



**2017 ANNUAL  
STEWARDSHIP REPORT**





Our mission is to save lives, celebrate lives,  
and lead the fight for a world without cancer.

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# Dear Friends,

As we review the American Cancer Society's impact during the past year and look to the work ahead, our path forward is clear. We are on our way to creating the new American Cancer Society, an organization that faces and meets each new challenge as an opportunity to focus on what truly matters to us – *saving lives, celebrating lives, and leading the fight for a world without cancer.*

We are *saving* more lives today than in the past, thanks in large part to our commitment and fierce determination. A steady decline in cancer death rates during more than two decades is something to be proud of, but we can do more for our family and community members, friends, colleagues, and all others impacted by this disease.

We are *celebrating* lives like never before because each of us is the voice of the American Cancer Society to those around us. We feel the impact in our communities each and every time a volunteer provides a ride to treatment for someone who wouldn't have gotten there otherwise, or witness a ceremony for a patient leaving one of our Hope Lodge® communities after treatment is completed. We also know how much more impact we can have when we participate in a Survivor Lap at a Relay For Life® event, or see a family team formed to honor a loved one at a Making Strides Against Breast Cancer® walk. We are making a difference.

Have no doubt, we are *leading* the fight for a world without cancer with renewed fortitude and relevance. From research, education, and prevention, to treatment, recovery, and support of patients, caregivers, and long-term survivors, we will stand united with local and global organizations and partners until we achieve a world free from the pain and suffering of cancer. We owe it to all those affected by cancer to never give up on our mission.

We have much work to do. But we are on a noble path to become the most relevant and impactful cancer fighting organization in the world. We are continually thankful for the support of so many, as we work together to save lives from cancer.

With gratitude,

Chief Executive Officer  
American Cancer Society, Inc.

Chair, Board of Directors  
American Cancer Society, Inc.



**The American Cancer Society was founded in 1913 as the American Society for the Control of Cancer. At the time, a cancer diagnosis meant near certain death.** Doctors sometimes did not tell their patients they had cancer, and patients often did not tell their friends and families that they had been diagnosed with it.

More than 100 years later, we've helped to remove the stigma associated with a cancer diagnosis through public awareness and education. A disease that was once whispered about is now a part of everyday conversation – at the dinner table, in the boardroom, and in the news. In fact, most of us have known or cared for someone with cancer – or even experienced it ourselves.

Cancer costs us the lives of those we care about, as nearly 600,000 Americans were estimated to die from the disease in 2016. But we know a great deal of this suffering and death is needless.

That's why today, we're working to make the greatest impact possible on cancer. We're removing barriers to quality health care by providing transportation to treatment and other cancer-related appointments, as well as access to lodging for patients seeking treatment away from home. Through more than 456,000 nights at our American Cancer Society Hope Lodge communities and more than 61,000 nights of free or reduced lodging through our hotel partners program,

we saved cancer patients and caregivers more than \$47 million in 2016 alone.

With a variety of programs such as the National Colorectal Cancer Roundtable (NCCRT), the National HPV Vaccination Roundtable, and the Community Health Advocates implementing Nationwide Grants for Empowerment and Equity (CHANGE) Grant Program, we work with community health partners and corporations across the nation to increase access to preventive care and improve health equity. Together in 2016, we contributed to more than 750,000 outreach interventions and nearly 200,000 cancer screenings. By helping local facilities provide cancer education and screening for more underserved patients, we are helping to reduce death rates from breast, cervical, and colorectal cancers.



335,000

**rides to treatment and other cancer-related appointments**



456,000

**nights of free lodging at our Hope Lodge communities**



45,000

**newly diagnosed cancer patients given guidance to overcome barriers to care**

Seeing a steady decline in cancer death rates during the past two decades makes us even more determined to accelerate progress against cancer, and save even more lives.

Lung cancer is the second most common cancer in both men and women (not counting skin cancer) and the leading cause of cancer death.

Because 80 percent of lung cancer deaths in the US are still caused by smoking, the American Cancer Society continues its work to reduce tobacco use among children and adults through education and advocacy for increased tobacco taxes. Due in part to the work of our nonprofit, nonpartisan advocacy affiliate, the American Cancer Society Cancer Action Network<sup>SM</sup> (ACS CAN), nearly half of the US population is covered by comprehensive smoke-free laws.

We've also produced lung cancer screening guidelines for people at high risk of the disease because of a heavy smoking history. We're working to educate adults and health care professionals about the benefits and risks of lung cancer screening so they can make informed decisions about their health care.



Similarly, seeing the need to reduce the incidence of and mortality from human papilloma virus (HPV)-associated cancers, we provide guidelines for HPV vaccination and established the National HPV Vaccination Roundtable, which is working with health care professionals nationwide to increase HPV vaccination rates in adolescents.

For most Americans who do not use tobacco, the most important influence on cancer risk factor is excess body weight due to an unhealthy diet and physical inactivity. The American Cancer Society continues to recommend that individuals achieve and maintain a healthy weight throughout life, get regular physical activity, and limit high-calorie foods and drinks.

We also advocate for public, private, and community organizations to work together to increase access to affordable, healthy foods in communities, places of work, and schools and decrease access to and marketing of foods and drinks of low nutritional value, particularly to children. Lastly, we recommend that organizations advocate for policy and environmental changes that provide safe, enjoyable, and accessible environments for physical activity in schools and workplaces, and for transportation and recreation in communities.

We work to ensure that individuals have access to all these means of reducing their cancer risk. We also provide crucial programs and services to help improve quality of life for those facing cancer. Our website, [cancer.org](https://www.cancer.org), features the latest, most accurate information on virtually all topics related to cancer, from prevention and diagnosis, to survivorship and caregiving. Our toll-free helpline, **1-800-227-2345**, is available 24 hours a day, seven days a week to help cancer patients and those seeking information, resources, and support. We also offer award-winning books – from cookbooks to caregiving support to on-point breast cancer information – as well as three peer-reviewed journals to put information and resources directly in the hands of consumers and health care professionals.

