American Institute for Cancer Research

Financial Report
September 30, 2017

Contents

RSM

Independent Auditor's Report

RSM US LLP

To the Board of Directors
American Institute for Cancer Research

Report on the Financial Statements
We have audited the accompanying financial statements of American Institute for Cancer Research (the Institute), which comprise the statement of financial position as of September 30, 2017, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Institute for Cancer Research as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of the Institute as of and for the year ended September 30, 2016, were audited by other auditors whose report, dated February 8, 2017, expressed an unmodified opinion on those statements.

RSM US LLP

McLean, Virginia
February 23, 2018

American Institute for Cancer Research

Statements of Financial Position
September 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents (Note 1)	**$ 4,022,128**	$ 3,526,624
Accounts receivable, net of allowance for uncollectible accounts of $5,928 in 2017 and $7,098 in 2016	**442,327**	321,455
Due from affiliates (Note 14)	**462,489**	383,128
Bequests receivable (Note 4)	**1,645,724**	933,689
Investments (Notes 2 and 3)	**6,493,609**	6,013,302
Prepaid expenses and other assets	**569,541**	691,037
Property and equipment, net (Note 5)	**842,900**	84,746
Beneficial interest in perpetual trust (Notes 2 and 3)	**376,313**	358,842
Total assets	**$ 14,855,031**	$ 12,312,823
Liabilities and Net Assets		
Accounts payable and accrued expenses	**$ 552,525**	$ 870,972
Due to affiliates (Note 14)	**184,296**	100,585
Grants payable (Note 6)	**1,209,296**	879,904
Deferred lease obligation	**793,130**	-
Liabilities under charitable gift annuities (Notes 2 and 3)	**1,093,026**	1,163,710
Liabilities under charitable remainder unitrusts (Notes 2 and 3)	**907,773**	905,624
Accrued benefit cost (Note 13)	**965,398**	947,431
Total liabilities	**5,705,444**	4,868,226
Commitments (Notes 3, 6, 7, 13 and 16)		
Unrestricted net assets (Notes 8 and 11)	**4,400,364**	3,670,329
Temporarily restricted net assets (Notes 9 and 11)	**3,902,616**	2,946,159
Permanently restricted net assets (Notes 10 and 11)	**846,607**	828,109
Total net assets	**9,149,587**	7,444,597
Total liabilities and net assets	**$ 14,855,031**	$ 12,312,823

See notes to financial statements.

American Institute for Cancer Research

Statement of Activities
Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
Public support – contributions and bequests	$ 13,079,296	$ 1,434,125	$ 1,027	$ 14,514,448
Program service revenue	209,562	-	-	209,562
Affiliate service fees	1,059,060	-	-	1,059,060
List rental income	277,389	-	-	277,389
Interest income and dividends (Note 2)	93,371	25,190	-	118,561
Other revenues	5,596	-	-	5,596
Net assets released from restrictions	704,395	(704,395)	-	-
Total support and revenues	15,428,669	754,920	1,027	16,184,616
Expenses (Note 15):				
Program services:				
Research	2,120,884	-	-	2,120,884
Public health education	7,680,128	-	-	7,680,128
Total program services	9,801,012	-	-	9,801,012
Supporting services:				
Management and general	2,542,554	-	-	2,542,554
Fundraising	2,702,852	-	-	2,702,852
Total supporting services	5,245,406	-	-	5,245,406
Total expenses	15,046,418	-	-	15,046,418
Excess of revenue over expenses	382,251	754,920	1,027	1,138,198
Pension related changes other than net periodic benefit costs (Note 13)	41,827	-	-	41,827
Other gains:				
Net gain on investments	251,038	108,817	-	359,855
Change in value of split-interest agreement liability – annuities	54,919	-	-	54,919
Change in value of split-interest agreement liability – trusts	-	92,720	-	92,720
Net gain on interest in perpetual trust (Note 2)	-	-	17,471	17,471
Change in net assets	730,035	956,457	18,498	1,704,990
Net assets, beginning of year	3,670,329	2,946,159	828,109	7,444,597
Net assets, end of year	$ 4,400,364	$ 3,902,616	$ 846,607	$ 9,149,587

See notes to financial statements.

