643	85,788
Computer software	62,472	62,618
Construction in progress	4,075	11,296
Less: accumulated depreciation and amortization	(242,124)	(221,506)
Net fixed assets	<u>\$ 328,013</u>	<u>\$ 345,596</u>

Depreciation expense including expenses on assets used in exchange transactions for the years ended August 31, 2011 and 2010 was approximately \$19,852,000 and \$23,033,000, respectively.

6. DEBT

Debt as of August 31, 2011 and 2010 is as follows:

A division purchased a condominium located in New York City in January 2007 which currently serves as office space and as a Hope Lodge facility to house and support cancer patients undergoing treatment in New York City. The purchase is financed through Industrial Development Bonds issued by the New York City Industrial Development Agency. The outstanding balance of the Industrial Development Bonds was \$43,008,000 and \$43,855,000 as of August 31, 2011 and 2010, respectively. The term of the bonds is 30 years with a fixed interest rate of 4.75%. The net book value of the property is \$38,904,000 and \$39,287,000 as of August 31, 2011 and 2010, respectively.

The Society has various industrial development and revenue bonds (the "Bonds"), with variable interest rates (ranging from 0.22% to 5.00% as of August 31, 2011), two of which are convertible to a fixed rate at the Society's option. The outstanding balance of the Bonds was \$16,985,000 and \$18,070,000 at August 31, 2011 and 2010. The bonds mature at various dates until 2037. The bonds are collateralized by certificates of deposit, property and letters of credit, which expire at various dates through 2012 unless terminated earlier.

The Society has various notes payable with variable interest rates (ranging from 3.50% to 5.65% as of August 31, 2011). The outstanding balance of the notes payable was \$5,000,000 and \$3,790,000 at August 31, 2011 and 2010, respectively.

**AMERICAN CANCER SOCIETY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

6. DEBT, continued

Approximate annual payments as of August 31, 2011, excluding interest, are payable as follows (in thousands):

Fiscal year:		
2012	\$	3,373
2013		2,381
2014		2,483
2015		4,165
2016		2,701
Thereafter		49,890
Total	\$	<u>64,993</u>

The debt is secured by related properties, furnishings and equipment, which have a net book value of approximately \$45,144,000.

7. RESEARCH AND OTHER PROGRAM AWARDS AND GRANTS PAYABLE

The aggregate amount of research and other program awards and grants for which the Society is obligated under its agreements as of August 31, 2011 and 2010 are \$223,938,000 and \$220,366,000, respectively. The present value as of August 31, 2011 and 2010 is \$217,591,000 and \$212,571,000, respectively. The discount of \$6,347,000 will be recognized as interest expense in fiscal years 2012 through 2016. As of August 31, 2011, the awards and grants are payable as follows (in thousands):

Fiscal year:		
2012	\$	97,194
2013		66,521
2014		40,036
2015		17,282
2016		2,905
Total	\$	<u>223,938</u>

8. PENSION PLANS

The Society maintains noncontributory defined benefit pension plans (the "Plans"), which cover substantially all employees of the Society. The benefits are based on years of service and certain averages of compensation. Pension expense is recognized by the Society based on the actuarially determined amount, which for fiscal years 2011 and 2010 was \$49,992,000 and \$49,491,000, respectively. The Plan's unfunded status as of August 31, 2011 and 2010 was \$174,100,000 and \$214,520,000, respectively. These amounts are included in accrued retirement plan benefits in the accompanying consolidated balance sheets.

**AMERICAN CANCER SOCIETY, INC.
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8. PENSION PLANS, continued

The current strategic mix for the Plan's assets is a blended exposure to equity and debt market risk. The Plans employ an active management strategy that has historically generated returns in excess of established benchmarks and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility. The plan assets at August 31 consist of:

	<u>% of Fair Value</u>		<u>Target Range</u>
	<u>2011</u>	<u>2010</u>	
Equity securities	60%	60%	54-75%
Debt securities	36%	39%	25-42%
Cash and cash equivalents	<u>4%</u>	<u>1%</u>	0-10%
	<u>100%</u>	<u>100%</u>	

The benefit obligation and the assets of the Plans were \$591,027,000 and \$416,927,000, respectively, as of August 31, 2011. The benefit obligation and the assets of the Plans were \$589,241,000 and \$374,721,000, respectively, as of August 31, 2010. The Society employs a "building block approach" in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and debt are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonability and appropriateness. While the approach gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long term, prospective rate.

The Society 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 Plans. The Society's liability for benefits accrued and unpaid as of August 31, 2011 and 2010 was \$17,025,000 and \$16,876,000, respectively. These amounts are included in accrued retirement plan benefits in the accompanying consolidated balance sheets.

Information related to the Society's Pension Plans and SERP and the related changes during the years then ended are as follows (in thousands):