The American Cancer Society is helping to save more lives from cancer today than ever before, with a 25 percent drop in cancer death rates between 1991 and 2014. This steady decline equates to 2.1 million fewer cancer deaths during that time. While one in three women and one in two men in America will be diagnosed with cancer in their lifetime, through research and progress in cancer screening, early detection, and treatment methods, more people are surviving cancer today than ever before. In fact, more than





108 million

visits to [cancer.org](https://www.cancer.org)

1.2 million

calls and live chats to our 24/7 helpline



40+

award-winning books offered



15.5 million cancer survivors are estimated to live in the US today.

We've played a role in most major cancer research breakthroughs in recent history. Currently investing more than \$400 million in over 40 types of cancer research, we're experts at identifying and providing funding to visionary scientists early in their careers. Our track record speaks for itself, as 47 of our funded researchers have gone on to win the Nobel Prize.

**But we can do more.**

We've invested more than \$4.5 billion in research since 1946, and we're committed to doubling our current annual investment to approximately

\$240 million by 2021. This increase will dramatically grow what is already one of the largest and arguably most successful private, nonprofit cancer research programs in the nation.

We are creating a cancer control blueprint that identifies and prioritizes cancer prevention, early detection, treatment, advocacy, and research strategies for most every cancer. For some cancers, proven prevention and treatment strategies exist. For others, key research questions demand answers. This is why research must be our highest priority. At the same time, we will continue to implement what we know works, and work to ensure everyone has equal opportunity to benefit from our lifesaving efforts.







Our focus on saving lives from cancer is matched by our commitment to celebrating lives like never before.

Through impactful, meaningful, volunteer-led community events across the nation, the American Cancer Society unites cancer survivors, caregivers, and supporters to help lead the fight for a world without cancer. And we're not in this alone. Our global network of two million volunteers, supported by professional staff, drive every part of our mission, from setting strategy and policy to organizing special events and patient support programs.



3.7 million  
participants in 27 countries

Our Relay For Life and Making Strides Against Breast Cancer events are at the heart of how we celebrate lives. Communities come together to celebrate cancer survivors, remember those lost to the disease, and take action for lifesaving change. Today, we're focused on empowering our volunteers and staff to renew and invigorate these community events by providing innovative tools and options to support fundraising and community engagement.

Our more than 4,500 Relay For Life events each year – 3,500 in the US alone – provide ample opportunity for communities, families, faith-based groups, and businesses to celebrate those who've faced cancer. With \$6 billion raised to fight cancer since 1985, we believe the Relay For Life movement is not only the largest fundraising event in the world, but also the most



1.4 million  
participants in communities across the US

successful gathering to celebrate the lives of loved ones touched by cancer.

In nearly 250 communities across the United States, more than 1.4 million participants celebrate breast cancer survivors and caregivers at Making Strides Against Breast Cancer walks. To support our breast cancer efforts, this year we launched the Real Men Wear Pink campaign to empower male community leaders in raising awareness and funds to save lives from breast cancer. More than 2,600 individuals accepted the Real Men Wear Pink challenge last year, donning pink throughout the month of October while collecting donations in support of their efforts. By sharing their passion for our cause, those involved with the effort raised \$5.5 million to help fund American Cancer Society breast cancer-related programs and research.



Our distinguished gala and golf programs also present an opportunity for community involvement, engaging volunteer and business leaders in unique, high-profile events. These premier events offer guests an opportunity to connect with industry and philanthropic leaders while enjoying exclusive dining, golfing, and entertainment experiences. In 2016, 257 gala and social events and 67 golf events collectively raised nearly \$60 million to support our mission of saving more lives.

In our pursuit to celebrate lives, we don't stop with our traditional community events. We offer opportunities for anyone in any community to help us celebrate cancer survivors and caregivers. In the business community, for example, more than 400 business leaders participate in our CEOs Against Cancer® initiative. These executives are uniting to change the course of cancer, bringing their passion, expertise, and resources to help

us find innovative ways to drive our mission and reduce their company's bottom line.

The Coaches vs. Cancer® program, a collaboration between the National Association of Basketball Coaches and the American Cancer Society, empowers coaches, teams, and fans to bring cancer awareness, advocacy, and fundraising to their communities. More than 1,600 coaches share their personal experiences with cancer and provide leadership on and off the court to help save lives.

We're also collaborating with members of the entertainment industry to showcase their unique experiences with cancer. Global ambassadors, designer Simone I. Smith and Taboo of the Black Eyed Peas, joined us at events throughout the past year to share their personal stories of survivorship and to celebrate their energy and passion for our lifesaving mission.

## In 2016, the American Cancer Society provided:



36,000

**people with help managing appearance-related side effects of treatment**



11,000+

**peer support services to breast cancer patients**



119,000

**special kits of tailored information and resources for newly diagnosed patients to help them understand and manage their care**



300,000

**patients, long-term survivors, and caregivers with access every month to our Cancer Survivors Network, an online support community**

The American Cancer Society has come a long way in our more than 100-year history. Today, we have an opportunity – and a responsibility – to lead the fight for a world without cancer in a way that no other organization can.

We're taking bold steps to achieve our mission, leveraging our unique capabilities and expertise with collaborators and partners to help us save more lives and celebrate more lives.

For example, we've announced a three-year, \$3.6 million initiative with CVS Health to provide grants to 125 colleges and universities, helping them accelerate and expand the number of 100 percent smoke- and tobacco-free campuses throughout the United States. As part of a nationwide effort to deliver the nation's first tobacco-free generation, the program awards grants to colleges and universities in 19 states with the greatest need for stronger smoke-free campus policies to help them implement cessation, education, and support programs to become a tobacco-free campus.

We've also established the American Cancer Society Center for Tobacco Control to work toward the adoption and implementation of smoke- and tobacco-free policies in all workplaces, public places, and other important venues such as multi-unit residential settings. In addition, we're taking an increasingly proactive role in addressing the changing landscape related to rapidly emerging tobacco-related markets, including for electronic smoking products such as e-cigarettes, and for other changes globally.