American Institute for Cancer Research

Statement of Activities
Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
Public support – contributions and bequests	$ 12,559,119	$ 462,332	$ 5,890	$ 13,027,341
Program service revenue	38,602	-	-	38,602
Affiliate service fees	1,263,168	-	-	1,263,168
List rental income	327,786	-	-	327,786
Interest income and dividends (Note 2)	89,058	33,760	-	122,818
Other revenues	231,679	-	-	231,679
Net assets released from restrictions	2,013,620	(2,013,620)	-	-
Total support and revenues	16,523,032	(1,517,528)	5,890	15,011,394
Expenses (Note 15):				
Program services:				
Research	855,079	-	-	855,079
Public health education	9,059,125	-	-	9,059,125
Total program services	9,914,204	-	-	9,914,204
Supporting services:				
Management and general	2,735,049	-	-	2,735,049
Fundraising	3,254,946	-	-	3,254,946
Total supporting services	5,989,995	-	-	5,989,995
Total expenses	15,904,199	-	-	15,904,199
Excess (deficit) of revenue over expenses	618,833	(1,517,528)	5,890	(892,805)
Pension related changes other than net periodic benefit costs (Note 13)	(161,276)	-	-	(161,276)
Other gains (losses):				
Net gain on investments	227,057	61,056	-	288,113
Change in value of split-interest agreement liability – annuities	(403,243)	-	-	(403,243)
Change in value of split-interest agreement liability – trusts	-	54,345	-	54,345
Net gain on interest in perpetual trust (Note 2)	-	-	5,924	5,924
Change in net assets	281,371	(1,402,127)	11,814	(1,108,942)
Net assets, beginning of year	3,388,958	4,348,286	816,295	8,553,539
Net assets, end of year	$ 3,670,329	$ 2,946,159	$ 828,109	$ 7,444,597

See notes to financial statements.

American Institute for Cancer Research

Statement of Functional Expenses
Year Ended September 30, 2017

	Program Services			Supporting Services			
	Research	Public Health Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Grants	$ 1,232,479	$ 402,032	$ 1,634,511	$ -	$ -	$ -	$ 1,634,511
Postage and delivery	3,156	1,761,889	1,765,045	175,054	642,022	817,076	2,582,121
Printing and publication	17,059	1,117,685	1,134,744	103,240	310,537	413,777	1,548,521
Data processing	22,938	512,752	535,690	128,162	210,527	338,689	874,379
Mailhouse fees	-	650,288	650,288	62,144	262,220	324,364	974,652
List costs	-	200,422	200,422	18,483	74,795	93,278	293,700
Salaries and director fees	304,750	1,097,358	1,402,108	1,017,252	429,681	1,446,933	2,849,041
Professional fees	15,965	809,808	825,773	212,036	368,787	580,823	1,406,596
Occupancy	78,114	335,888	414,002	249,964	117,170	367,134	781,136
Travel and entertainment	140,177	35,833	176,010	10,224	9,708	19,932	195,942
Benefits and payroll taxes	52,047	215,177	267,224	170,498	77,512	248,010	515,234
Pension expense (Note 13)	28,963	100,782	129,745	86,124	41,292	127,416	257,161
Office expense	63,271	105,488	168,759	76,185	46,520	122,705	291,464
Depreciation and amortization	6,758	29,061	35,819	21,626	10,137	31,763	67,582
Insurance	2,526	10,863	13,389	8,084	3,790	11,874	25,263
Advertising	1,386	23,757	25,143	10,172	16,674	26,846	51,989
Information technology	134,920	131,729	266,649	48,147	52,844	100,991	367,640
Conferences	6,219	7,457	13,676	520	1,065	1,585	15,261
Interest expense	-	-	-	86,218	-	86,218	86,218
WCRF membership dues	-	64,926	64,926	-	-	-	64,926
Miscellaneous	10,156	66,933	77,089	58,421	27,571	85,992	163,081
	$ 2,120,884	$ 7,680,128	$ 9,801,012	$ 2,542,554	$ 2,702,852	$ 5,245,406	$ 15,046,418

See notes to financial statements.