**AMERICAN CANCER SOCIETY, INC.
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8. PENSION PLANS, continued

	Retirement Benefits	Supplemental Retirement Benefits	2011 Total	2010 Total
Measurement date : August 31				
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 589,241	\$ 16,876	\$ 606,117	\$ 536,818
Service cost	28,636	726	29,362	28,093
Interest cost	26,115	790	26,905	29,673
Amendments	-	-	-	35
Actuarial (gain) loss	(18,558)	(1,054)	(19,612)	49,202
Impact of settlement	-	-	-	(452)
Benefits paid	(34,407)	(313)	(34,720)	(37,252)
Benefit obligation at end of year	<u>\$ 591,027</u>	<u>\$ 17,025</u>	<u>\$ 608,052</u>	<u>\$ 606,117</u>
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 374,721	\$ -	\$ 374,721	\$ 356,545
Actual expenses paid	(1,226)	-	(1,226)	(809)
Actual return on plan assets	44,383	-	44,383	21,730
Employer contributions	33,456	313	33,769	34,507
Benefits paid	(34,407)	(313)	(34,720)	(37,252)
Fair value of plan assets at end of year	<u>\$ 416,927</u>	<u>\$ -</u>	<u>\$ 416,927</u>	<u>\$ 374,721</u>
Funded status	<u>\$ (174,100)</u>	<u>\$ (17,025)</u>	<u>\$ (191,125)</u>	<u>\$ (231,396)</u>
Amounts recognized in the consolidated balance sheets				
Accrued benefit liability	(174,100)	(17,025)	(191,125)	(231,396)
Net amount recognized	<u>\$ (174,100)</u>	<u>\$ (17,025)</u>	<u>\$ (191,125)</u>	<u>\$ (231,396)</u>
Actuarial assumptions				
Discount rate:				
Net periodic pension cost	4.75%	4.75%	4.75%	5.75%
Benefit obligation	5.00%	5.00%	5.00%	4.75%
Expected return on plan assets	7.50%	N/A	N/A	7.50%-8.00%
Rate of compensation increase	2.00%-10.50%	0.00%-7.00%	0.00%-10.50%	2.50%-11.50%
Changes in plans assets and benefit obligations recognized in unrestricted net assets include:				
Net actuarial gain/loss	(33,109)	(21,383)	(54,492)	36,055
Prior services credit	(669)	(506)	(1,175)	(1,995)
Total recognized as change in unrestricted net assets	<u>\$ (33,778)</u>	<u>\$ (21,889)</u>	<u>\$ (55,667)</u>	<u>\$ 34,060</u>

**AMERICAN CANCER SOCIETY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

8. PENSION PLANS, continued

	Retirement Benefits	Supplemental Retirement Benefits	2011 Total	2010 Total
Measurement date : August 31				
Components of net periodic benefit cost:				
Service cost	\$ 28,636	\$ 726	\$ 29,362	\$ 28,093
Interest cost	26,115	790	26,905	29,673
Expected return on plan assets	(28,799)	-	(28,799)	(27,565)
Administrative expenses	1,140	-	1,140	1,450
Amortization of:				
Unrecognized prior service cost	670	505	1,175	1,368
Unrecognized actuarial loss (gain)	22,230	(163)	22,067	18,779
Other	-	(92)	(92)	191
Net periodic benefit cost	\$ 49,992	\$ 1,766	\$ 51,758	\$ 51,989
Accumulated benefit obligation	\$ 541,103	\$ 11,605	\$ 552,708	\$ 547,366
Estimated future benefit payments				
2012	\$ 40,084	\$ 877	\$ 40,961	
2013	38,916	1,333	40,249	
2014	39,177	4,195	43,372	
2015	39,734	3,934	43,668	
2016	40,922	510	41,432	
2017-2020	210,347	6,853	217,200	

The Society expects to contribute \$34,477,000 in fiscal year 2012.

Included in unrestricted net assets at August 31, 2011 and 2010 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service costs of \$4,331,000 and \$5,506,000, respectively, and unrecognized actuarial losses of \$199,092,000 and \$253,584,000, respectively. The prior service cost and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year-ended August 31, 2012 are \$1,067,000 and \$16,635,000, respectively.

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

**AMERICAN CANCER SOCIETY, INC.
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AUGUST 31, 2011 AND 2010**

8. PENSION PLANS, continued

The fair value of the Plan's assets at August 31, 2011 and 2010, respectively, by asset category are as follows:

Assets and liabilities measured at fair value on a recurring basis as of August 31, 2011 (in thousands)				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 511	\$ -	\$ -	\$ 511
Money market funds	-	8,891	-	8,891
Corporate bonds	-	48,695	-	48,695
U.S. government and government agency obligations	-	53,756	-	53,756
Commerical paper and other short-term investments				
Mortgage backed	-	32,069	-	32,069
Assets backed	-	3,381	-	3,381
Short term investments	-	3,732	-	3,732
Equity				
Domestic	176,528	10,812	1,300	188,640
International	4,018	-	-	4,018
Common collective trusts	-	56,639	-	56,639
Government money fund	16,444	-	-	16,444
Other	-	151	-	151
Total investment assets at fair value	<u>\$ 197,501</u>	<u>\$ 218,126</u>	<u>\$ 1,300</u>	<u>\$ 416,927</u>

Assets and liabilities measured at fair value on a recurring basis as of August 31, 2010 (in thousands)				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 565	\$ -	\$ -	\$ 565
Money market funds	-	10,765	-	10,765
Corporate bonds	-	52,633	23	52,656
U.S. government and government agency obligations	-	75,788	-	75,788
Commerical paper and other short-term investments				
Mortgage backed	-	9,150	-	9,150
Assets backed	-	2,370	-	2,370
Equity				
Domestic	138,865	2,058	5,897	146,820
International	3,492	-	103	3,595
Common collective trusts	-	69,042	-	69,042
Government money fund	3,807	-	-	3,807
Other	-	163	-	163
Total investment assets at fair value	<u>\$ 146,729</u>	<u>\$ 221,969</u>	<u>\$ 6,023</u>	<u>\$ 374,721</u>

**AMERICAN CANCER SOCIETY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

8. PENSION PLANS, continued

The tables below set forth a summary of changes in the fair value of the Plan's Level 3 assets for the years ended August 31, 2011 and 2010, respectively, (in thousands):

August 31, 2011	Corporate bonds	Equity	Total
Balance, beginning of year	\$ 23	\$ 6,000	\$ 6,023
Realized and Unrealized gains		181	181
Purchases, sales, issuances, and settlements (net)	(23)	(4,881)	(4,904)
Balance, end of year	<u>\$ -</u>	<u>\$ 1,300</u>	<u>\$ 1,300</u>

August 31, 2010	Corporate bonds	Equity	Total
Balance, beginning of year	\$ -	\$ 7,343	\$ 7,343
Realized and Unrealized (loss) gains	(1)	104	103
Purchases, sales, issuances, and settlements (net)	24	(1,447)	(1,423)
Balance, end of year	<u>\$ 23</u>	<u>\$ 6,000</u>	<u>\$ 6,023</u>

9. POSTRETIREMENT NONPENSION BENEFITS

The Society maintains unfunded postretirement benefit plans for employees, which cover certain employees of the Society. Employees hired prior to January 1, 1995 retiring from the Society on or after attaining age 55 who have rendered at least ten years of service to the Society receive postretirement medical, dental, and life insurance coverage. These benefits are subject to deductibles, co-payment provisions, and other limitations, and the Society may amend or change the postretirement plans periodically.