The American Cancer Society gratefully acknowledges the many corporations who actively support our mission to save more lives from cancer.

The following organizations each provided \$1 million or more in the past calendar year to support our lifesaving mission:

AbbVie  
 Bank of America  
 Bristol-Myers Squibb  
 Chevrolet  
 CVS Health  
 Delta Air Lines  
 Extended Stay America  
 IBM  
 Kohl's  
 Kroger  
 National Football League  
 Nucor  
 Pfizer  
 Walgreens  
 Walmart  
 Wells Fargo

We're collaborating with corporations to provide helpful information to people who need it, when they need it. This year, we announced a partnership with IBM to create a unique advisor for people fighting cancer, powered by Watson cognitive computing. The tool will provide cancer patients, survivors, and caregivers with trusted American Cancer Society resources and guidance personalized to an individual's unique journey with cancer. By drawing on the resources from both organizations, Watson could use the information to understand and anticipate an individual's information needs. The tool has the potential to assist the more than 1.6 million Americans diagnosed with cancer each year in getting the right information to help them manage the disease.

And we're convening public, private, and other voluntary organizations to sit at the same table to discuss, plan, and implement strategies to address specific cancer burdens. The National Colorectal Cancer Roundtable (NCCRT), established by the American Cancer Society and the Centers for Disease Control and Prevention (CDC), focuses on reducing colorectal cancer incidence and mortality in the United States. Along with the CDC and NCCRT, we're committed to saving lives from cancer through the 80% by 2018 initiative, which aims to increase the percentage of US adults aged 50 and older being regularly screened for colorectal cancer to 80 percent by 2018. If the campaign is successful, we can prevent 277,000 cases and 203,000 colorectal cancer deaths by 2030.

Similarly, we established the National HPV Vaccination Roundtable to reduce the incidence of human papilloma virus (HPV)-associated cancers in the US. Nearly all cases of cervical cancer are caused by infection with high-risk types of HPV. The virus also causes most cancers of the vagina, vulva, anus, and penis, and as well as many throat cancers. HPV vaccination prevents infection with virus types that cause the vast majority of these cancers and genital



warts, but the vaccine works only if given well before an infection occurs. That's one reason we recommend it at ages 11 to 12. We lead a membership of 75 national and local organizations that focus on developing and implementing pilot projects that help individuals overcome barriers to HPV vaccination, including those related to providers, parents, systems, policies, and health disparities.

Because cancer knows no boundaries, our mission and our leadership extend around the world. Cancer causes one in eight deaths worldwide and is rapidly becoming a global issue. Our global health program is focused on preventing cancer, saving lives, diminishing suffering, catalyzing a local response in the countries where we work, and shaping the global policy agenda.

Our global work is focused on lower-income countries, where work is being done across the full cancer continuum, predominantly in national referral hospitals, often the only facilities where cancer is currently addressed. We seek measurable results in countries where Ministries of Health, hospitals, and civil society partners can make the most significant impact.

Tobacco use is a major cause of the increasing global burden of cancer as the number of smokers worldwide continues to grow. With more than a century of experience in cancer control, the American Cancer Society is uniquely positioned to lead the global fight against cancer and tobacco by assisting and empowering the world's cancer societies and anti-tobacco advocates.

Since the cancer burden is steadily increasing, we work to enhance access to relevant cancer information and strengthen policies that support healthy living by providing cancer education programs for women and girls, developing

resources on the tobacco epidemic, supporting implementation of more effective tobacco taxation and tobacco control policies, and helping employers make their worksites smoke-free or tobacco-free, as well as uniting health care providers in their efforts to treat tobacco dependence.

Back in the United States, we continue to provide respected leadership and crucial education for the health care community. Our cancer screening guidelines use the best science and rigorous review to help patients and their health care providers make the appropriate choices to screen for cancer. Our prevention guidelines help people reduce their risk of cancer, and our survivorship guidelines help people live life to the fullest after cancer treatment.

We collaborate with health care providers and medical organizations across the country to increase cancer screening rates, get more people access to quality cancer care, reduce cancer incidence and mortality, and increase support for cancer survivors and their caregivers. We work in communities across the country to get health care professionals and providers the information and resources they need to help more people prevent cancer or find it early, when it's most treatable. And our three peer-reviewed journals – *Cancer*; *CA: A Cancer Journal for Clinicians*; and *Cancer Cytopathology* – present health care professionals with emerging science and evidence-based medicine so they can provide the best possible care for their patients.

The American Cancer Society is dedicated to continuing our lifesaving mission by providing critical programs and services, funding cancer research, and encouraging prevention. With your help and the support of our partners worldwide, we will continue to fight for a world without cancer.

To preserve the public's trust and protect the American Cancer Society's strong reputation, we have adopted many of the governance practices used by publicly traded for-profit companies. We are committed to providing accountability and transparency to our investors through proven effective internal controls, compliance, ethics, and accounting processes and practices.

## Part 1:

### Business

The American Cancer Society, Inc., is a 501(c)(3) nonprofit corporation focused on saving lives, celebrating lives, and leading the fight for a world without cancer.

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

- Patient support
- Research
- Prevention
- Detection and Treatment

Within these mission activities are signature programs not replicated in any other voluntary health organization. Our National Cancer Information Center provides consistent, high-quality, unbiased cancer information to constituents 24 hours a day, seven days a week. This information helps cancer patients and their caregivers make informed decisions about their health and cancer care. Through our Road To Recovery program, we provide free transportation to and from cancer treatment. American Cancer Society Hope Lodge facilities provide free, temporary lodging for patients and their caregivers close to treatment centers, easing the emotional and financial burden of finding affordable lodging. Our award-winning research programs consist of the Extramural Grants department, funding outside research institutions, and our Intramural Research department, supporting work conducted by American Cancer Society researchers, with programs in epidemiology, surveillance, health services, behavioral sciences, international tobacco control, and statistics and evaluation.

