

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

**Combined Financial Statements
As of and for the Year Ended August 31, 2010 with
summarized financial information for the Year Ended
August 31, 2009 with Report of Independent Auditors**

**American Cancer Society, Inc.
and Affiliated Entities
Contents
August 31, 2010 and 2009**

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Report of Independent Auditors

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

We have audited the accompanying combined balance sheet as of August 31, 2010 of the organizations described in Note 1 (collectively the Society), and the related combined 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 2009 combined financial statements and, in our report dated January 28, 2010, we expressed an unqualified opinion on those combined 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 combined financial position at August 31, 2010, of the organizations described in Note 1, and the combined changes in their net assets and their 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 combined financial statements taken as a whole. The combining balance sheets, combining statements of activities, and combining statements of expenses by natural classification are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in our audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Ernst & Young LLP

January 19, 2011

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

ASSETS	August 31,	
	2010	2009
CASH AND CASH EQUIVALENTS	\$ 117,968	\$ 112,123
TEMPORARY INVESTMENTS, at fair value	844,921	784,250
SECURITIES LENT UNDER SECURITIES LENDING PROGRAM	107,821	163,253
COLLATERAL RECEIVED UNDER SECURITIES LENDING PROGRAM	109,992	166,450
RECEIVABLES, net	52,978	65,494
PREPAID EXPENSE AND OTHER ASSETS	31,309	30,770
GIFT ANNUITY INVESTMENTS, at fair value	34,838	34,925
LEGACIES AND BEQUESTS RECEIVABLE	85,410	88,916
BENEFICIAL INTERESTS IN TRUSTS	284,980	270,257
FIXED ASSETS, net	345,596	353,992
INVESTMENTS, at fair value	88,546	90,501
Total assets	\$ 2,104,359	\$ 2,160,931
LIABILITIES AND NET ASSETS		
RESEARCH AND OTHER PROGRAM AWARDS AND GRANTS PAYABLE	\$ 212,571	\$ 217,339
ACCRUED EXPENSES:		
Accounts payable and other accrued expenses	67,537	84,450
Accrued retirement plan benefits	231,396	180,273
Postretirement medical, dental and life insurance accrual	57,716	56,472
Total accrued expenses	356,649	321,195
GIFT ANNUITY OBLIGATIONS	25,926	26,230
PAYABLE UNDER SECURITIES LENDING PROGRAM	109,992	166,450
OTHER LIABILITIES	26,108	27,464
DEBT	65,715	67,851
Total liabilities	796,961	826,529
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Available for program and supporting activities	531,951	556,585
Net investment in fixed assets	277,303	281,719
Total unrestricted	809,254	838,304
Temporarily restricted	258,137	273,416
Permanently restricted	240,007	222,682
Total net assets	1,307,398	1,334,402
Total liabilities and net assets	\$ 2,104,359	\$ 2,160,931

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

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
REVENUE, GAINS AND OTHER SUPPORT					
Support from the public:					
Contributions	\$ 134,967	\$ 52,986	\$ 592	\$ 188,545	\$ 186,811
Special events	454,908	70,429	63	525,400	523,865
Other special fund-raising events	297	-	-	297	534
Legacies and bequests	78,870	30,594	4,358	113,822	135,600
Change in value of split-interest agreements	(119)	5,537	77	5,495	(32,857)
Contributed services, merchandise and other in-kind contributions at fair value	22,665	27,273	-	49,938	59,698
Contributions raised indirectly from federated and other fund-raising organizations	12,930	6,773	-	19,703	23,972
Total support from the public	704,518	193,592	5,090	903,200	897,623
Investment income (losses):					
Interest and dividends, net	15,310	3,278	1	18,589	29,561
Net realized and unrealized investment gains (losses)	6,168	907	355	7,430	(15,038)
Net unrealized gains (losses) on perpetual trusts	-	-	11,649	11,649	(42,401)
Total investment income (losses)	21,478	4,185	12,005	37,668	(27,878)
Exchange transactions:					
Income	91,680	-	-	91,680	97,903
Expenses	(91,095)	-	-	(91,095)	(95,423)
Net exchange transactions	585	-	-	585	2,480
Grants and contracts from government agencies	8,824	2,356	-	11,180	19,388
Other revenue (losses)	2,937	885	(127)	3,695	296
(Loss) gain on disposal of fixed assets	(169)	-	-	(169)	5,142
Total revenue, gains and other support	738,173	201,018	16,968	956,159	897,051
NET ASSET RESTRICTION TRANSFERS					
Satisfaction of activity restrictions	190,860	(190,860)	-	-	-
Revision of donor restriction	145	(502)	357	-	-
Satisfaction of equipment acquisition restrictions	6,711	(6,711)	-	-	-
Expiration of time restrictions	18,224	(18,224)	-	-	-
Total net asset restriction transfers	215,940	(216,297)	357	-	-

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINED STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED AUGUST 31, 2010, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
				2010	%	2009	%
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	148,644	-	-	148,644	16%	149,829	15%
Prevention - programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer	148,982	-	-	148,982	16%	177,849	17%
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	112,262	-	-	112,262	12%	129,396	13%
Patient support - programs to assist cancer patients and their families and ease the burden of cancer for them	270,652	-	-	270,652	28%	275,377	27%
Total program services	680,540	-	-	680,540	72%	732,451	72%
Supporting services:							
Management and general - direction of the overall affairs of the Society through executive, financial, and administrative services	68,373	-	-	68,373	7%	62,948	6%
Fund-raising - programs to secure charitable financial support for programs and supporting services	202,210	-	-	202,210	21%	222,280	22%
Total supporting services	270,583	-	-	270,583	28%	285,228	28%
Total program and supporting services expenses	951,123	-	-	951,123	100%	1,017,679	100%
Net change in retirement plan liability	32,040	-	-	32,040		134,604	
CHANGE IN NET ASSETS							
	(29,050)	(15,279)	17,325	(27,004)		(255,232)	
NET ASSETS, beginning of year							
	838,304	273,416	222,682	1,334,402		1,589,634	
NET ASSETS, end of year							
	\$ 809,254	\$ 258,137	\$ 240,007	\$ 1,307,398		\$ 1,334,402	

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

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2010, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009
(In Thousands)

	Program Services				Supporting Services		Total	
	Research	Prevention	Detection/ Treatment	Patient Support	Management	Fund-raising	2010	2009
EXPENSES								
Salaries	\$ 16,346	\$ 64,589	\$ 50,602	\$ 107,282	\$ 32,245	\$ 97,012	\$ 368,076	\$ 409,974
Employee benefits	4,394	20,217	15,590	33,248	9,572	28,679	111,700	88,943
Payroll taxes	1,259	5,355	4,195	9,050	2,750	7,992	30,601	32,577
Professional fees	6,893	11,474	8,169	12,332	2,845	12,871	54,584	60,686
Supplies	142	1,169	895	2,130	394	1,672	6,402	7,522
Telephone	773	3,170	2,240	5,369	1,015	3,696	16,263	17,501
Postage and shipping	302	4,870	2,270	5,594	2,707	6,447	22,190	21,637
Occupancy	1,936	7,124	5,232	16,741	4,232	9,362	44,627	45,724
Equipment rental, maintenance and information processing	941	2,341	1,683	3,646	1,316	2,856	12,783	13,012
Printing and publications	3,957	10,167	7,238	15,126	2,600	11,302	50,390	57,148
Meetings and conferences	1,548	3,055	2,452	4,098	1,315	3,881	16,349	19,667
Travel	1,028	4,610	3,192	5,888	977	5,365	21,060	29,115
Special assistance to individuals	-	3	302	28,042	-	6	28,353	26,959
Awards and grants for program services, net of cancellations	105,167	2,970	2,679	4,369	2	27	115,214	121,957
Membership dues and subscriptions	241	329	182	285	198	276	1,511	1,704
Depreciation and amortization	1,718	4,543	3,301	10,279	1,672	5,893	27,406	27,798
Interest expense	2	74	54	2,317	137	124	2,708	2,880
Contributed services and other in-kind contributions	1,818	882	428	1,933	784	526	6,371	18,344
Miscellaneous	179	2,040	1,558	2,923	3,612	4,223	14,535	14,531
Total program and supporting services expenses	<u>\$ 148,644</u>	<u>\$ 148,982</u>	<u>\$ 112,262</u>	<u>\$ 270,652</u>	<u>\$ 68,373</u>	<u>\$ 202,210</u>	<u>\$ 951,123</u>	<u>\$ 1,017,679</u>