The Society accrues the cost of providing postretirement benefits for medical, dental, and life insurance coverage over the active service period of employees and is amortizing the unrecognized transition obligation over 20 years. Medical trend rates do not apply as the plans are on fixed payment amounts. The accumulated postretirement benefit obligation as of August 31, 2011 and 2010 and related changes during the years ended August 31, 2011 and 2010 consisted of the following components (in thousands):

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9. POSTRETIREMENT NONPENSION BENEFITS, continued

	<u>August 31, 2011</u>	<u>August 31, 2010</u>
Measurement date		
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 57,716	\$ 56,472
Service cost	530	592
Interest cost	2,673	3,121
Plan participant contributions	69	55
Amendments	577	(4,326)
Actuarial (gain) loss	(3,670)	4,550
Benefits paid	(2,896)	(2,748)
Benefit obligation at end of year	<u>\$ 54,999</u>	<u>\$ 57,716</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Actual return on plan assets	-	-
Employer contributions	2,896	2,748
Benefits paid	(2,896)	(2,748)
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status	<u>\$ (54,999)</u>	<u>\$ (57,716)</u>
Amounts recognized in the consolidated balance sheets consist of:		
Accrued benefit liability	(54,999)	(57,716)
Net amount recognized	<u>\$ (54,999)</u>	<u>\$ (57,716)</u>
Actuarial assumptions		
Discount rate:		
Net periodic pension cost	4.75%-5.00%	5.75%
Benefit obligation	4.75%-5.00%	4.75%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	2.00%-10.50%	2.00%-10.50%
Changes in plans assets and benefit obligations recognized in unrestricted net assets include:		
Net transition obligation	(734)	(887)
Net actuarial gain/loss	(4,857)	3,765
Prior services credit	877	(4,898)
Total recognized as change in unrestricted net assets	<u>\$ (4,714)</u>	<u>\$ (2,020)</u>
Components of net periodic benefit cost:		
Service cost	\$ 530	\$ 592
Interest cost	2,673	3,121
Amortization of:		
Unrecognized prior service cost	(325)	757
Transition amount	698	763
Recognized net actuarial loss	1,306	666
Net periodic benefit cost	<u>\$ 4,882</u>	<u>\$ 5,899</u>

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

9. POSTRETIREMENT NONPENSION BENEFITS, continued

Estimated future benefit payments

2012	\$	3,749
2013		3,791
2014		3,813
2015		3,843
2016		3,853
2017-2020		19,193

The Society expects to contribute \$3,749,000 in fiscal year 2012.

Included in unrestricted net assets at August 31, 2011 and 2010 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized transition obligation of \$1,475,000 and \$2,209,000, respectively, unrecognized prior service credit of \$3,198,000 and \$4,075,000, respectively, and unrecognized actuarial losses of \$10,352,000 and \$15,209,000, respectively. The transition obligation, prior service credit and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year-ended August 31, 2012 are \$716,000, \$370,000 and \$1,250,000, respectively.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. OPERATING LEASES

The Society leases telecommunication systems related to its National Cancer Information Center and occupies office and warehouse 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 noncancellable terms are as follows as of August 31, 2011 (in thousands):

Fiscal year:		
2012	\$	24,944
2013		22,172
2014		16,835
2015		15,581
2016		13,489
Thereafter		48,811
Total	\$	<u>141,832</u>

Rental expense from operating leases for the year ended August 31, 2011 and 2010 was approximately \$28,723,000 and \$31,387,000, respectively.

11. RESTRICTED NET ASSETS

Temporarily restricted net assets and the earnings from permanently restricted net assets as of August 31, 2011 and 2010 have been restricted by donors as follows (in thousands):

	Temporarily		Permanently	
	2011	2010	2011	2010
Research	\$ 20,904	\$ 28,161	\$ 56,447	\$ 52,476
Patient support	29,670	28,112	15,597	15,525
Specific geographic locations	15,468	15,671	51,077	40,534
Prevention	6,623	8,690	1,917	1,916
Detection/treatment	19,813	31,223	1,452	1,452
Fixed asset acquisitions/ building fund	11,951	16,011	-	-
Hope Lodges	21,587	22,023	16,018	19,934
Time restrictions	97,678	104,217	-	-
Other program and supporting services	5,838	4,029	117,090	108,170
Total	<u>\$ 229,532</u>	<u>\$ 258,137</u>	<u>\$ 259,598</u>	<u>\$ 240,007</u>

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.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

12. CONTRIBUTED SERVICES, MERCHANDISE, AND OTHER IN-KIND CONTRIBUTIONS

The Society recorded contributed services related to the communication of program and fund-raising messages through various media. The Society has also valued and recorded contributed services provided by scientific peer reviewers, which consist of medical doctors, PhD's, professors, biomedical and psychosocial professionals, social welfare service providers, and other professional service providers whose efforts are necessary for the Society to carry out its programs. In addition, the Society received cosmetic kits which were donated by the Personal Care Products Council for use in the Look Good Feel Better quality of life program. The Society also received wigs and other wet line products which were donated by Celebrity Signatures International, Inc. The Society provided the merchandise to chemotherapy patients along with training in the proper application of cosmetics and wigs. The Society received and recorded donated smoking cessation products. Moreover, the Society received in-kind contributions of advertising production, magazine space, public service announcements and in-store advertising materials from various retail and professional organizations. Total contributed services, merchandise, and other in-kind contributions for fiscal years 2011 and 2010 are as follows (in thousands):