### Risk Factors

Cancer claims the lives of more than 1,600 people every day in the United States, and worldwide is a growing threat that is projected to nearly double by 2030, causing 21.4 million cases and killing 13.2 million people, according to the International Agency for Research on Cancer.

Chronic disease as a whole – including cancer, diabetes, heart disease, and chronic respiratory diseases – is a rising global epidemic. These diseases accounted for 38 million deaths in 2012 – 68 percent of global deaths. In the next 20 years, chronic disease is projected to cause an astounding \$47 trillion in lost economic output, according to a World Economic Forum/Harvard School of Public Health study.

Our organizational mission to eliminate cancer as a major health problem is at increasing risk and challenged by these global trends. Achieving this goal and combating this rising worldwide threat requires us to be more effective than ever before – to quantify the lifesaving impact we have on chronic disease, and to act as a true leader, bringing others together across sectors to collectively turn the tide.

Similarly, eliminating disparities in the cancer burden between different segments of the US population and improving access to care will continue to be a focus going forward. The causes of health disparities are complex and interrelated, but likely arise from education, housing, and overall standard of living; economic and social barriers (such as a lack of health insurance) to high-quality cancer prevention, early detection, and treatment services; and the impact of racial and ethnic discrimination on all of these factors. Recent immigrants may also have unique risk factors related to their country of origin, as well as language and cultural barriers. Biologic or inherited differences associated with race are thought to make a minor contribution to the disparate cancer burden between racial/ethnic groups. The American Cancer Society works aggressively to eliminate cancer disparities through a multi-layered approach of research, collaborations, and community outreach.

### Locations

American Cancer Society regional and local offices are organized to engage communities in the cancer fight, delivering potentially lifesaving programs and services and raising money at the local level. Offices are strategically placed across the country to maximize our efforts, and to be as efficient as possible with the money donated to us to fight cancer and save lives.

Our structure includes a global headquarters in Atlanta, Georgia, as well as regional and local offices throughout the country supporting six geographic regions with regional offices, and more than 300 local offices in those regions. The global headquarters is responsible for overall strategic planning; corporate support services such as human resources, financial management, IT, etc.; development and implementation of global and nationwide endeavors such as our groundbreaking research program, our global program, and 24-hour call center; and providing technical support and materials to regional and local offices for local delivery.



## Part 2:

### Consolidated Financial Data

The American Cancer Society's independently audited Combined Financial Statements, which provide the most meaningful financial information on the entire organization since they are presented in accordance with generally accepted accounting principles and combine all parts of the organization in one statement, are available for review on [cancer.org](http://cancer.org).

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Results from Operations – Expenses

Total mission program and support services expenses for the years ended December 31, 2016 and 2015 were as follows (in thousands):

	2016	2015
Mission program services:		
Patient support	\$ 309,772	\$ 347,525
Research	152,514	150,835
Prevention	113,718	122,942
Detection/treatment	88,184	87,214
Total mission program services	<b>\$ 664,188</b>	<b>\$ 708,516</b>
Mission support services:		
Management and general	\$ 47,314	\$ 51,561
Fundraising	175,460	180,466
Total mission support services	<b>222,774</b>	<b>232,027</b>
Total mission program and mission support services expenses	<b>\$ 886,962</b>	<b>\$ 940,543</b>

In 2016, we focused on improving operational efficiencies through our strategic growth plan. Our overall programmatic framework remained in place and largely unchanged. Early in 2016, we added human papilloma virus (HPV)-related cancers as a mission priority area. Our unchanged core mission priority areas include lung cancer/tobacco control, preventing cancer through healthy eating and active living, colorectal cancer control, breast cancer control, improving access to health care, and improving cancer treatment and patient care. Expenses associated with our extramural and intramural research programs are embedded in each of the priority areas.

These areas are the result of careful, scientific analysis of the potential for each to reduce cancer incidence and mortality and to improve the quality of life of individuals facing a cancer diagnosis, at all stages in the cancer continuum, and their caregivers. They are based on three foundational principles, working to ensure access to all aspects of preventive and disease care; providing navigation to help people take advantage of all available services, and ensuring health equity by focusing on populations that experience greater barriers to care. These areas and principles guide our activities, which will position us to have the greatest impact on cancer related outcomes within these core mission areas and are represented across the mission program and support services categories. During 2016, these principles were used to develop a Cancer Control Blueprint, which is predicated on a simple concept to identify the most important questions that still require answers and implement what is proven to work while also making sure that everyone has an equal opportunity to benefit. This blueprint is expected to lead the future of cancer control by preventing more cancers, finding new treatments and cures, and advocating for everyone to have access to the care they need.

Total mission services expenses for the year ended December 31, 2016, were \$887 million, decreasing \$54 million compared to 2015. During 2016, we implemented cost reduction strategies to align with the decline in support from the public. These strategies were also developed as part of our strategic growth initiatives. We reduced travel and meeting expenses by using technology to conduct more virtual meetings. We used the creative materials previously developed as part of our comprehensive, integrated communication and marketing campaign to help reduce 2016 professional fees.

We continued this campaign in 2016 and redefined our message placement strategy based on prior year impact and results. Total mission support services expenses were \$223 million for the year ended December 31, 2016, representing 25 percent of total expenses, compared to \$232 million for the year ending December 31, 2015, also representing 25 percent of total expenses.

For the year ended December 31, 2016, patient support expenses were \$310 million, a decrease of \$38 million compared to 2015, and included work such as the following: our specific assistance to individuals through the Look Good Feel Better® program; our 24 hours a day, 7 days a week, 365 days a year National Cancer Information Center, which provides consistent, unbiased cancer information to

constituents, helping them make informed decisions about their health and cancer care; our Patient Navigator Program that helps cancer patients manage their care; and our Hope Lodge® facilities, which provide free, high-quality, temporary lodging for patients and their caregivers close to treatment centers, thereby easing the emotional and financial burden of finding affordable lodging. Due to timing of the receipt of wigs, we provided fewer wigs to constituents in 2016. We expect to return to distributing wigs at levels consistent with prior years in 2017.