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

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009
(In Thousands)**

CASH FLOWS FROM OPERATING ACTIVITIES	2010	2009
Change in net assets	\$ (27,004)	\$ (255,232)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	27,594	27,875
Net unrealized (gains) losses on perpetual trusts	(11,649)	42,401
Net realized and unrealized investment (gains) losses	(7,430)	15,038
Change in value of split-interest agreements	(5,495)	32,857
Loss (gain) on disposal of fixed assets	169	(5,142)
Other gains	-	21
Net change in retirement plan liability	32,040	134,604
Support from the public restricted for long-term investment	(5,090)	(7,177)
Support from the public restricted for fixed asset acquisition	(3,102)	(5,572)
Changes in assets and liabilities:		
Receivables, net	12,516	12,520
Prepaid expenses and other assets	(521)	2,090
Legacies and bequests receivable	3,506	8,676
Beneficial interests in trusts and gift annuities, net	5,722	2,506
Research and other program awards and grants payable	(4,768)	(12,348)
Accrued expenses	(8,163)	(9,952)
Other liabilities	(1,008)	(4,398)
Net cash provided by (used in) operating activities	<u>7,317</u>	<u>(21,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(19,781)	(29,912)
Proceeds from disposal of fixed assets	678	9,213
Support from the public restricted for fixed asset acquisition	3,102	5,572
Purchase of investments	(570,070)	(667,205)
Proceeds from maturity or sale of investments	574,154	720,573
Net cash (used in) provided by investing activities	<u>(11,917)</u>	<u>38,241</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	(2,136)	(5,383)
Proceeds from issuance of debt	-	1,102
Increase (decrease) in bank overdrafts	11,577	(8,265)
Payments on capital lease obligations	(568)	(628)
Payments to annuitants	(3,518)	(3,598)
Support from the public restricted for long-term investment	5,090	7,177
Net cash provided by (used in) financing activities	<u>10,445</u>	<u>(9,595)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>5,845</u>	<u>7,413</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>112,123</u>	<u>104,710</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 117,968</u>	<u>\$ 112,123</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 2,667</u>	<u>\$ 2,834</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Fixed assets acquired through capital lease	<u>\$ 220</u>	<u>\$ 124</u>
Collateral received and payable under the securities lending program	<u>\$ (56,458)</u>	<u>\$ 3,845</u>

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

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

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 Combination

The accompanying combined 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 combined with the accounts of the American Cancer Society Cancer Action Network ("ACS CAN") and the Society's 13 chartered Divisions (the "Divisions"), which are separately incorporated. All significant intra-Society accounts and transactions have been eliminated in the accompanying combined 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 chartered Division.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification 105, *The Hierarchy of Generally Accepted Accounting Principles* ("ASC 105"), formerly known as FASB Statement 168. ASC 105 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The Society has adopted the provisions of ASC 105 for the year ended August 31, 2010.

On September 1, 2009, the Society adopted the provisions of FASB *Accounting Standards Codification Topic 820* ("ASC 820"), *Fair Value Measurements and Disclosures*, for all nonfinancial assets and liabilities that are not recognized at fair value in the combined financial statements on a recurring basis. The adoption of ASC 820 for nonfinancial assets and liabilities did not affect the Society's combined financial position at August 31, 2010.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

In September 2009, the FASB issued Accounting Standards Update No. 2009-12 ("ASU 2009-12"), *Fair Value Measurements and Disclosures: Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to amend the existing guidance in ASC 820. ASU 2009-12 is effective for the first reporting period ending after December 15, 2009 and expands the required disclosures for certain investments with a reported net asset value (NAV). ASU 2009-12 permits entities holding investments in certain entities to measure the fair value of such investments on the basis of the net asset value per share or its equivalent without adjustments (a practical expedient). The ASU requires enhanced disclosures about the nature and risks of investments within its scope, including the nature of any restrictions on an investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investee. The Society has adopted ASU 2009-12 for the year ended August 31, 2010. The effect of the adoption of ASU 2009-12 had no impact on the accompanying combined financial statements.

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 temporary 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 combined balance sheets.

At August 31, 2010 and 2009, \$107,821,000 and \$163,253,000, respectively, is recorded as securities lent under securities lending program in the accompanying combined balance sheets. At August 31, 2010 and 2009, \$109,992,000 and \$166,450,000, respectively, is recorded as collateral received under securities lending program and as payable under securities lending program in the accompanying combined balance sheets.

Collateral received under the securities lending program is recorded at its fair value. The payable under securities lending program is carried at cost, which approximates fair value.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

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.

Pending actual disbursement for budgeted program expenditures, funds are invested in securities designed to maximize resources available for programs while minimizing risk. To help achieve these objectives, the Society maintains two combined investment pools: the Combined Investment Pool ("CIP") for short term liquidity and the Combined Endowment Pool ("CEP") for principal preservation. The investment objectives of the CIP and CEP are subject to limitations defined by the National Home Office's Board of Directors and are set to provide maximum current income within the approved risk parameters. These investments do not have a significant concentration of credit risk within any industry, geographic location, or specific institution.

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

Investment advisory fees paid by the Society were approximately \$2,106,000 and \$2,272,000 for the fiscal years ended August 31, 2010 and 2009, respectively.

Fair Value of Financial Instruments

The Society's financial instruments consist of cash and cash equivalents, temporary investments, securities lent under securities lending program, collateral received under securities lending program, receivables, gift annuity investments, legacies and bequests receivable, beneficial interests in trusts, investments, research and other program awards and grants payable, accounts payable and accrued expenses, gift annuity obligations, 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. Temporary 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. All other financial instruments are stated at cost, which approximates fair value.

The Society elected fair value accounting for its nonperpetual beneficial interests in trusts held by third parties and its gift annuity obligations.

Government Grants Receivable

All government grants receivable are expected to be collected within one year and are recorded at net realizable value.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

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 recorded in fiscal 2008 and prior years have been discounted at rates ranging from 3.50% to 4.75%. These rates approximate the rates of return on U.S. government securities at the origination of the pledge. Pledges receivable recorded in fiscal year 2010 and 2009 have been discounted using rates ranging from 1.50% to 2.60%, which is commensurate with the risks involved with the ultimate collection of the pledges receivable. 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 market value at the date of receipt and are recorded as unrestricted support unless the use of such contributed assets is restricted by a donor-imposed restriction. If donors contribute long-lived assets with stipulations as to how long the assets must be used or with any other restrictions, such contributions are reported as temporarily restricted support.

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

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

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 payable beyond one year are reported at the present value of their estimated future cash flows and have been discounted at rates ranging from 2.25% to 6.25%. These rates approximate the rates of return on U.S. government securities at the origination of the awards and grants. Awards and grants payable recorded in fiscal years 2010 and 2009 have been discounted using a rate of 2.25%, which is commensurate with the risks involved with the ultimate payment of these obligations. 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 COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

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 combined 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 revenues. 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 trusts are trusts where donors have established and funded trusts under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trust's term. Nonperpetual trusts are recorded at their estimated fair value based on the present value of the Society's estimated future cash receipts from the trust. In fiscal year 2010 and 2009, 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 7.25% for both years, and a discount rate of 5.00% and 4.50% respectively, commensurate with the risks involved. The carrying value of the initial gift of the nonperpetual BIT is recognized as temporarily restricted public support (legacy or contribution revenue depending upon the initial source of the gift). Any subsequent adjustments to the nonperpetual BIT are recorded as a change in value of split-interest agreements.