	2011	2010
Media communication and production services	\$ 6,815	\$ 2,547
Peer review services (approximately 25,223 and 24,965 hours, respectively)	1,861	1,808
Cars for a Cure	718	2,041
Discovery Shops	19,898	19,143
Cosmetic kits	13,914	14,856
Wigs and wet line products	1,844	1,881
Donated land under lease	59	66
Other in-kind contributions	5,469	7,596
Total contributed services, merchandise and other in-kind contributions at fair value	<u>\$ 50,578</u>	<u>\$ 49,938</u>

The expense related to these contributions was allocated in the statement of activities for fiscal years 2011 and 2010 as follows (in thousands):

	2011	2010
Research	\$ 1,937	\$ 1,819
Prevention	1,400	1,210
Detection/treatment	926	687
Patient support	19,841	19,621
Management and general	201	146
Fundraising	3,364	2,184
	<u>\$ 27,669</u>	<u>\$ 25,667</u>

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

**12. CONTRIBUTED SERVICES, MERCHANDISE, AND OTHER IN-KIND CONTRIBUTIONS,
continued**

Contributed Merchandise:

Cars For a Cure

The Society operates the Cars For a Cure program to solicit donations of used vehicles from the public. The Society sells these donated vehicles, primarily at wholesale dealer auctions, to generate cash to support the Society's life-saving programs. The contribution of the vehicle is recorded as merchandise and other in-kind contributions in the accompanying consolidated 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 2011 and 2010 are as follows (in thousands):

	2011	2010
Contribution amount for donated vehicles	\$ 868	\$ 2,041
Exchange transaction income/expense attributable to vehicles sold	\$ 1,121	\$ 2,070
Exchange selling expenses	216	390
Net proceeds realized	<u>\$ 905</u>	<u>\$ 1,680</u>

Discovery Shops

The Society operates Discovery Shops to solicit donations of clothing and household items from the public. Discovery Shops are upscale resale stores selling donated merchandise to generate cash to support the Society's programs. The contribution of the merchandise is recorded in the accompanying consolidated statement of activities as merchandise and other in-kind contributions at the gross proceeds for items sold by August 31 and at estimated gross proceeds for donated items not sold by August 31. The transactions recorded during fiscal years 2011 and 2010 are as follows (in thousands):

	2011	2010
Contribution amount for donated merchandise	\$ 19,898	\$ 19,143
Exchange transaction income/expense attributable to merchandise sold	\$ 19,863	\$ 19,369
Exchange selling expenses	11,869	11,619
Net proceeds realized	<u>\$ 7,994</u>	<u>\$ 7,750</u>

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
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AUGUST 31, 2011 AND 2010**

13. EXCHANGE TRANSACTIONS

Exchange transactions are reciprocal transfers in which each party receives and sacrifices something of equal value as opposed to a nonreciprocal transaction (i.e., a contribution) in which a donor provides resources to support 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 Society's program or supporting services expenses.

Exchange transaction income and expenses for fiscal years 2011 and 2010 are as follows (in thousands):

	Exchange Income		Exchange Expenses	
	2011	2010	2011	2010
Special events	\$ 57,498	\$ 56,712	\$ 57,403	\$ 56,496
Cars For a Cure	1,121	2,070	1,337	2,460
Discovery Shop	19,863	19,369	31,732	30,988
Rental income	1,065	992	16	17
Cause related marketing and other royalties	3,026	2,770	-	-
Sales to third parties	10,068	9,767	1,802	1,134
	<u>\$ 92,641</u>	<u>\$ 91,680</u>	<u>\$ 92,290</u>	<u>\$ 91,095</u>

Benefits Purchased by Donors at Special Events

The Society 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 Society. The direct costs of the special events that ultimately benefit the donor rather than the Society 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 consolidated statement of activities.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

14. ACTIVITIES WITH JOINT COSTS

In fiscal years 2011 and 2010, the Society conducted activities that included fund-raising appeals as well as program and management and general components. Those activities included direct mail, telecommunications, and other constituent relationship activities. The costs of conducting those joint activities which met the purpose, audience and content criteria of ASC 958-720-45-28 included a total of approximately \$175,184,000 and \$166,370,000 of joint costs for fiscal years 2011 and 2010, that were functionally allocated as follows (in thousands):

	2011	2010
Research	\$ 367	\$ 330
Prevention	31,989	30,980
Detection/treatment	23,014	24,128
Patient support	41,679	38,178
Management and general	7,815	8,391
Fund-raising	70,320	64,363
Total	<u>\$ 175,184</u>	<u>\$ 166,370</u>

15. COMMITMENTS AND CONTINGENCIES

The Society 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 Society's consolidated net assets.

16. SUBSEQUENT EVENTS

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through January 5, 2012, the date the consolidated financial statements were available to be issued.