Research expenses were \$153 million, a \$2 million increase compared to 2015, and comprised both our extramural research grants and intramural research program, which includes Cancer Prevention Study-3 (CPS-3), an important, large, prospective study to identify factors that cause or prevent cancer. In 2016, we completed the first full CPS-3 cohort follow-up survey, which, also for the first time, included a comprehensive dietary assessment. We received an excellent response rate to the 20-page survey. We also began the consent and collection of medical records and tissue samples from CPS-3 participants who reported a diagnosis of cancers of the breast, ovary, colorectal, prostate, and the hematopoietic system. We were able to fund 241 grants, which is comparable to 2015. We have increased our research in the areas of translational research and immunotherapy, among other areas. Our partnership with Stand Up To Cancer®, finishing its second year in 2016, has enabled the work of research groups at eight institutions nationwide. We are continuing to develop partnerships and are anticipating an increased investment in pediatric cancer, melanoma, ovarian cancer, and nutrition and physical activity.

Prevention expenses were \$114 million, a \$9 million decrease compared to 2015, and included the launch of the Tobacco-Free Generation Campus Initiative, a multi-year program intended to accelerate and expand the adoption and implementation of 100% smoke- and tobacco-free campuses. We assumed a major leadership role in promoting the human papillomavirus (HPV) vaccination both in the US and in several low-income countries, as HPV-related cancers are common and may be largely preventable. The Board of Directors added the elimination of HPV-related cancers as a mission priority area in January 2016.

Detection/treatment expenses were \$88 million, a \$1 million increase compared to 2015, and included activities such as our community grants for breast cancer screening, our work in the area of breast cancer awareness and guidelines, and our national campaign to achieve 80 percent colon cancer screening rates by the end of 2018 (“80% by 2018”). 80% by 2018, a public health program we helped launch,

has garnered the support of over one thousand diverse organizations who are launching new initiatives to educate patients and the public on appropriate colorectal screening options.

Management and general expenses were \$47 million, a \$5 million decrease compared to 2015, but remained relatively consistent compared to total mission services expenses from 2015. Management and general expenses comprised our general infrastructure costs as well as board governance and oversight, and our internal audit function, which provides independent oversight of our accounting and internal control processes. Additionally, efforts directed at infrastructure efficiencies will continue to produce incremental results over time.

Fundraising costs were \$175 million, a decrease of \$5 million compared to 2015. Much of the decrease resulted from our ongoing review of our Relay For Life operating model. We made changes to the model in 2016 to help keep our volunteers engaged, strengthen our portfolio of events, and improve profitability and thereby have a greater mission impact.

#### Results from Operations – Revenue

Total revenue, gains, and other support for the years ended December 31, 2016 and 2015 were as follows (in thousands):

	2016	2015
Support from the public	\$ 779,168	\$ 809,894
Investment income	39,965	4,183
Change in value of split-interest agreements	4,590	(10,174)
Grants and contracts from government agencies	6,076	5,874
Other gains	11,619	6,050
<b>Total revenue, gains, and other support</b>	<b>\$ 841,418</b>	<b>\$ 815,827</b>

Total revenue for the year ended December 31, 2016, of \$841 million increased by \$26 million compared to 2015. Stronger investment market performance accounted for much of the increase.

Support from the public in 2016 was \$779 million, down \$31 million compared to the prior year primarily due to a steady decline in participation in Relay For Life events. Support from the public mostly comprises Relay For Life®, Making Strides Against Breast Cancer®, other special events, planned giving, contributed services and other in-kind contributions, and general contributions from our public constituents through a variety of program channels.

Non-public support, which primarily includes investment income, change in value of split-interest agreements, and grants and contracts from government agencies was \$62 million in 2016, a \$56 million increase compared to 2015. Both investment income and change in value of split-interest agreements were the drivers of the increase, as they are subject to the volatility in both interest rates and the stock and fixed income markets, both domestic and global. In addition to investments and split-interest agreements, we regularly review our real estate footprint by examining conditions in the various markets where we have offices. We were able to implement strategies in a number of markets to optimize our space needs, which included the sale of some office buildings, resulting in a net gain.

In 2016 we implemented changes to our Relay For Life operating model after extensive analysis of the portfolio and program in response to a market decline in peer-to-peer fundraising, feedback from participant surveys, and decreasing participation across a crowded event marketplace. The changes included merging or discontinuing underperforming events, rolling out a platform to help volunteers stay engaged and empowered to support us and enhance the Relay experience, and piloting alternative staffing models that better use technology to support our events. We began implementing strategies to increase financial performance such as combining events within certain geographical proximity, implementing practices of successful events across underperforming events, and discontinuing some of these underperforming events.

Total support from the public for the five most recent fiscal years was as follows (in millions):

Support from the Public Revenue (in millions)	2016	2015	2014	2013	2012
Relay For Life	\$ 258	\$ 287	\$ 314	\$ 356	\$ 378
Other community-based events (Making Strides Against Breast Cancer, Daffodil Days, others)	80	83	82	95	95
Distinguished events (gala and golf)	59	56	56	52	51
Direct response strategies (Direct mail, telemarketing)	55	54	53	54	60
Employer-based strategies – independent payroll deduction campaigns	19	20	22	22	20
Major gifts/campaigns	60	61	43	41	39
Planned giving (legacies and bequests)	141	133	139	144	122
United Way/Combined Federal Campaign	7	7	8	10	15
Memorials	19	19	21	23	26
Contributed services and other in-kind contributions	60	78	71	53	51
Other	21	12	31	35	32
<b>Total support from the public</b>	<b>\$ 779</b>	<b>\$ 840</b>	<b>\$ 840</b>	<b>\$ 885</b>	<b>\$ 889</b>

Within support from the public, special events (Relay For Life, Other community-based, and Distinguished events) continue to lead our financial results, representing 51 percent of total support from the public in 2016, a \$29 million or 7 percent decline compared to 2015. Financial results for our signature event, Relay For Life – which declined \$29 million or more than 10 percent – accounted for approximately 65 percent of total special events revenue. The Relay For Life revenue base is very broad over a very diverse set of events (over 4,500 in 2016) and constituents (more than 1.3 million participants) and is a multi-variant vehicle to build awareness, celebrate our cancer survivors and caregivers, deliver prevention and detection messaging, and develop capacity in the communities that we serve.