American Institute for Cancer Research

Statement of Functional Expenses
Year Ended September 30, 2016

	Program Services			Supporting Services			
	Research	Public Health Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Grants	$ 45,826	$ 476,052	$ 521,878	$ -	$ -	$ -	$ 521,878
Postage and delivery	10,852	2,122,742	2,133,594	208,700	810,080	1,018,780	3,152,374
Printing and publication	1,296	1,221,960	1,223,256	96,221	346,044	442,265	1,665,521
Data processing	38,481	623,777	662,258	265,584	292,158	557,742	1,220,000
Mailhouse fees	1,558	679,668	681,226	58,881	304,448	363,329	1,044,555
List costs	8,634	157,675	166,309	14,223	58,297	72,520	238,829
Salaries and director fees	342,860	1,509,160	1,852,020	1,101,201	493,387	1,594,588	3,446,608
Professional fees	18,066	1,126,998	1,145,064	237,859	574,650	812,509	1,957,573
Occupancy	74,392	319,884	394,276	238,053	111,587	349,640	743,916
Travel and entertainment	24,575	26,511	51,086	11,283	6,262	17,545	68,631
Benefits and payroll taxes	78,801	341,367	420,168	252,154	115,659	367,813	787,981
Pension expense (Note 13)	13,889	27,778	41,667	17,362	10,417	27,779	69,446
Office expense	20,594	88,402	108,996	65,237	43,318	108,555	217,551
Depreciation and amortization	5,366	23,074	28,440	17,172	8,049	25,221	53,661
Insurance	3,192	13,727	16,919	10,215	4,789	15,004	31,923
Advertising	13,517	23,907	37,424	8,406	7,065	15,471	52,895
Information technology	98,493	117,378	215,871	42,271	47,304	89,575	305,446
Conferences	36,115	8,717	44,832	527	734	1,261	46,093
Interest expense	-	-	-	59,170	-	59,170	59,170
WCRF membership dues	-	78,332	78,332	-	-	-	78,332
Miscellaneous	18,572	72,016	90,588	30,530	20,698	51,228	141,816
	$ 855,079	$ 9,059,125	$ 9,914,204	$ 2,735,049	$ 3,254,946	$ 5,989,995	$ 15,904,199

See notes to financial statements.

American Institute for Cancer Research

Statement of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ 1,704,990**	$ (1,108,942)
Adjustments to reconcile change in net assets to cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	**67,582**	53,661
Net gain on investments	**(359,855)**	(288,113)
Net gain on sale of assets	**(921)**	-
Contributions from stock gifts	**(22,276)**	(4,360)
Net gain on investments held for split-interest agreements	**(105,149)**	(34,039)
Net gain on beneficial interest in perpetual trust	**(17,471)**	(5,924)
Contributions received for long-term purposes	**(107,494)**	(5,890)
Deferred rent	**280,100**	-
(Increase) decrease in assets:		
Accounts receivable	**(120,871)**	205,842
Due from affiliates	**(79,361)**	(9,896)
Bequests receivable	**(712,035)**	1,455,147
Prepaid expenses	**121,496**	(141,240)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	**(318,447)**	(124,078)
Due to affiliates	**83,711**	(9,113)
Grants payable	**329,392**	(1,957,301)
Liabilities under charitable gift annuity agreements	**(70,684)**	357,193
Liabilities under charitable remainder unitrust agreements	**2,149**	(13,419)
Accrued benefit cost	**17,967**	211,544
Net cash and cash equivalents provided by (used in) operating activities	**692,823**	(1,418,928)
Cash flows from investing activities:		
Acquisition of furniture, equipment and leasehold improvements	**(316,660)**	(9,617)
Purchase of investments	**(533,480)**	(1,136,853)
Proceeds from sale of assets	**4,875**	-
Proceeds from maturities and sales of investments	**646,919**	2,475,877
Net cash and cash equivalents (used in) provided by investing activities	**(198,346)**	1,329,407
Cash flows from financing activities:		
Permanently restricted contributions received for long-term purposes	**1,027**	5,890
Net cash and cash equivalents provided by financing activities	**1,027**	5,890
Net increase (decrease) in cash and cash equivalents	**495,504**	(83,631)
Cash and cash equivalents:		
Beginning of year	**3,526,624**	3,610,255
End of year	**$ 4,022,128**	$ 3,526,624
Supplemental schedule of noncash investment activities:		
Leasehold improvements acquired under tenant allowance	**$ 513,031**	$ -

See notes to financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The American Institute for Cancer Research (the Institute) was incorporated in the District of Columbia in September 1981. The primary objectives of the Institute are to promote, expand and encourage public knowledge on how the risk of cancer is reduced by healthy food and nutrition, physical activity and weight management, the causes and treatment of cancer in general, and to fund, support and encourage innovative scientific research as to the causes, prevention and treatment of cancer.

A summary of the Institute's significant accounting policies follows:

Basis of presentation: Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions; accordingly, the net assets of the Institute and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the assets will be maintained permanently by the Institute.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) and changes in donor intent are reported as reclassifications between the applicable classes of net assets.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents: The Institute maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Institute has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

Cash equivalents include items that are readily convertible into cash and are stated at cost, which approximates fair value. Cash equivalents of $498,408 and $348,974 at September 30, 2017 and 2016, respectively, consisted of money market accounts and overnight deposits.

Receivables: Accounts receivable are recorded at the invoiced amount and bequests receivable are recorded at the amount promised to the Institute.