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
CONSOLIDATING BALANCE SHEET
AUGUST 31, 2011
(In Thousands)

	CALIFORNIA	EAST CENTRAL	EASTERN	FLORIDA	GREAT LAKES	GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	SOUTH ATLANTIC	PUERTO RICO	ACS NATIONAL HOME OFFICE	ACS CANCER ACTION NETWORK, INC.	ELIMINATIONS / RECLASSES	TOTAL
ASSETS																		
CASH AND TEMPORARY INVESTMENTS:																		
Cash and cash equivalents	\$ 4,419	\$ 3,369	\$ 13,449	\$ 1,448	\$ 9,624	\$ 917	\$ 320	\$ 4,787	\$ 204	\$ 4,095	\$ 857	\$ 2,495	\$ 1,671	\$ 904	\$ 80,380	\$ 350	\$ -	\$ 129,289
Division's interest in Combined Investment Pool	12,934	51,303	14,805	24,683	7,644	16,565	1,513	65,308	28,911	19,241	14,053	14,436	57,240	1,985	706,063	3,712	(1,040,396)	-
Division's interest in Combined Endowment Pool	6,348	-	1,052	2,426	2,118	2,298	1,406	520	-	159	-	-	74	-	67,919	-	(84,320)	-
Temporary investments, at fair value	32,393	22,006	25,835	596	17,243	8,669	-	19	38,153	21,847	19,343	4,418	61,379	-	-	-	707,118	959,019
Total cash and temporary investments	56,094	76,678	55,141	29,153	36,629	28,449	3,239	70,634	67,268	45,342	34,253	21,349	120,364	2,889	854,362	4,062	(417,598)	1,088,308
SECURITIES LENT UNDER SECURITIES LENDING PROGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,573	-	-	17,573
COLLATERAL RECEIVED UNDER SECURITIES LENDING PROGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,927	-	-	17,927
DUE FROM AFFILIATES	7,198	2,813	2,963	1,748	2,368	4,394	2,108	11,749	1,328	5,061	2,425	2,290	2,935	139	261,727	1,564	(312,810)	-
RECEIVABLES, net	110	3,235	3,562	2,396	559	1,578	284	4,850	16	6,646	6,414	3,435	1,162	1,457	7,618	-	-	43,322
PREPAID PENSION COSTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,986	-	(5,986)	-
PREPAID EXPENSE AND OTHER ASSETS	4,399	2,745	1,597	697	665	957	14	677	750	517	562	334	1,849	28	17,019	1,150	(1)	33,959
GIFT ANNUITY INVESTMENTS, at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,946	-	-	34,946
LEGACIES AND BEQUESTS RECEIVABLE	-	-	7,654	5,641	-	-	-	-	7,402	-	-	2,979	-	-	-	-	54,592	78,268
COMBINED PLANNED GIVING/PTM POOL	78,694	48,118	-	-	15,363	19,812	5,785	42,409	-	16,274	9,846	-	22,293	-	258,577	-	(517,171)	-
BENEFICIAL INTERESTS IN TRUSTS	-	168	26,401	18,337	-	355	187	997	12,689	-	483	21,862	1,584	-	15,160	-	196,445	294,668
FIXED ASSETS, net	1,285	26,029	60,952	19,357	15,492	18,399	2,213	26,745	714	26,392	23,285	43,028	23,292	7,401	32,993	436	-	328,013
INVESTMENTS, at fair value	-	2,927	5,648	-	97	-	-	34	9,523	-	8,718	7,354	-	-	-	-	67,919	102,220
Total assets	147,780	162,713	163,918	77,329	71,173	73,944	13,830	158,095	99,690	100,232	85,986	102,631	173,479	11,914	1,523,888	7,212	(934,610)	2,039,204
LIABILITIES AND NET ASSETS																		
RESEARCH AND OTHER PROGRAM AWARDS AND GRANTS PAYABLE	-	-	-	383	-	-	-	-	1,652	-	-	-	-	-	215,556	-	-	217,591
ACCRUED EXPENSES:																		
Accounts payable and accrued expenses	5,359	3,265	4,030	1,605	1,389	3,024	172	4,016	2,085	2,875	1,615	1,962	3,147	399	26,857	1,111	907	63,818
Accrued retirement plan benefits	2,928	2,598	3,133	1,496	1,817	1,566	123	3,014	1,398	2,046	1,860	2,432	2,537	94	8,633	556	154,894	191,125
Postretirement medical, dental and life insurance accrual	5,854	6,326	3,887	1,819	1,305	2,259	248	3,927	1,032	2,146	1,668	2,270	4,759	-	8,536	33	8,930	54,999
Total accrued expenses	14,141	12,189	11,050	4,920	4,511	6,849	543	10,957	4,515	7,067	5,143	6,664	10,443	493	44,026	1,700	164,731	309,942
GIFT ANNUITY OBLIGATIONS	-	51	-	284	-	-	-	-	-	-	-	-	-	-	25,104	-	-	25,439
DUE TO AFFILIATES	50,160	22,193	15,429	25,948	13,733	21,517	4,362	36,207	13,504	18,084	11,518	13,564	20,806	635	49,627	303	(317,590)	-
INVESTMENTS AND OTHER ASSETS HELD FOR AFFILIATES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	608,154	-	(608,154)	-
PAYABLE UNDER SECURITIES LENDING PROGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,927	-	-	17,927
OTHER LIABILITIES	899	1,827	2,232	-	611	266	325	641	1,667	518	51	506	1,779	-	16,715	890	-	28,927
DEBT	-	1,865	43,472	-	9,415	-	-	-	-	-	-	1,569	-	1,102	7,570	-	-	64,993
Total liabilities	65,200	38,125	72,183	31,535	28,270	28,632	5,230	47,805	21,338	25,669	16,712	22,303	33,028	2,230	984,679	2,893	(761,013)	664,819
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS:																		
Unrestricted:																		
Available for program and supporting activities	37,252	46,103	28,728	3,705	24,924	9,615	(1,356)	39,211	56,715	31,695	24,102	4,235	82,325	589	391,258	1,359	(155,405)	625,055
Net investment in fixed assets	1,154	22,365	17,473	19,357	6,077	18,399	2,134	26,600	714	25,995	23,285	41,197	23,292	6,299	25,423	436	-	260,200
Total unrestricted	38,406	68,468	46,201	23,062	31,001	28,014	778	65,811	57,429	57,690	47,387	45,432	105,617	6,888	416,681	1,795	(155,405)	885,255
Temporarily restricted	19,899	18,151	21,859	16,318	4,857	8,388	2,550	20,934	3,997	7,975	9,042	9,531	18,866	2,796	76,597	2,524	(14,752)	229,532
Permanently restricted	24,275	37,969	23,675	6,414	7,045	8,910	5,272	23,545	16,926	8,898	12,845	25,365	15,968	-	45,931	-	(3,440)	259,598
Total net assets	82,580	124,588	91,735	45,794	42,903	45,312	8,600	110,290	78,352	74,563	69,274	80,328	140,451	9,684	539,209	4,319	(173,597)	1,374,385
Total liabilities and net assets	\$ 147,780	\$ 162,713	\$ 163,918	\$ 77,329	\$ 71,173	\$ 73,944	\$ 13,830	\$ 158,095	\$ 99,690	\$ 100,232	\$ 85,986	\$ 102,631	\$ 173,479	\$ 11,914	\$ 1,523,888	\$ 7,212	\$ (934,610)	\$ 2,039,204