Our Making Strides Against Breast Cancer program, raising \$60 million in 2016, is a special event that raises awareness and funds to fight breast cancer and engages more than 400,000 participants nationwide. This revenue accounted for approximately 15 percent of special event revenue during 2016 and remained consistent with prior year performance, due in part to implementation of the Real Men Wear Pink initiative. After piloting some successful events, Real Men Wear Pink was expanded as a nationwide platform to engage different audiences to support our mission.



Major gifts/campaigns during 2016 were 8 percent of public support, which is consistent with 2015. These two years were significantly higher than 2014 and prior years mainly due to significant private grants to fund tobacco control and cancer screening programs as well as the launch of successful new and substantial progress on current campaigns as we grow our Hope Lodge program. Our major gifts have seen increases in both volume and size of individual gifts and are a continued focus in our strategic growth plan. Our campaign revenue represents funds raised for our Hope Lodge campaigns, which are determined by using feasibility studies, such as patient needs assessments and market viability analyses supporting any anticipated capital campaign, including expansions or renovations.

Employee giving, including United Way and Combined Federal Campaign relationships, accounted for more than 3 percent of our public support in 2016. Direct response, both mail and telemarketing, made up about 7 percent of public support in 2016, consistent with 2015. Support from our planned giving program (legacies and bequests) totaled \$141 million and, although it can be volatile from year to year, continues to be a material and strong source of revenue. The increase in planned giving support compared to 2015 was due to a change in estimate to reflect current collection trends made in 2016. The decrease in contributed services and other in-kind donations was related to reductions in our donated wig program, which provides specific assistance to individuals undergoing cancer treatment.

### Looking Forward

We believe it is important to discuss our historical results to provide transparency to our decisions and the resulting impact of those decisions, as well as the impact of external pressures such as economic drivers and our response to those drivers. However, we believe it is just as important, if not more so, to provide forward-looking information to illuminate our path.

We recognize that our greatest asset is our dedicated team of staff and volunteers throughout the country who carry out our lifesaving mission on a day-to-day basis. In 2016, we implemented internal changes related to the opportunities identified by the staff and volunteer engagement study conducted in 2015. One opportunity led to the creation of the volunteer care center, which provides services for welcoming, screening, matching, and onboarding new volunteers to better enhance their experience as they donate their invaluable time to the American Cancer Society. Another led to a new staff recognition program to help increase engagement with and among staff throughout the organization. Our goal in implementing these opportunities is to be a more impactful organization for which to work and volunteer, and we will use follow-up surveys in the future to track progress and continue making improvements.

We continue to analyze our current revenue portfolio and opportunities and in 2017 will continue investing in our comprehensive, integrated, communication and marketing campaign to increase our relevance to our constituents. A significant component of our strategic growth plan in 2017 will be focused on increasing revenues in more diverse and operationally efficient ways. We will seek to build strong corporate partners, increase our online presence as well as our major gifts, and explore new revenue models. We will continue to invest and develop our sports and entertainment platform that began in 2016.

Regarding expenditures, our strategic growth plan will continue guiding our mission priorities. We have committed to doubling our investment in research over the next few years, maintain our work in prevention and early detection, and sharpen our focus on patient access to quality health care. Our vision for the future of cancer control is to help build low-cancer-burden communities by preventing more cancers, finding more cancers early, finding new treatments and cures, and advocating for everyone to benefit equally. We have Hope Lodge facilities under construction and planned for the future. When complete, we will invest in operating and maintaining those as well as our existing Hope Lodge facilities to ease the burden of patient and caregiver lodging during cancer treatment. We have launched several crowdfunding platforms and will continue to explore new and innovative ways for our constituents to invest in our mission. Continued investment will be made in support of the the CPS-3 program as we complete the medical record and tissue sample collection from our first round of follow-up and begin the laboratory analyses of nutrients in the blood and urine samples collected in the CPS-3 diet validation study, and the statistical analysis of information collected from the diaries and surveys in both sub-studies. These analyses will allow us to report the reliability and quality of diet and physical activity information collected from the total cohort. In addition, numerous other papers are being prepared to assess the reliability of other information collected such as height, weight, and smoking behaviors.

In terms of liquidity, we continue to investigate a number of strategies for reducing the impact of market volatility on our funding requirements and financial results related to our defined benefit plan. In 2016, our defined benefit plan was frozen, which means that participants will no longer earn future benefits in the plan. We also made enhancements to our defined contribution plans to provide fair and market-based benefits to our staff. The net impact on liquidity of the changes to these plans will be a significant reduction in the funding volatility and will allow us to direct more funds to our mission. We expect to see the impact of this cost-saving strategy beginning in 2017.

Underlying the objectives for outcomes included in our strategic growth plan, will be an assessment of the enterprise in terms of our go-to-market strategies, structure, competencies, and people. In 2016, we began the work of replacing our core and supplemental financial and constituent management systems, which includes a review and reengineering of our internal operations. This investment will continue through 2017 and 2018 and will result in efficiencies, which will be a critical aid in driving the success of the enterprise outcomes so that as an organization we are able to support the strategic growth plan objectives both now and well into the future, including a strong focus on our customers.

Over the next few years, all of the above in combination are expected to close the current operating deficit of expenses over revenue. Management and the Board of Directors are monitoring the progress of the deficit situation closely.

Management and the Board of Directors have developed an enterprise risk management framework. In 2017, we will use that framework to better inform and enhance our operational decisions. Such decisions could affect our financial results, as they may guide us to new and different opportunities in the future.