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

1. ORGANIZATION AND ACCOUNTING POLICIES, continued

Beneficial Interests in Trusts, continued

Perpetual trusts are trusts under which the Society will receive income distributions in perpetuity, but will never receive the corpus (principal). Perpetual trusts are initially recorded as permanently restricted legacy or contribution revenue, depending on the initial source of the gift, at the fair market value of the Society's interest in the trust assets at the time of the gift. Subsequent changes to the trust's fair market value are recognized as permanently restricted net unrealized gains or losses 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 Society uses significant unobservable inputs (level 3, as defined in Note 2) to estimate the fair value of BITs as of August 31, 2010. The need to use unobservable inputs generally results from the lack of an active market or marketplace with respect to BITs. The Society's level 3 BITs total approximately \$284,980,000 and \$270,257,000 at August 31, 2010 and 2009, respectively and includes both nonperpetual and perpetual trusts. The interest in these trusts cannot be traded in an active market or marketplace. Therefore no significant observable market data for these instruments is available.

The fair value of perpetual trusts is based on the fair value of the underlying trust assets. 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. 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 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.

The fair value of nonperpetual trusts is 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 assumed asset allocation of the nonperpetual trusts. The discount rate used to estimate the present value of the Society's interest is 5.00% and 4.50% for fiscal years 2010 and 2009, respectively. 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 combined financial statements.

**AMERICAN CANCER SOCIETY, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

1. ORGANIZATION AND ACCOUNTING POLICIES, 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 actuarially determined liability is recorded based on the terms of the gift, and the difference between the present value of the estimated liability and the fair value of the gift is recognized as revenue at the time of the gift. In fiscal years 2010 and 2009, the assumptions used in the valuation of the annuity liability include mortality in accordance with the Annuity 2000 Table and an annual investment yield rate of 5.65% for all annuities for fiscal year 2010, compounded annually, net of expenses. In fiscal year 2009, the Society used an annual investment yield rate of 6.00% for immediate annuities and 4.00% for deferred annuities, compounded annually, net of expenses. These rates are commensurate with the risks associated with the ultimate payment of the obligation. The Society maintains assets sufficient to meet the annuity requirements stipulated by the various state laws.

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

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 and for which the Society has met all conditions precedent to receipt of the contribution prior to the Society's fiscal year-end 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 combined 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 and any donor restricted income from permanently restricted gifts are classified as permanently restricted net assets. Income on those assets, not permanently restricted by the donor, is classified as temporarily restricted (if restricted by the donor or by 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.

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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 combined financial position of the Society.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses incurred for fiscal years ended August 31, 2010 and 2009 were \$21,381,000 and \$22,489,000, 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 combined 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 2010 combined 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 combined financial statements for the fiscal year ended August 31, 2009, 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.
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2. FAIR VALUE MEASUREMENT

FASB *Accounting Standards Codification 820, Fair Value Measurements and Disclosures*, ("ASC 820") 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;
- 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.

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, 2009.

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.

Government obligations (including those loaned under securities lending program) are valued on the basis of evaluated prices provided by independent pricing services.

Corporate obligations, pooled mortgage backed securities, and other fixed income securities are valued on the basis of evaluated prices provided by independent pricing services.

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.

**AMERICAN CANCER SOCIETY, INC.
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2. FAIR VALUE MEASUREMENT, continued

Collateral received under the securities lending program is recorded at its fair value. The payable under securities lending program is carried at cost, which approximates fair value.

Gift annuity obligation is recorded at fair value based on mortality assumptions and discount rates commensurate with the risks involved.

The 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 as of August 31, 2010 and 2009. 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.

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
Money market funds	\$ 3,058	\$ 29,368	\$ -	\$ 32,426
Time Deposit	965	13,297	-	14,262
Corporate bonds	13,494	152,493	-	165,987
U.S. government and government agency and obligations	79,408	321,656	-	401,064
Commercial paper and other short-term investments	17,593	318,691	-	336,284
Equity	77,743	44,791	283	122,817
Other	122	1,048	2,116	3,286
Collateral received under securities lending program	-	109,992	-	109,992
Beneficial interest in trust	-	-	284,980	284,980
Gift annuity obligations	-	-	25,926	25,926
Total assets and liabilities at fair value	<u>\$ 192,383</u>	<u>\$ 991,336</u>	<u>\$ 313,305</u>	<u>\$ 1,497,024</u>

**AMERICAN CANCER SOCIETY, INC.
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2. FAIR VALUE MEASUREMENT, continued

Assets and liabilities measured at fair value on a recurring basis as of August 31, 2009 (in thousands)				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 46,601	\$ 43,627	\$ -	\$ 90,228
Time deposits	17,273	-	-	17,273
Corporate bonds	575	110,515	-	111,090
U.S. government and government agency obligations	94,953	356,817	-	451,770
Commercial paper and other short-term investments	-	295,332	-	295,332
Equity	59,080	44,443	249	103,772
Other	319	996	2,149	3,464
Collateral received under securities lending program	-	166,450	-	166,450
Beneficial interest in trusts	-	-	270,257	270,257
Gift annuity obligations	-	-	26,230	26,230
Total assets and liabilities at fair value	<u>\$ 218,801</u>	<u>\$ 1,018,180</u>	<u>\$ 298,885</u>	<u>\$ 1,535,866</u>

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 year ended August 31, 2010 and 2009 (in thousands):

August 31, 2010	Equity	Other	Beneficial interest in trusts	Gift annuity obligations	Total
Balance, beginning of year	\$ 249	\$ 2,149	\$ 270,257	\$ 26,230	\$ 298,885
Realized and unrealized gains	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>

**AMERICAN CANCER SOCIETY, INC.
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2. FAIR VALUE MEASUREMENT, continued

August 31, 2009	Equity	Other	Beneficial interest in trusts	Gift annuity obligations	Total
Balance, beginning of year	\$ 293	\$ 2,178	\$ 343,869	\$ 26,179	\$ 372,519
Realized and unrealized losses	(44)	-	(42,615)	-	(42,659)
Purchases, sales, issuances, and settlements (net)	-	(29)	(30,997)	51	(30,975)
Balance, end of year	<u>\$ 249</u>	<u>\$ 2,149</u>	<u>\$ 270,257</u>	<u>\$ 26,230</u>	<u>\$ 298,885</u>

The unrealized gains and losses are included in the net unrealized gains and losses on beneficial interests in trusts in the accompanying combined statement of activities and are related to assets still held at August 31, 2010 and 2009, respectively.

The following table sets 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, 2010 (in thousands):

Investment type	Fair Value	Unfunded commitments
Index non-lending common/collective trust fund	\$ 22,116	\$ -
Money market fund	29,265	-
Total	<u>\$ 51,381</u>	<u>\$ -</u>

The index non-lending fund was composed mainly of common stocks in various business sectors as of August 31, 2010. 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 fund's investment objective during 2009 was to match the return of the Standard and Poor's 500® Index excluding equity securities of any corporation which derives a substantial portion of its revenue from the sale of tobacco. Effective January 1, 2010, 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 certificates of deposit, repurchase agreements, and commercial papers as of August 31, 2010. 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.
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3. ENDOWMENT

Interpretation of Relevant Law

ACS CAN and certain Divisions are subject to an enacted version of UPMIFA, while the National Home Office, Puerto Rico and certain other Divisions remain subject to the Uniform Management of Institutional Funds Act ("UMIFA") or other relevant law. 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 donated 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.

**AMERICAN CANCER SOCIETY, INC.
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3. ENDOWMENT, continued

The following represents the changes in endowments for the year ended August 31, 2010 and 2009 (in thousands).