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

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011
(In Thousands)

	CALIFORNIA	EAST CENTRAL	EASTERN	FLORIDA	GREAT LAKES	GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	SOUTH ATLANTIC	PUERTO RICO	ACS NATIONAL HOME OFFICE	ACS CANCER ACTION NETWORK, INC.	ELIMINATIONS / RECLASSES	TOTAL
REVENUE, GAINS AND OTHER SUPPORT																		
Support from the public:																		
Contributions	\$ 15,540	\$ 14,158	\$ 17,018	\$ 6,540	\$ 6,664	\$ 11,819	\$ 1,587	\$ 18,112	\$ 10,244	\$ 8,956	\$ 11,057	\$ 12,893	\$ 15,904	\$ 619	\$ 261,144	\$ 954	\$ (233,994)	\$ 179,215
Special events	40,058	51,871	54,724	34,152	29,603	41,928	2,114	54,677	24,276	45,378	32,905	34,866	74,397	3,901	-	1,340	-	526,190
Other special fund-raising events	-	268	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	268
Legacies and bequests	23,609	16,043	9,773	10,194	6,195	10,218	476	11,377	9,072	4,858	6,475	3,809	9,295	-	43,057	-	(42,774)	121,677
Change in value of split-interest agreements	(547)	3	(1,231)	(2,761)	(249)	(1,183)	37	(842)	9	(47)	(279)	(1,432)	66	-	519	-	-	(7,937)
Contributed services, merchandise and other in-kind contributions, at fair value	16,109	2,325	303	17	1,014	1,500	131	2,201	174	33	670	528	568	2,188	21,064	224	1,529	50,578
Contributions raised indirectly from federated and other fund-raising organizations	482	1,922	518	483	393	1,187	316	4,673	202	1,700	545	1,711	3,966	225	-	-	-	18,323
Division's share of public support raised by Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions raised by the National Home Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,900	-	(27,900)	-
Total support from the public	95,251	86,590	81,105	48,625	43,620	65,469	4,661	90,198	43,977	60,878	51,373	52,375	104,196	6,933	353,684	2,518	(303,139)	888,314
Investment income:																		
Interest and dividends, net	1,692	2,450	1,883	397	934	664	248	1,444	1,568	1,169	931	1,032	1,639	29	2,527	33	-	18,640
Net realized and unrealized investment gains	2,000	2,005	1,579	235	870	384	215	200	933	514	784	398	598	-	5,468	-	(1,212)	14,971
Net unrealized gains on perpetual trust	1,456	2,534	1,429	498	548	1,590	321	1,810	680	679	111	1,726	679	-	951	-	184	15,196
Total investment income	5,148	6,989	4,891	1,130	2,352	2,638	784	3,454	3,181	2,362	1,826	3,156	2,916	29	8,946	33	(1,028)	48,807
Exchange transactions:																		
Income	20,938	7,387	9,011	3,697	3,592	6,186	321	9,854	3,136	5,512	3,225	3,619	6,729	1,264	46,477	346	(38,653)	92,641
Expenses	(30,749)	(7,781)	(9,111)	(3,681)	(3,708)	(6,673)	(321)	(9,531)	(3,152)	(5,412)	(3,348)	(3,745)	(6,874)	(1,264)	(33,064)	(251)	36,375	(92,290)
Net exchange transactions	(9,811)	(394)	(100)	16	(116)	(487)	-	323	(16)	100	(123)	(126)	(145)	-	13,413	95	(2,278)	351
Grants and contracts from:																		
Government agencies	18	51	4,452	-	108	662	50	88	-	149	420	302	260	378	4,007	-	-	10,945
Affiliates	3,130	3,689	3,257	1,649	1,639	2,862	81	3,650	1,332	2,564	1,955	1,838	4,340	266	333	16,931	(49,516)	-
Other revenue (losses)	13	27	696	(431)	(226)	9	1	2,892	17	18	8	335	425	-	1,112	46	(359)	4,583
(Losses) gains on disposal of fixed assets	-	8	1,014	-	(656)	-	-	112	(11)	15	10	6	78	-	-	-	-	576
Total revenue, gains and other support	93,749	96,960	95,315	50,989	46,721	71,153	5,577	100,717	48,480	66,086	55,469	57,886	112,070	7,606	381,495	19,623	(356,320)	953,576
NET ASSET RESTRICTION TRANSFERS																		
Unrestricted																		
Satisfaction of activity restrictions	6,871	7,481	22,538	9,022	5,339	9,874	724	10,915	5,821	7,393	8,173	12,911	10,422	4,508	85,582	17,451	(44,334)	180,691
Reclassification of restrictions	-	-	-	-	-	42	-	-	-	-	-	-	-	-	(108)	-	15	(51)
Satisfaction of equipment acquisition restrictions	-	-	-	-	-	-	-	69	-	5,668	-	-	-	-	-	-	-	5,737
Transfer of restriction to National Home Office	629	3,809	9,662	7,108	3,081	4,038	150	4,809	2,090	2,800	1,404	5,959	4,225	110	-	-	(49,874)	-
Expiration of time restrictions	107	834	279	88	224	156	2	801	34	798	137	2,807	136	-	9,670	-	-	16,073
Unrestricted net asset restriction transfer	7,607	12,124	32,479	16,218	8,644	14,110	876	16,594	7,945	16,659	9,714	21,677	14,783	4,618	95,144	17,451	(94,193)	202,450
Temporarily restricted																		
Satisfaction of activity restrictions	(6,871)	(7,481)	(22,538)	(9,022)	(5,339)	(9,874)	(724)	(10,913)	(5,818)	(7,393)	(8,173)	(12,911)	(10,422)	(4,508)	(85,582)	(17,451)	44,331	(180,689)
Reclassification of restrictions	-	-	-	-	-	(38)	(112)	-	-	-	-	-	(157)	-	13	-	(63)	(357)
Satisfaction of equipment acquisition restrictions	-	-	-	-	-	-	-	(69)	-	(5,668)	-	-	-	-	-	-	-	(5,737)
Transfer of restriction to National Home Office	(629)	(3,790)	(9,662)	(4,902)	(3,081)	(4,038)	(150)	(4,809)	(2,046)	(2,799)	(1,404)	(5,957)	(4,182)	(110)	-	-	47,559	-
Expiration of time restrictions	(107)	(1,021)	(279)	(88)	(224)	(162)	(2)	(801)	(34)	(798)	(180)	(2,807)	(136)	-	(9,670)	-	236	(16,073)
Temporarily restricted net asset restriction transfer	(7,607)	(12,292)	(32,479)	(14,012)	(8,644)	(14,112)	(988)	(16,592)	(7,898)	(16,658)	(9,757)	(21,675)	(14,897)	(4,618)	(95,239)	(17,451)	92,063	(202,856)
Permanently restricted																		
Satisfaction of activity restrictions	-	-	-	-	-	-	-	-	(2)	-	-	-	-	-	-	-	-	(2)
Reclassification of restrictions	-	-	-	-	-	(4)	112	-	-	-	-	-	157	-	95	-	48	408
Satisfaction of equipment acquisition restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of restriction to National Home Office	-	(19)	-	(2,206)	-	-	-	(2)	(45)	(1)	-	(2)	(43)	-	-	-	2,318	-
Expiration of time restrictions	-	187	-	-	-	6	-	-	-	-	43	-	-	-	-	-	(236)	-
Permanently restricted net asset restriction transfer	-	168	-	(2,206)	-	2	112	(2)	(47)	(1)	43	(2)	114	-	95	-	2,130	406
Total net asset restriction transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
CONSOLIDATING STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED AUGUST 31, 2011
(In Thousands)