We have played an active role in providing feedback on and are supportive of the financial statement changes issued by the standard-setters in 2016. As much as is practical, we have proactively aligned our financial reporting in the direction where the standards have changed in order to minimize impact to our financial statement users and to our operations. In 2017, we continue to assess the impact of these changes to our financial reporting practices and continue to voluntarily provide transparency on issues we know are important to our constituents. We are in the process of reviewing the Lease and Revenue Recognition standards to assess the impact, if any, on our financial reporting.

Investment income components produced positive results in 2016. Net interest and dividends and realized/unrealized investment gains increased \$36 million due to stronger market performance during 2016.

Change in value of split-interest agreements was a gain of \$5 million, an increase of \$15 million compared to 2015, also driven by the stronger market performance during 2016. These values are derived from the fair values of our beneficial interests in trusts (equivalent to deferred gifts), discount rates, and other assumptions used in the valuation process. Planned giving results will continue to be volatile based on valuation methodologies required in current generally accepted accounting principles (GAAP), which employ a fair value approach. We evaluate the program based on probate results as well as expectancies, both of which are not as prone to significant fluctuations and provide a more accurate assessment of performance. The Planned Giving management team continues to identify future gifts, although not recognizable under GAAP but accretive to the significant planned giving pipeline of future revenue. Almost all of the change in value of split-interest agreements is from gains recognized due to the appreciation in the underlying market value of the assets in our trusts. We are not the trustee of these trusts and therefore do not have control of the investment decisions surrounding these assets, but rather report our proportionate share of the fair value.

#### Liquidity and Cash Flows

At December 31, 2016, cash, cash equivalents, and all investment pools totaled \$949 million. The primary use of cash and cash equivalents was general mission program and support and capital expenditures. We typically use the cash proceeds from investment returns to supplement the annual operating and capital budgets; therefore, the reinvestment of operational proceeds into investment vehicles is a key strategy to providing additional liquid resources for future needs.

We invest operating funds in both short- and intermediate-term investments as selected, monitored, and evaluated by senior leadership, independent investment advisors, and an organizational Investment Committee (the "Committee"). The Committee is composed of American Cancer Society volunteers who are professionals in the banking and investment industry. Our strategy uses a tiered-structure approach of short-term and a well-diversified portfolio of intermediate and longer-term products, which has provided enhanced asset returns without the addition of substantial risk.

Our cash and cash equivalent balances increased during 2016 as a result of our using longer-term investments to partially fund operations as well as to maintain an appropriate mix of short-term and longer-term investments in line with our investment strategy. Our investment performance for the year ending December 31, 2016, was as follows:

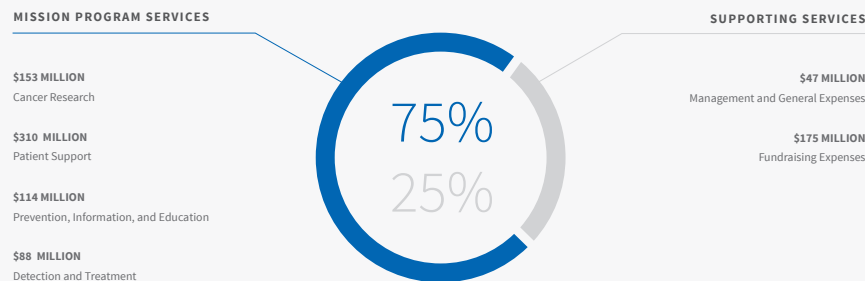
	Actual Return	Benchmark	Difference	Targeted Benchmark
Operating pool				
Tier I	0.27%	0.25%	0.02%	90 Day US Treasury bill
Tier II	2.04%	0.25%	1.79%	90 Day US Treasury bill
Tier III	1.91%	0.85%	1.06%	2 Year US Treasury note
Other	0.09%	0.25%	(0.16%)	90 Day US Treasury bill
Investment pool	4.23%	3.52%	0.71%	Various equity/fixed income
Endowment pool	6.60%	5.25%	1.35%	Various equity/fixed income

Due to market strength, our investment strategies produced significant returns during fiscal year 2016. The low interest rate environment more heavily impacted the operating pool and investment pool, as they have concentrated fixed income allocations. In addition, rising interest rates during the fourth quarter produced lower fixed income valuations at year end. Despite market volatility throughout the year, particularly abroad, equity markets as a whole had a positive impact on the investment and endowment pools, which have equity allocations. This is a long-term approach and is not meant to time the markets. Therefore, we expect additional and continued future gains from these strategies and will continue to monitor financial markets and the economic environment to ensure this approach continues to be appropriate.

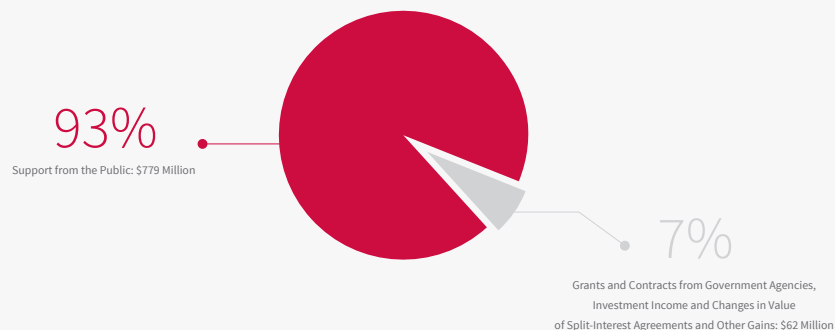
Our endowment and long-term portfolio investment policy calls for a fully diversified strategy to enhance return. Our policy with regard to minimum and maximum liquidity levels is designed to ensure continued financial health and the continuation of quality program delivery to our constituents. We assess these levels periodically as needs change over time.

We continued investing in our Hope Lodge program throughout the country by completing construction of and opening a new Hope Lodge facility in Honolulu, Hawaii, and beginning construction of a new facility in Omaha, Nebraska. We have plans to construct additional facilities in particular markets and to renovate existing facilities in other parts of the country over the next few years.