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted 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 appreciation (realized and unrealized)	642	1,029	231	1,902
Contributions	-	331	4,577	4,908
Reclassification of restriction	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>
Endowment funds	\$ (1,757)	\$ 9,064	\$ 67,171	\$ 74,478
Board-designated endowment funds	1,849	-	-	1,849
Total funds at August 31, 2009	<u>\$ 92</u>	<u>\$ 9,064</u>	<u>\$ 67,171</u>	<u>\$ 76,327</u>
Changes in endowments for the year ended August 31, 2009				
Endowment net assets at August 31, 2008	\$ 3,395	\$ 13,540	\$ 65,546	\$ 82,481
Investment income	399	1,508	-	1,907
Net depreciation (realized and unrealized)	(3,489)	(4,324)	(660)	(8,473)
Contributions	-	-	1,707	1,707
Reclassification of restrictions	(143)	(435)	578	-
Appropriation of endowment assets for expenditure	(70)	(1,225)	-	(1,295)
Endowment net assets at August 31, 2009	<u>\$ 92</u>	<u>\$ 9,064</u>	<u>\$ 67,171</u>	<u>\$ 76,327</u>

**AMERICAN CANCER SOCIETY, INC.
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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 U.S. generally accepted accounting principles, 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 unrestricted net assets. Deficiencies of this nature that are reported in unrestricted net assets were \$1,239,000 and \$3,024,000 as of August 31, 2010 and 2009, 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, 2010 and 2009, 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 \$18,032,000 and \$11,808,000 for the years ended August 31, 2010 and 2009, respectively, are as follows (in thousands):

	2010	2009
Due in one year or less	\$ 21,887	\$ 27,639
Due in one year through five years	15,770	24,240
Due after five years	125	7,668
Less: estimated uncollectible amounts	(1,241)	(1,214)
	36,541	58,333
Less: discount	(1,595)	(4,647)
Total	\$ 34,946	\$ 53,686

**AMERICAN CANCER SOCIETY, INC.
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5. FIXED ASSETS

Fixed assets as of August 31, 2010 and 2009 are as follows (in thousands):

	2010	2009
Land	\$ 35,665	\$ 35,811
Buildings and leasehold improvements	371,735	354,436
Furniture, fixtures, equipment, and other capitalized assets	85,788	96,894
Computer software	62,618	55,644
Construction in progress	11,296	11,189
Less: accumulated depreciation and amortization (including \$42,552 and \$37,991 of software amortization)	(221,506)	(199,982)
Net fixed assets	<u>\$ 345,596</u>	<u>\$ 353,992</u>

Depreciation expense including expenses or assets used in exchange transactions for the years ended August 31, 2010 and 2009 was approximately \$23,033,000 and \$23,309,000, respectively.

Software amortization expense for the years ended August 31, 2010 and 2009 was approximately \$4,561,000 and \$4,566,000, respectively.

6. DEBT

Debt as of August 31, 2010 and 2009 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 \$43,855,000 and \$44,664,000 as of August 31, 2010 and 2009, 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 \$39,287,000 and \$40,755,000 as of August 31, 2010 and 2009, respectively.

The Society has various industrial development and revenue bonds (the "Bonds"), with variable interest rates (ranging from 0.55% to 4.75% as of August 31, 2010), two of which are convertible to a fixed rate at the Society's option. The outstanding balance of the Bonds was \$18,070,000 and \$19,105,000 at August 31, 2010 and 2009. 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 2.50% to 5.65% as of August 31, 2010). The outstanding balance of the notes payable was \$3,790,000 and \$4,082,000 at August 31, 2010 and 2009, respectively. Certain notes payable are secured by cash savings accounts in the amount of \$588,000 at August 31, 2010.

**AMERICAN CANCER SOCIETY, INC.
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AUGUST 31, 2010 AND 2009**

6. DEBT, continued

Approximate annual payments as of August 31, 2010, excluding interest, are payable as follows (in thousands):

Fiscal year:		
2011	\$	3,438
2012		2,640
2013		2,343
2014		2,444
2015		2,551
Thereafter		52,299
Total	\$	<u>65,715</u>

The debt is secured by related properties, furnishings and equipment, which have a net book value of approximately \$46,762,000.

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, 2010 and 2009 are \$220,366,000 and \$226,329,000, respectively. The present value as of August 31, 2010 and 2009 is \$212,571,000 and \$217,339,000, respectively. The discount of \$7,795,000 will be recognized as interest expense in fiscal years 2011 through 2015. As of August 31, 2010, the awards and grants are payable as follows (in thousands):

Fiscal year:		
2011	\$	97,606
2012		65,737
2013		38,318
2014		16,222
2015		2,483
Total	\$	<u>220,366</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 2010 and 2009 was \$49,491,000 and \$25,083,000, respectively. The Society's liability for contributions accrued and unpaid as of August 31, 2010 and 2009 was \$214,520,000 and \$163,498,000, respectively. These amounts are included in accrued retirement plan benefits in the accompanying combined balance sheets.

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

The current strategic mix for the Plans 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>2010</u>	<u>2009</u>	
Equity securities	60%	61%	54-75%
Debt securities	39%	38%	25-42%
Cash and cash equivalents	<u>1%</u>	<u>1%</u>	0-10%
	<u>100%</u>	<u>100%</u>	

The benefit obligation and the assets of the Plans were \$589,241,000 and \$374,721,000, respectively, as of August 31, 2010. The benefit obligation and the assets of the Plans were \$520,043,000 and \$356,545,000, respectively, as of August 31, 2009. 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, 2010 and 2009 was \$16,876,000 and \$16,775,000, respectively. These amounts are included in accrued retirement plan benefits in the accompanying combined balance sheets. Information related to the Society's Pension Plans and SERP as of August 31, 2010 and 2009 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	2010 Total	2009 Total
Measurement date : August 31				
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 520,043	\$ 16,775	\$ 536,818	\$ 457,713
Service cost	27,442	651	28,093	23,185
Interest cost	28,813	860	29,673	29,514
Amendments	-	35	35	287
Actuarial loss	48,882	320	49,202	66,455
Impact of settlement	-	(452)	(452)	-
Benefits paid	(35,939)	(1,313)	(37,252)	(40,336)
Benefit obligation at end of year	\$ 589,241	\$ 16,876	\$ 606,117	\$ 536,818
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 356,545	\$ -	\$ 356,545	\$ 389,774
Actual expenses paid	(809)	-	(809)	(974)
Actual return on plan assets	21,730	-	21,730	(38,279)
Employer contributions	33,194	1,313	34,507	46,360
Benefits paid	(35,939)	(1,313)	(37,252)	(40,336)
Fair value of plan assets at end of year	\$ 374,721	\$ -	\$ 374,721	\$ 356,545
Funded status	\$ (214,520)	\$ (16,876)	\$ (231,396)	\$ (180,273)
Amounts recognized in the combined balance sheets				
Accrued benefit liability	(214,520)	(16,876)	(231,396)	(180,273)
Net amount recognized	\$ (214,520)	\$ (16,876)	\$ (231,396)	\$ (180,273)
Actuarial assumptions				
Discount rate:				
Net periodic pension cost	5.75%	5.75%	5.75%	6.75%
Benefit obligation	4.75%	4.75%	4.75%	5.75%
Expected return on plan assets	7.50-8.00%	N/A	7.50-8.00%	7.50-8.00%
				Age Graded
Rate of compensation increase	2.50-11.50%	3.00-10.50%	2.50-11.50%	2.50-11.50%
Components of net periodic benefit cost:				
Service cost	\$ 27,442	\$ 651	\$ 28,093	\$ 23,185
Interest cost	28,813	860	29,673	29,514
Expected return on plan assets	(27,565)	-	(27,565)	(30,807)
Administrative expenses	1,450	-	1,450	1,670
Amortization of:				
Unrecognized prior service cost	738	630	1,368	2,483
Unrecognized actuarial loss	18,613	166	18,779	4,070
Amortization of transition asset	-	-	-	(2,132)
Impact of Curtailment	-	191	191	350
Impact of Settlement	-	-	-	650
Net periodic benefit cost	\$ 49,491	\$ 2,498	\$ 51,989	\$ 28,983

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8. PENSION PLANS, continued

	Retirement Benefits	Supplemental Retirement Benefits	2010 Total	2009 Total
Measurement date : August 31				
Accumulated benefit obligation	\$ 537,753	\$ 9,613	\$ 547,366	\$ 463,039
Estimated future benefit payments				
2011	\$ 40,705	\$ 348	\$ 41,053	
2012	38,813	2,637	41,450	
2013	37,628	881	38,509	
2014	38,635	2,631	41,266	
2015	39,717	3,765	43,482	
2016-2020	204,352	7,304	211,656	

The Society expects to contribute \$37,750,000 in fiscal year 2011.