	CALIFORNIA	EAST CENTRAL	EASTERN	FLORIDA	GREAT LAKES	GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	SOUTH ATLANTIC	PUERTO RICO	ACS NATIONAL HOME OFFICE	ACS CANCER ACTION NETWORK, INC.	ELIMINATIONS / RECLASSES	TOTAL
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	-	226	-	148	-	-	1	115	3,162	217	-	223	-	-	144,460	5,409	(5,493)	148,468
Prevention - programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer	9,893	8,814	9,142	6,119	6,190	8,012	535	10,468	6,823	7,362	6,621	6,157	15,466	816	48,529	7,794	(9,022)	149,719
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	5,866	7,995	11,773	4,918	4,409	4,878	440	7,016	3,489	5,887	6,322	4,831	7,818	600	28,690	1,720	(3,911)	102,741
Patient Support - programs to assist cancer patients and their families and ease the burden of cancer for them	19,819	19,777	26,096	13,591	9,121	19,666	1,505	29,799	10,612	15,722	12,921	14,151	20,601	2,469	84,505	2,115	(22,825)	279,645
	35,578	36,812	47,011	24,776	19,720	32,556	2,481	47,398	24,086	29,188	25,864	25,362	43,885	3,885	306,184	17,038	(41,251)	680,573
Supporting services:																		
Management and general - direction of the overall affairs of the Society through executive, financial, and administrative services	4,713	2,026	2,508	1,668	2,425	4,082	157	2,665	2,761	2,155	1,737	1,501	4,901	326	26,387	1,551	1,893	63,456
Fund-raising - programs to secure charitable financial support for programs and supporting services	17,722	17,042	17,061	11,921	8,984	10,708	736	17,545	8,666	11,587	9,950	9,445	16,998	1,435	40,497	1,254	1,390	202,941
Total supporting services	22,435	19,068	19,569	13,589	11,409	14,790	893	20,210	11,427	13,742	11,687	10,946	21,899	1,761	66,884	2,805	3,283	266,397
Total program and supporting services expenses	58,013	55,880	66,580	38,365	31,129	47,346	3,374	67,608	35,513	42,930	37,551	36,308	65,784	5,646	373,068	19,843	(37,968)	946,970
Public support allocable to affiliates programs and other activities	31,419	32,311	30,009	18,563	16,558	23,186	1,520	32,040	16,477	22,871	18,858	17,162	40,455	1,256	1,913	-	(304,598)	-
Total program and supporting services expenses and allocation to national and affiliates activities	89,432	88,191	96,589	56,928	47,687	70,532	4,894	99,648	51,990	65,801	56,409	53,470	106,239	6,902	374,981	19,843	(342,566)	946,970
Net (increase) decrease in retirement plan liability	(480)	528	135	(102)	(593)	(13)	-	(24,756)	(428)	(39)	(178)	232	(58)	-	(268)	43	(34,404)	(60,381)
CHANGE IN NET ASSETS	4,797	8,241	(1,409)	(5,837)	(373)	634	683	25,825	(3,082)	324	(762)	4,184	5,889	704	6,782	(263)	20,650	66,987
NET ASSETS, beginning of year before the effect of adoption and recognition of ASC 958-205-45-13	77,783	116,347	93,144	51,631	43,276	44,678	7,917	84,465	81,434	74,239	70,036	76,144	134,562	8,980	532,427	4,582	(194,247)	1,307,398
Effect of adoption and recognition of ASC 958-205-45-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS, beginning of year as adjusted	77,783	116,347	93,144	51,631	43,276	44,678	7,917	84,465	81,434	74,239	70,036	76,144	134,562	8,980	532,427	4,582	(194,247)	1,307,398
NET ASSETS, end of year	\$ 82,580	\$ 124,588	\$ 91,735	\$ 45,794	\$ 42,903	\$ 45,312	\$ 8,600	\$ 110,290	\$ 78,352	\$ 74,563	\$ 69,274	\$ 80,328	\$ 140,451	\$ 9,684	\$ 539,209	\$ 4,319	\$ (173,597)	\$ 1,374,385