HOW YOUR FINANCIAL SUPPORT IMPACTS OUR MISSION



WHERE OUR FINANCIAL SUPPORT COMES FROM





## Part 3:

### **Directors, Executive Officers, and Corporate Governance**

The American Cancer Society (“the Society”) is governed by a single Board of Directors that is responsible for setting policy, establishing long-term goals, monitoring general operations, and approving the organizational outcomes and allocation of resources. The Board is composed entirely of volunteers from the medical and lay communities.

The Chief Executive Officer (CEO) is selected by, and reports to, the Board of Directors. The CEO is a paid employee and is responsible for the operation of the enterprise, selection of key staff officers, and ultimate delivery on our lifesaving work.

To preserve the public’s trust and protect the Society’s strong reputation, the Society has adopted most – if not all – of the recognized governance best practices for nonprofit organizations, and has gone a step further by adopting many of the relevant governance practices used by publicly traded for-profit companies as well. The Society has established charters for several Board committees, including the Audit Committee, Finance Committee, Compensation Committee, and Governance Committee.

The Audit Committee assists the Board in overseeing accounting and internal control processes. The Finance Committee assists the Board in overseeing the financial performance and strategy of the Society. The Compensation Committee oversees executive compensation. The Compensation Committee’s charter provides a road map for compliance with Internal Revenue Service (IRS) procedural requirements on compensation and transactions with insiders.

Tax and financial information for the Society is publicly available on cancer.org and on the Form 990s, which are filed annually with the Internal Revenue Service (IRS). The Board of Directors reviews the information provided in the Form 990s prior to filing with the IRS.

### **Executive Compensation**

The Society requires top executive talent with a wide range of management skills, education, experience, and leadership abilities. The Society recognizes both its legal obligation to pay only reasonable compensation and benefits to its executives, as well as its need to pay competitively in order to assure it can attract and retain the requisite executive leadership talent required to carry out the organization’s mission.

The Society fundamentally believes that nonprofit executive compensation should be market-based and performance-tested. The Society views the market as follows: other nonprofit health and social welfare agencies, regardless of size; other nonprofits of comparable size; and other large non- and for-profit organizations that could compete for and be a source of executive talent. The Society relies on independently derived and reliable sources of compensation data, as well as the reasoned opinion of an independent, nationally recognized compensation consultant, as the basis of compensation comparisons and compensation policy. The current compensation consultant is Towers Watson.

### **The Role of the Board of Directors and the Compensation Committee**

The Board of Directors is responsible for the administration of the Society’s compensation program. The Board has chartered a Compensation Committee of independent directors, which exercises the Board’s authority to assure and document the reasonableness of the compensation and benefits provided to the CEO and other executives with substantial authority over the Society’s affairs and finances, such as the chief operating officer and the chief financial officer.

The committee also conducts an annual review of the CEO’s total compensation. In that review, committee members measure the compensation against defined goals and compare it with market-based data provided by an independent, qualified compensation consultant. This review may result in an adjustment of the CEO’s compensation and benefits in order to conform to market-based data and to reflect performance outcomes, all according to standards of reasonableness and IRS guidelines.

With respect to other executives with substantial authority over the Society’s affairs and finances, the committee reviews and approves the ranges of compensation and benefits for these executives based on recommendations provided by an independent, qualified consultant, and in accordance with the same standards of reasonableness and IRS guidelines. The committee documents its deliberations and decisions and submits a report to the Board annually.

**The American Cancer Society has adopted a set of key principles that guide its executive compensation decision-making process as follows:**

- The Society will develop, maintain, and administer programs that recognize the roles of various elements of total remuneration in attracting, retaining, and motivating executives. Each compensation element should have a specific role in meeting the objectives articulated in the philosophy and, thus, advancing the organization's mission. Together, the combination of elements should meet all of the objectives of the Executive Compensation Philosophy.
- The Society will ensure that the executive compensation program is designed to focus, motivate, and retain its executives through a combination of reward elements, including market-aligned base salaries, variable compensation aligned with the organization's performance against its objectives and mission, and competitive benefits and retirement programs.
- The Society will uphold a competitive, yet reasonable and defensible compensation position relative to the market.
- The Society will competitively compensate, compared to the appropriate market for talent, each executive who is fully qualified and performing the duties and responsibilities of the position.
- The Society recognizes that while providing competitive compensation to executives is a business imperative, as a tax-exempt, nonprofit, and highly visible organization it must ensure that compensation is not excessive.
- The Society will establish and implement the highest standards of governance over executive compensation in order to meet the rebuttable presumption of reasonable executive compensation under Internal Revenue Code §4958.
- The Society will expect vigorous goal-setting tied to its strategic, mission-related, and financial objectives and will objectively evaluate executive performance against these objectives.
- The Society will pay for expected performance and reward the achievement of high performance.
- The Society will require timely and accurate documentation of executive compensation decisions.
- The Society will require complete disclosure and transparency of executive compensation levels, expect the Compensation Committee to regularly inform the Board of its actions, and make available compensation information related to Disqualified Executives.
- The Society will demand and monitor management's compliance with policies established by the Compensation Committee.

**Primary Program Components**

Total compensation for executives is made up of the following components: base salary, annual incentives, standard benefits, and supplemental retirement benefits.

- Base salary ranges are based on the median value in the market for comparable positions, as established through generally accepted compensation methods, and through the use of available surveys provided by outside consultants and/or other appropriate forms of data.
- Incentive compensation is the primary tool to reward outstanding executive performance for certain key executives. Incentive compensation is used to focus performance on specific outcomes of particular benefit to the organization and to achieving its mission, and thus to reward and help retain certain key executives for the achievement of outstanding results.
- The Society provides executives market-competitive total benefits. Executives receive the benefits made available to all employees, which include the following:
  - Participation in a qualified defined benefit (pension) plan
  - Participation in a qualified defined contribution plan (403(b) plan – similar to a traditional 401(k) plan)
  - Comprehensive medical, dental, vision, and life insurance for the executive and their family
  - Flexible spending accounts for health care and dependent care
  - Health and wellness programs
  - An employee assistance program
  - Short- and long-term disability insurance
  - Paid holidays, vacation, sick, and personal time



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