Included in unrestricted net assets at August 31, 2010 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service costs of \$5,506,000 and unrecognized actuarial losses of \$253,584,000. 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, 2011 are \$1,175,000 and \$22,746,000, 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.

The fair value of the Society's pension plan assets at August 31, 2010, by asset category are as follows:

	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	-	8,915	-	8,915
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	-	11,520	-	11,520
Equity	142,357	2,058	7,850	152,265
Common collective trusts	-	69,042	-	69,042
Government money fund	3,807	-	-	3,807
Mutual of America investments	-	163	-	163
Total investment assets at fair value	<u>\$ 146,729</u>	<u>\$ 220,119</u>	<u>\$ 7,873</u>	<u>\$ 374,721</u>

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

The table below sets forth a summary of changes in the fair value of the Society's pension plan level 3 assets for the year ended August 31, 2010 (in thousands):

August 31, 2010	Corporate bonds	Equity	Total
Balance, beginning of year	\$ -	\$ 7,343	\$ 7,343
Unrealized gains (loss)	(1)	104	103
Purchases, sales, issuances, and settlements (net)	24	403	427
Balance, end of year	<u>\$ 23</u>	<u>\$ 7,850</u>	<u>\$ 7,873</u>

9. POSTRETIREMENT NONPENSION BENEFITS

The Society maintains an unfunded postretirement benefit plan for employees, which covers 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 plan 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, 2010 and 2009 and related changes during the years ended August 31, 2010 and 2009 consisted of the following components (in thousands):

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9. POSTRETIREMENT NONPENSION BENEFITS, continued

Measurement date	August 31, 2010	August 31, 2009
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 56,472	\$ 48,307
Service cost	592	576
Interest cost	3,121	3,212
Plan participant contributions	55	41
Amendments	(4,326)	-
Actuarial loss	4,550	7,255
Benefits paid	(2,748)	(2,919)
Benefit obligation at end of year	\$ 57,716	\$ 56,472
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Actual return on plan assets	-	-
Employer contributions	2,748	2,919
Benefits paid	(2,748)	(2,919)
Fair value of plan assets at end of year	\$ -	\$ -
Funded status	\$ (57,716)	\$ (56,472)
Amounts recognized in the balance sheets consist of:		
Accrued benefit liability	(57,716)	(56,472)
Net amount recognized	\$ (57,716)	\$ (56,472)
Actuarial assumptions		
Discount rate:		
Net periodic pension cost	5.75%	6.75%
Benefit obligation	4.75%	5.75%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	2.00-10.50%	3.00-11.50%
Components of net periodic benefit cost:		
Service cost	\$ 592	\$ 576
Interest cost	3,121	3,212
Amortization of:		
Unrecognized prior service cost	757	1,470
Transition amount	763	764
Recognized net actuarial loss	666	198
Additional recognition of unrecognized net loss	-	436
Net periodic benefit cost	\$ 5,899	\$ 6,656
Estimated future benefit payments		
2011	\$ 3,738	
2012	3,798	
2013	3,836	
2014	3,874	
2015	3,905	
2016-2020	19,744	

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AUGUST 31, 2010 AND 2009**

9. POSTRETIREMENT NONPENSION BENEFITS, continued

The Society expects to contribute \$3,738,000 in fiscal year 2011.

Included in unrestricted net assets at August 31, 2010 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized transition obligation of \$2,209,000, unrecognized prior service credit of \$4,075,000 and unrecognized actuarial losses of \$15,209,000. The transition obligation, 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, 2011 are \$763,000, \$51,000 and \$1,273,000, respectively.

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, 2010 (in thousands):

Fiscal year:		
2011	\$	26,016
2012		19,134
2013		15,605
2014		11,801
2015		10,103
Thereafter		49,461
Total	\$	<u>132,120</u>

Rental expense from operating leases for the year ended August 31, 2010 and 2009 was approximately \$31,387,000 and \$31,346,000, respectively.

11. RESTRICTED NET ASSETS

Temporarily restricted net assets and the earnings from permanently restricted net assets as of August 31, 2010 and 2009 have been restricted by donors as follows (in thousands):

	Temporarily		Permanently	
	2010	2009	2010	2009
Research	\$ 28,161	\$ 24,891	\$ 52,476	\$ 49,850
Patient support	28,112	32,130	15,525	14,382
Specific geographic locations	15,671	13,793	40,534	41,393
Prevention	8,690	7,447	1,916	1,833
Detection/treatment	31,223	29,184	1,452	1,452
Fixed asset acquisitions/ building fund	16,011	16,665	-	1,131
Hope Lodges	22,023	32,096	19,934	13,897
Time restrictions	104,217	112,930	-	-
Other program and supporting services	4,029	4,280	108,170	98,744
Total	<u>\$ 258,137</u>	<u>\$ 273,416</u>	<u>\$ 240,007</u>	<u>\$ 222,682</u>

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
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11. RESTRICTED NET ASSETS, continued

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.

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 2010 and 2009 are as follows (in thousands):

	<u>2010</u>	<u>2009</u>
Media communication and production services	\$ 2,547	\$ 1,613
Peer review services (approximately 24,965 and 24,800 hours, respectively)	1,808	1,801
Cars for a Cure	2,041	2,343
Discovery Shop	19,143	18,426
Cosmetic kits	14,856	14,610
Wigs and wet line products	1,881	1,016
Donated land under lease	66	5,458
Other in-kind contributions	7,596	14,431
Total contributed services, merchandise and other in-kind contributions at fair value	<u>\$ 49,938</u>	<u>\$ 59,698</u>

**AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

**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 combined 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 2010 and 2009 are as follows (in thousands):

	2010	2009
Contribution amount for donated vehicles	\$ 2,041	\$ 2,343
Exchange transaction income/expense attributable to vehicles sold	\$ 2,070	\$ 2,255
Exchange selling expenses	390	703
Net proceeds realized	<u>\$ 1,680</u>	<u>\$ 1,552</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 Division's programs. The contribution of the merchandise is recorded in the accompanying combined 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 2010 and 2009 are as follows (in thousands):

	2010	2009
Contribution amount for donated merchandise	\$ 19,143	\$ 18,426
Exchange transaction income/expense attributable to merchandise sold	\$ 19,369	\$ 18,426
Exchange selling expenses	11,619	11,865
Net proceeds realized	<u>\$ 7,750</u>	<u>\$ 6,561</u>

**AMERICAN CANCER SOCIETY, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009**

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 2010 and 2009 are as follows (in thousands):

	Exchange Income		Exchange Expenses	
	2010	2009	2010	2009
Special events	\$ 56,712	\$ 61,570	\$ 56,496	\$ 60,729
Cars For a Cure	2,070	2,255	2,460	2,958
Discovery Shop	19,369	18,426	30,988	30,291
Rental income	992	1,000	17	8
Cause related marketing and other royalties	2,770	3,089	-	-
Sales to third parties	9,767	11,563	1,134	1,437
	<u>\$ 91,680</u>	<u>\$ 97,903</u>	<u>\$ 91,095</u>	<u>\$ 95,423</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 combined statement of activities.

**AMERICAN CANCER SOCIETY, INC.
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AUGUST 31, 2010 AND 2009**

14. ACTIVITIES WITH JOINT COSTS

In fiscal years 2010 and 2009, 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 \$166,370,000 and \$160,786,000 of joint costs for fiscal years 2010 and 2009, that were functionally allocated as follows (in thousands):

	<u>2010</u>	<u>2009</u>
Research	\$ 330	\$ 266
Prevention	30,980	29,822
Detection/treatment	24,128	22,091
Patient support	38,178	38,465
Management and general	8,391	7,584
Fund-raising	64,363	62,558
Total	<u>\$ 166,370</u>	<u>\$ 160,786</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 combined net assets.