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

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
CONSOLIDATING STATEMENT OF EXPENSES BY NATURAL CLASSIFICATION
FOR THE YEAR ENDED AUGUST 31, 2011
(In Thousands)

	ACS CANCER																ACS NATIONAL		ACTION	ELIMINATIONS /	TOTAL
	CALIFORNIA	EAST CENTRAL	EASTERN	FLORIDA	GREAT LAKES	GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	SOUTH ATLANTIC	PUERTO RICO	HOME OFFICE	NETWORK, INC.	RECLASSES				
EXPENSES																					
Salaries	\$ 26,625	\$ 24,103	\$ 32,714	\$ 17,803	\$ 14,571	\$ 21,067	\$ 1,317	\$ 28,509	\$ 16,165	\$ 21,083	\$ 17,319	\$ 17,007	\$ 28,470	\$ 1,420	\$ 73,272	\$ 7,984	\$ 14,727	\$ 364,156			
Employees benefits	7,746	6,714	8,451	4,936	4,368	5,816	342	10,917	4,463	5,961	4,835	5,205	7,566	273	13,516	1,540	14,976	107,625			
Payroll taxes	2,789	2,074	2,408	1,429	1,326	1,737	117	2,270	1,290	1,800	1,446	1,542	2,145	108	5,379	535	947	29,342			
Professional fees	3,479	3,134	3,338	1,225	1,781	2,549	182	2,830	2,068	1,943	2,444	1,200	5,208	138	46,069	3,397	(25,609)	55,376			
Supplies	824	825	484	291	164	267	24	370	399	364	246	130	543	43	689	23	268	5,954			
Telephone	953	519	903	527	127	468	76	1,120	174	915	576	636	1,208	60	5,220	134	988	14,604			
Postage and shipping	1,128	1,452	1,185	689	636	880	75	1,284	707	598	995	714	1,521	29	9,403	96	1,119	22,511			
Occupancy	3,546	2,547	3,287	3,054	1,306	1,921	195	3,043	1,985	2,309	2,209	3,146	5,571	212	6,693	1,926	358	43,308			
Equipment rental, maintenance and information processing	282	920	554	361	556	945	56	964	156	236	342	208	1,057	44	6,977	115	434	14,207			
Printing and publications	2,206	2,056	1,814	1,896	1,171	1,346	138	2,413	1,673	945	1,927	1,254	2,310	2,336	27,400	1,766	353	53,004			
Meetings and conferences	1,568	1,049	430	826	616	913	57	1,621	460	757	429	497	1,416	81	4,795	866	343	16,724			
Travel	1,359	1,893	603	1,200	914	1,941	107	2,558	747	2,027	1,252	580	2,473	95	5,081	853	533	24,216			
Specific assistance to individuals	3,388	3,369	2,140	1,264	935	3,056	393	4,792	1,866	1,989	1,296	1,109	2,557	555	1	-	-	28,710			
Awards and grants for program services, net of cancellations	483	550	1,006	1,053	72	45	16	376	2,210	106	639	37	867	49	104,589	255	-	112,353			
Awards and grants to affiliates	25	25	45	95	25	2,660	-	25	25	58	25	25	42	-	47,423	48	(50,546)	-			
Insurance	189	165	160	121	89	130	9	180	78	125	103	116	349	6	-	22	(1,842)	-			
Membership dues and subscriptions	112	84	75	71	49	58	9	124	62	27	39	17	58	3	501	42	20	1,351			
Depreciation and amortization	184	1,841	3,342	1,164	1,126	736	75	1,867	390	1,569	1,127	1,892	1,594	142	9,659	7	7	26,722			
Interest expense	31	230	2,082	-	92	-	-	-	-	17	-	50	-	39	155	-	-	2,696			
Contributed services and other in-kind contributions	98	1,024	-	-	617	323	131	915	84	-	-	-	-	-	5,292	202	1,678	10,364			
Miscellaneous	998	1,306	1,559	360	588	488	55	1,430	511	101	302	943	829	13	954	32	3,278	13,747			
Total program and supporting services expenses	\$ 58,013	\$ 55,880	\$ 66,580	\$ 38,365	\$ 31,129	\$ 47,346	\$ 3,374	\$ 67,608	\$ 35,513	\$ 42,930	\$ 37,551	\$ 36,308	\$ 65,784	\$ 5,646	\$ 373,068	\$ 19,843	\$ (37,968)	\$ 946,970			

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

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