16. SUBSEQUENT EVENTS

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through January 19, 2011, the date the combined financial statements were available to be issued.

Subsequent to August 31, 2010 two of the Society's chartered Divisions combined to form one new Division. Management is currently evaluating the combination's accounting treatment under ASC 958-805, *Business Combinations*.

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINING BALANCE SHEETS
AUGUST 31, 2010
(In Thousands)

	CALIFORNIA	EASTERN	FLORIDA	GREAT LAKES	GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	OHIO	PENNSYLVANIA	SOUTH ATLANTIC	PUERTO RICO	ACS NATIONAL HOME OFFICE	ACS ACTION NETWORK, INC.	ELIMINATIONS / RECLASSES	TOTAL
ASSETS																			
CASH AND TEMPORARY INVESTMENTS:																			
Cash and cash equivalents	\$ 2,829	\$ 14,301	\$ 2,014	\$ 6,365	\$ 1,554	\$ 230	\$ 4,245	\$ 163	\$ 6,202	\$ 1,619	\$ 2,118	\$ 1,456	\$ 2,511	\$ 23,955	\$ 710	\$ 47,301	\$ 395	\$ -	\$ 117,968
Division's interest in Combined Investment Pool	11,373	17,167	7,793	7,912	16,144	854	63,972	31,822	23,616	14,262	12,154	9,270	37,757	34,446	1,524	579,815	5,452	(875,333)	-
Division's interest in Combined Endowment Pool	3,903	923	-	2,015	1,949	-	153	-	140	-	-	-	-	65	-	-	-	(9,148)	-
Temporary investments, at fair value	34,304	24,564	13,946	20,584	8,842	1,236	323	40,823	17,238	25,260	4,415	9,510	8,839	57,721	-	-	-	577,316	844,921
Total cash and temporary investments	52,409	56,955	23,753	36,876	28,489	2,320	68,693	72,808	47,196	41,141	18,687	20,236	49,107	116,187	2,234	627,116	5,847	(307,165)	962,889
SECURITIES LENT UNDER SECURITIES LENDING PROGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,821	-	-	107,821
COLLATERAL RECEIVED UNDER SECURITIES LENDING PROGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109,992
DUE FROM AFFILIATES	7,046	2,720	1,753	2,170	4,521	1,295	10,153	1,191	4,617	2,465	2,594	1,321	1,579	2,826	252	265,792	432	(312,727)	-
RECEIVABLES, net	600	4,120	2,356	719	2,226	465	5,645	1,023	7,349	8,485	3,958	2,000	1,368	1,696	1,279	9,689	-	-	52,978
PREPAID PENSION COSTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,198	-	(9,198)	-
PREPAID EXPENSE AND OTHER ASSETS	4,444	1,877	620	666	715	29	645	900	541	522	586	1,303	1,197	1,974	51	14,855	384	-	31,309
GIFT ANNUITY INVESTMENTS, at fair value	-	-	-	-	-	-	-	-	-	-	-	21	-	-	-	34,817	-	-	34,838
LEGACIES AND REQUESTS RECEIVABLE	-	7,936	10,576	-	-	-	-	4,212	-	-	3,550	-	4,105	-	-	-	-	55,031	85,410
COMBINED PLANNED GIVING/PTM POOL	83,398	-	-	15,356	19,912	5,495	45,050	-	15,885	10,800	-	25,502	-	22,182	-	243,589	-	(487,169)	-
BENEFICIAL INTERESTS IN TRUSTS	-	27,375	20,793	-	316	164	875	12,427	-	428	22,555	159	14,110	1,328	-	14,476	-	169,974	284,980
FIXED ASSETS, net	1,317	61,855	20,413	17,638	19,097	2,209	28,120	1,107	27,201	24,101	42,375	12,623	14,793	24,661	7,351	40,694	41	-	345,596
INVESTMENTS, at fair value	-	5,343	2,247	97	-	-	31	8,132	-	-	7,015	1,581	2,919	1,485	-	59,696	-	-	88,546
Total assets	149,214	168,181	82,511	73,522	75,276	11,977	159,212	101,800	102,789	87,942	101,320	64,746	89,178	172,339	11,167	1,537,735	6,704	(891,254)	2,104,359
LIABILITIES AND NET ASSETS																			
RESEARCH AND OTHER PROGRAM AWARDS AND GRANTS PAYABLE	-	-	399	-	-	-	-	1,346	-	25	-	-	-	-	-	210,801	-	-	212,571
ACCRUED EXPENSES:																			
Accounts payable and accrued expenses	5,028	4,474	1,852	1,239	3,211	178	3,345	1,864	3,339	1,969	2,107	1,595	1,570	3,813	389	30,356	1,204	4	67,537
Accrued retirement plan benefits	3,456	2,975	1,440	1,968	1,534	126	28,665	1,607	1,933	1,951	2,199	677	1,749	2,806	80	8,141	510	169,579	231,396
Postretirement medical, dental and life insurance accrual	5,543	3,685	1,761	1,498	2,181	243	4,082	1,001	2,020	1,601	2,171	1,194	4,684	4,513	-	8,121	23	13,394	57,716
Total accrued expenses	14,027	11,135	5,053	4,705	6,926	547	36,092	4,472	7,292	5,521	6,477	3,466	8,003	11,132	469	46,618	1,737	182,977	356,649
GIFT ANNUITY OBLIGATIONS	-	-	312	-	-	-	-	-	-	-	-	54	-	-	-	25,560	-	-	25,926
DUE TO AFFILIATES	51,568	17,254	25,115	14,905	23,057	3,486	34,781	12,185	19,639	11,928	16,997	10,407	10,742	24,247	625	38,097	371	(315,404)	-
INVESTMENTS AND OTHER ASSETS HELD FOR AFFILIATES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	551,428	-	(551,428)	-
PAYABLE UNDER SECURITIES LENDING PROGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109,992	-	-	109,992
OTHER LIABILITIES	680	1,984	-	374	210	7	770	1,992	687	136	677	1,720	276	1,823	(8)	14,767	13	-	26,108
DEBT	-	43,855	-	10,025	-	-	-	-	584	-	-	2,103	-	-	1,102	8,045	-	-	65,715
Total liabilities	66,275	74,229	30,879	30,009	30,193	4,040	71,643	19,995	28,202	17,610	24,151	17,750	19,021	37,202	2,188	1,005,308	2,121	(683,855)	796,961
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS:																			
Unrestricted:																			
Available for program and supporting activities	36,229	29,995	3,662	24,989	8,950	(1,051)	16,121	60,217	26,546	24,456	(5,499)	11,202	29,960	76,921	65	365,877	1,709	(178,398)	531,951
Net investment in fixed assets	1,317	17,984	20,413	7,613	19,097	2,209	28,039	1,107	26,044	24,101	42,061	8,966	14,793	24,661	6,249	32,649	-	-	277,303
Total unrestricted	37,546	47,979	24,075	32,602	28,047	1,158	44,160	61,324	52,590	48,557	36,562	20,168	44,753	101,582	6,314	398,526	1,709	(178,398)	809,254
Temporarily restricted	22,958	23,547	21,198	4,491	9,755	1,941	21,729	4,282	14,166	9,533	17,123	7,625	10,659	18,698	2,665	91,401	2,874	(26,508)	258,137
Permanently restricted	22,435	22,426	6,359	6,420	7,281	4,838	21,680	16,199	7,831	12,242	23,484	19,203	14,745	14,857	-	42,500	-	(2,493)	240,007
Total net assets	82,939	93,952	51,632	43,513	45,083	7,937	87,569	81,805	74,587	70,332	77,169	46,996	70,157	135,137	8,979	532,427	4,583	(207,399)	1,307,386
Total liabilities and net assets	\$ 149,214	\$ 168,181	\$ 82,511	\$ 73,522	\$ 75,276	\$ 11,977	\$ 159,212	\$ 101,800	\$ 102,789	\$ 87,942	\$ 101,320	\$ 64,746	\$ 89,178	\$ 172,339	\$ 11,167	\$ 1,537,735	\$ 6,704	\$ (891,254)	\$ 2,104,359

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

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010
(In Thousands)

	CALIFORNIA	EASTERN	FLORIDA	GREAT LAKES	GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	OHIO	PENNSYLVANIA	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	\$ 15,968	\$ 18,612	\$ 6,268	\$ 6,082	\$ 12,274	\$ 994	\$ 17,932	\$ 11,587	\$ 8,117	\$ 14,714	\$ 14,068	\$ 5,809	\$ 8,671	\$ 15,972	\$ 440	\$ 271,275	\$ 977	\$ (241,215)	\$ 188,545
Special events	39,281	53,300	32,079	28,279	42,432	2,203	55,843	25,816	45,399	33,768	35,068	20,142	30,301	76,563	3,905	-	1,023	(2)	525,400
Other special fund-raising events	-	-	-	-	-	-	-	-	-	-	-	-	297	-	-	-	-	-	297
Legacies and bequests	22,961	9,378	12,367	6,275	10,178	420	11,031	3,917	4,911	5,767	4,284	6,085	5,306	8,872	-	43,893	-	(41,823)	113,822
Change in value of split-interest agreements	6,088	1,575	2,638	323	604	104	2,886	507	364	619	1,281	104	311	999	-	39	-	(12,947)	5,495
Contributed services, merchandise and other in-kind contributions, at fair value	15,436	531	78	624	2,558	125	1,941	342	41	740	754	1,954	74	743	2,299	21,325	373	-	49,938
Contributions raised indirectly from federated and other fund-raising organizations	636	635	501	527	1,271	354	4,763	240	1,932	553	1,801	1,254	1,004	4,007	225	-	-	-	19,703
Division's share of public support raised by Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions raised by the National Home Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,377	-	(31,377)	-
Total support from the public	100,370	84,031	53,931	42,110	69,317	4,200	94,396	42,409	60,764	56,161	57,256	35,348	45,964	107,156	6,869	367,909	2,373	(327,364)	903,200
Investment income:																			
Interest and dividends, net	2,065	1,766	304	933	745	222	1,206	1,396	1,012	882	871	1,003	1,394	1,718	21	3,043	8	-	18,599
Net realized and unrealized investment gains	628	596	184	255	288	14	12	659	404	1,148	111	164	453	315	-	2,298	-	(99)	7,430
Net unrealized gains on perpetual trust	706	991	287	413	196	614	1,692	616	586	54	1,231	1,487	644	904	-	1,228	-	-	11,649
Total investment income	3,399	3,353	775	1,601	1,229	850	2,910	2,671	2,002	2,084	2,213	2,654	2,491	2,937	21	6,569	8	(99)	37,666
Exchange transactions:																			
Income	20,569	8,495	3,493	3,831	6,138	332	10,167	2,615	5,979	3,338	3,267	3,204	4,303	7,346	366	45,621	340	(37,924)	91,680
Expenses	(30,163)	(8,589)	(3,472)	(3,803)	(6,696)	(332)	(9,630)	(2,648)	(5,900)	(3,401)	(3,428)	(4,063)	(3,844)	(7,521)	(366)	(32,461)	(210)	35,652	(91,095)
Net exchange transactions	(9,594)	(94)	21	28	(558)	-	337	(33)	79	(63)	(161)	(879)	459	(175)	-	13,360	130	(2,272)	585
Grants and contracts from:																			
Government agencies	-	3,165	-	312	986	83	20	-	123	218	186	-	-	331	409	5,347	-	-	11,180
Affiliates	3,059	3,169	2,984	1,323	3,642	43	4,055	1,545	2,942	1,455	2,180	1,107	1,609	3,765	214	350	16,892	(50,334)	-
Other revenue (losses)	109	(116)	49	(748)	-	-	1,077	140	76	-	184	15	13	576	-	2,639	(223)	(296)	3,695
(Losses) gains on disposal of fixed assets	-	(13)	-	(2)	-	-	88	-	29	4	(1)	3	(19)	-	-	(259)	-	-	(169)
Total revenue, gains and other support	97,343	93,495	57,760	44,624	74,616	5,176	102,863	46,732	66,015	59,859	61,857	38,246	50,518	114,590	7,513	396,115	19,180	(380,365)	956,159
NET ASSET RESTRICTION TRANSFERS																			
Unrestricted																			
Satisfaction of activity restrictions	8,072	28,391	9,960	5,075	11,996	497	10,584	8,413	6,485	8,048	10,808	4,012	3,057	11,584	5,158	89,673	17,666	(48,619)	190,860
Revision of donor restriction	-	-	-	-	145	-	-	-	-	-	-	-	-	-	-	-	-	-	145
Satisfaction of equipment acquisition restrictions	-	-	-	42	-	48	6,534	-	-	-	-	-	87	-	-	-	-	-	6,711
Transfer of restriction to National Home Office	10,476	10,872	12,693	2,194	2,888	206	7,710	3,250	3,508	1,888	6,519	1,329	2,188	4,468	100	-	-	(70,269)	-
Expiration of time restrictions	1,266	527	20	80	508	59	1,023	65	1,176	965	3,124	975	142	422	-	7,872	-	-	18,224
Unrestricted net asset restriction transfer	19,814	39,790	22,673	7,391	15,537	810	25,851	11,728	11,169	10,901	20,451	6,316	5,454	16,474	5,258	97,545	17,666	(118,888)	215,940
Temporarily restricted																			
Satisfaction of activity restrictions	(8,072)	(28,391)	(9,960)	(5,075)	(11,998)	(497)	(10,584)	(8,411)	(6,485)	(8,048)	(10,808)	(4,012)	(3,057)	(11,584)	(5,158)	(89,673)	(17,666)	48,619	(190,860)
Revision of donor restriction	-	-	-	-	(143)	-	-	-	-	-	-	-	(359)	-	-	-	-	-	(502)
Satisfaction of equipment acquisition restrictions	-	-	-	(42)	-	(48)	(6,534)	-	-	-	-	-	(87)	-	-	-	-	-	(6,711)
Transfer of restriction to National Home Office	(10,476)	(10,872)	(12,693)	(2,122)	(2,888)	(206)	(7,710)	(3,150)	(3,508)	(1,888)	(6,509)	(1,329)	(2,109)	(4,468)	(100)	-	-	70,028	-
Expiration of time restrictions	(1,266)	(527)	(20)	(80)	(508)	(59)	(1,023)	(65)	(1,176)	(965)	(3,124)	(975)	(142)	(422)	-	(7,872)	-	-	(18,224)
Temporarily restricted net asset restriction transfer	(19,814)	(39,790)	(22,673)	(7,319)	(15,537)	(810)	(25,851)	(11,626)	(11,169)	(10,901)	(20,441)	(6,316)	(5,754)	(16,474)	(5,258)	(97,545)	(17,666)	118,647	(216,297)
Permanently restricted																			
Satisfaction of activity restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revision of donor restriction	-	-	-	-	-	-	-	-	-	-	-	-	357	-	-	-	-	-	357
Satisfaction of equipment acquisition restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of restriction to National Home Office	-	-	-	(72)	-	-	-	(102)	-	-	(10)	-	(57)	-	-	-	-	241	-
Expiration of time restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Permanently restricted net asset restriction transfer	-	-	-	(72)	-	-	-	(102)	-	-	(10)	-	300	-	-	-	-	241	357
Total net asset restriction transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINING STATEMENTS OF ACTIVITIES (continued)
FOR THE YEAR ENDED AUGUST 31, 2010
(In Thousands)

	CALIFORNIA	EASTERN	FLORIDA	GREAT LAKES	GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	OHIO	PENNSYLVANIA	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	-	-	376	-	-	1	59	3,203	237	-	134	284	-	-	-	144,246	4,635	(4,531)	148,644
Prevention - programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce risk of developing cancer	10,260	9,377	6,971	6,556	9,029	614	10,673	6,539	6,862	5,560	5,975	3,349	5,524	14,761	711	47,975	5,467	(7,221)	148,982
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	5,734	13,108	4,792	4,581	5,821	502	7,463	3,658	5,848	6,029	5,005	3,236	5,007	9,036	600	32,339	4,001	(4,498)	112,262
Patient Support - programs to assist cancer patients and their families and ease the burden of cancer for them	18,954	24,516	15,009	9,210	19,288	1,553	29,248	10,545	15,418	13,325	14,334	7,568	11,695	18,905	2,800	78,858	2,982	(23,556)	270,652
	34,948	47,001	27,148	20,347	34,138	2,670	47,443	23,945	28,365	24,914	25,448	14,437	22,226	42,702	4,111	303,418	17,085	(39,806)	680,540
Supporting services:																			
Management and general - direction of the overall affairs of the Society through executive, financial, and administrative services	4,686	2,596	1,744	2,161	4,056	159	2,777	2,676	1,924	1,665	3,412	777	1,275	4,489	241	33,183	1,227	(675)	68,373
Fund-raising - programs to secure charitable financial support for programs and supporting services	17,274	16,437	12,584	9,037	10,785	664	17,110	9,077	11,470	10,386	8,990	5,916	11,287	16,780	1,570	42,397	950	(504)	202,210
Total supporting services	21,960	19,033	14,328	11,198	14,841	823	19,887	11,753	13,394	12,051	12,402	6,693	12,562	21,269	1,811	75,580	2,177	(1,179)	270,583
Total program and supporting services expenses	56,908	66,034	41,476	31,545	48,979	3,493	67,330	35,698	41,759	36,965	37,850	21,130	34,788	63,971	5,922	378,998	19,262	(40,985)	951,123
Public support allocable to affiliates programs and other activities	34,689	29,947	21,622	16,522	24,125	1,600	33,700	14,668	23,292	19,175	20,799	13,317	17,132	41,533	1,034	1,599	-	(314,754)	-
Total program and supporting services expenses and allocation to national and affiliates activities	91,597	95,981	63,098	48,067	73,104	5,093	101,030	50,366	65,051	56,140	58,649	34,447	51,920	105,504	6,956	380,597	19,262	(355,739)	951,123
Net (increase) decrease in retirement plan liability	(459)	(196)	338	239	(13)	-	7,795	138	136	(58)	(412)	(218)	(4,333)	(985)	-	689	(43)	29,424	32,040
CHANGE IN NET ASSETS	6,205	(2,288)	(5,676)	(3,682)	1,525	83	(5,942)	(3,772)	828	3,777	3,620	4,019	2,931	10,071	557	14,829	(38)	(54,050)	(27,004)
NET ASSETS, beginning of year	76,734	96,240	57,308	47,195	43,558	7,854	93,511	85,577	73,759	66,555	73,549	42,977	67,226	125,066	8,422	517,598	4,622	(153,349)	1,334,402
NET ASSETS, end of year	\$ 82,939	\$ 93,952	\$ 51,632	\$ 43,513	\$ 45,083	\$ 7,937	\$ 87,569	\$ 81,805	\$ 74,587	\$ 70,332	\$ 77,169	\$ 46,996	\$ 70,157	\$ 135,137	\$ 8,979	\$ 532,427	\$ 4,583	\$ (207,399)	\$ 1,307,398

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

AMERICAN CANCER SOCIETY, INC.
AND AFFILIATED ENTITIES
COMBINING STATEMENTS OF EXPENSES BY NATURAL CLASSIFICATION
FOR THE YEAR ENDED AUGUST 31, 2010
(In Thousands)

	CALIFORNIA	EASTERN	FLORIDA	GREAT LAKES	GREAT WEST	HAWAII	HIGH PLAINS	ILLINOIS	MIDSOUTH	MIDWEST	NEW ENGLAND	OHIO	PENNSYLVANIA	SOUTH ATLANTIC	PUERTO RICO	ACS NATIONAL HOME OFFICE	ACS ACTION NETWORK, INC.	ELIMINATIONS / RECLASSES	TOTAL
EXPENSES																			
Salaries	\$ 26,059	\$ 33,599	\$ 19,068	\$ 15,346	\$ 21,237	\$ 1,471	\$ 28,766	\$ 16,011	\$ 20,987	\$ 17,401	\$ 17,535	\$ 9,323	\$ 15,292	\$ 28,632	\$ 1,389	\$ 74,074	\$ 7,257	\$ 14,629	\$ 368,076
Employees benefits	7,595	8,538	4,956	4,448	5,844	368	10,972	4,198	5,892	4,903	5,366	2,340	4,708	8,328	297	18,396	1,538	13,013	111,700
Payroll taxes	2,723	2,674	1,510	1,335	2,035	118	2,364	1,322	1,761	1,278	1,545	859	1,467	2,284	130	5,802	480	914	30,601
Professional fees	2,954	2,267	1,086	1,622	2,516	144	2,751	1,952	1,913	2,183	1,239	1,244	1,595	5,114	136	47,742	3,429	(25,303)	54,584
Supplies	960	527	322	188	306	28	458	658	243	366	162	234	536	456	55	650	69	184	6,402
Telephone	968	1,188	520	216	676	81	1,452	155	903	675	787	218	372	1,196	58	6,400	127	271	16,263
Postage and shipping	1,031	1,126	908	576	771	69	1,151	670	335	965	699	424	1,008	1,435	38	9,383	40	1,561	22,190
Occupancy	3,857	3,144	3,048	1,622	1,954	183	3,350	1,987	2,187	2,202	3,417	811	1,636	5,396	172	7,483	1,835	343	44,627
Equipment rental, maintenance and information processing	403	523	500	380	546	60	1,015	170	242	373	311	649	191	958	54	6,007	82	319	12,783
Printing and publications	2,266	1,920	2,077	1,223	2,526	168	2,796	1,829	673	1,640	1,226	856	1,549	1,994	2,497	22,363	1,957	830	50,390
Meetings and conferences	1,487	375	1,616	576	897	76	1,506	517	578	392	432	178	826	831	132	5,122	799	9	16,349
Travel	1,222	539	1,317	716	1,800	117	2,575	731	1,677	1,099	483	646	966	1,804	107	4,714	783	(236)	21,060
Specific assistance to individuals	3,027	2,104	1,798	874	2,981	312	3,988	1,819	2,308	1,317	1,475	762	2,427	2,542	619	-	-	-	28,353
Awards and grants for program services, net of cancellations	447	895	929	42	576	25	493	2,377	168	498	43	298	122	93	39	107,811	358	-	115,214
Awards and grants to affiliates	25	25	44	25	2,568	-	25	25	25	32	25	25	25	25	-	47,003	6	(49,903)	-
Insurance	234	239	150	138	188	16	274	122	186	152	171	105	137	473	-	-	13	(2,598)	-
Membership dues and subscriptions	100	85	71	37	52	11	134	69	21	43	17	23	57	46	2	673	43	27	1,511
Depreciation and amortization	681	2,738	1,174	1,331	766	78	1,370	438	1,502	1,131	2,047	919	1,072	1,668	153	10,324	4	10	27,406
Interest expense	22	2,107	-	108	-	-	-	-	47	-	20	253	13	-	36	101	-	1	2,708
Contributed services and other in-kind contributions	51	-	-	230	251	117	655	176	-	-	-	663	-	-	-	3,936	292	-	6,371
Miscellaneous	796	1,421	382	512	489	51	1,235	472	111	315	850	300	789	696	8	1,014	150	4,944	14,535
Total program and supporting services expenses	\$ 56,908	\$ 66,034	\$ 41,476	\$ 31,545	\$ 48,979	\$ 3,493	\$ 67,330	\$ 35,698	\$ 41,759	\$ 36,965	\$ 37,850	\$ 21,130	\$ 34,788	\$ 63,971	\$ 5,922	\$ 378,998	\$ 19,262	\$ (40,985)	\$ 951,123

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