The Institute maintains an allowance for uncollectable accounts for estimated losses inherent in its receivable portfolio. In establishing the required allowance, management considers historical losses and current receivable aging and current payment patterns. Account balances are charged off against the allowance when the potential for recovery is considered remote.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Investments: Investments consist of U.S. government and government agency securities, corporate bonds, fixed income and equity mutual funds, common trust funds and stocks with readily determinable fair values and are reflected at fair value. Investments are exposed to certain risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities and the volatility of capital markets, changes in the value of investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying financial statements.

Prepaid expenses: Prepaid expenses consist primarily of prepaid postage, prepaid rent and security deposits.

Property and equipment, net: Expenditures for furniture and fixtures, equipment and leasehold improvements are capitalized at cost. The Institute capitalizes all property and equipment purchased with a cost of $500 or more. Furniture and fixtures, and equipment are depreciated on the straight-line basis over estimated useful lives of three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the asset life or the remaining term of the lease. Donated land is reported at fair value as of the date of donation.

Grants payable: The Institute recognizes grant expense and the related liability in the year the grant is awarded.

Deferred rent obligation: The Institute has entered into an operating lease agreement, which contains provisions for future rent increases and periods of free or reduced rent. In accordance with generally accepted accounting principles in the United States of America (U.S. GAAP), the Institute records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is charged to deferred rent obligation, which is reflected as a separate line item in the accompanying balance sheet. The operating lease agreement also includes a tenant improvement allowance. The tenant improvement allowance is recorded as a deferred lease incentive and included within the deferred rent obligation in the accompanying balance sheet. The deferred lese incentive is amortized as a credit to rent expense over the term of the lease.

Revenue recognition: Public support is recorded as support and revenue when unconditional contributions, which include unconditional promises to give (pledges), are received. Temporarily restricted contributions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when restrictions are met. Temporarily restricted contributions which have restrictions that are satisfied in the year received are reported as increases in unrestricted net assets.

Contributions due in future periods are considered temporarily restricted until the period in which they are due, at which time the restriction is released. Contributions of property and equipment are recognized at fair value at the date of contribution.

Bequests are recognized as public support revenues when the underlying will is declared valid by the respective probate court.

Affiliate service fees represent reimbursement for services provided by the Institute to international affiliates (see Note 14) and are recognized as earned.

Program service revenue consists of income from the sale of books and bulk publications, which is recognized at the time of sale, and conference revenue, which is recognized upon completion of conference events.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Other revenue consists primarily of mailing list rental revenues, which are recognized at the time of broker distribution of lists to the interested parties.

Functional allocation of expenses: The costs of providing programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Joint costs of informational materials or activities that included a fundraising appeal have been allocated among fundraising and the appropriate program or management and general functions.

For the year ended September 30, 2017, the Institute's expenses totaled $15,046,418. Of that amount, 14% was spent directly in support of cancer research and 51% of expenses went in support of the Institute's public education programs in cancer prevention. Together, research and public education programs account for 65% of all expenditures by the Institute. Fundraising costs for the year were 18% of total expenses and 17% of expenses went to administrative costs.

For the year ended September 30, 2016, the Institute's expenses totaled $15,904,199. Of that amount, 5% was spent directly in support of cancer research and 57% of expenses went in support of the Institute's public education programs in cancer prevention. Together, research and public education programs account for 62% of all expenditures by the Institute. Fundraising costs for the year were 21% of total expenses and 17% of expenses went to administrative costs.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements: In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit costs are required to be presented in the income statement separately from the service component and outside a subtotal of income from operations, if one is presented. The amendment further allows only the service cost component of net periodic pension and postretirement costs to be eligible for capitalization. ASU 2017-07 will be effective for the Institute beginning on October 1, 2019. The Institute is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements. The adoption of ASU 2017-07 is not expected to have a material impact on its financial statements.

In August 2016, FASB issued ASU 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which updates financial statement presentation requirements, including replacing the current three classes of net assets (Unrestricted, Temporarily Restricted , and Permanently Restricted) with only two classes - With Donor-imposed Restrictions and Without Donor-imposed Restrictions; requiring entities to present expenses by their natural and functional classifications in one location in the financial statements; and requiring entities to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date. The ASU is effective for annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Institute has not elected to early adopt the guidance and is currently evaluating the impact on financial statements and related disclosures.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02: *Leases (Topic 842)*, an amendment to the FASB Accounting Standards Codification (ASC). Under ASU 2016-02, lessees will recognize most leases on their statement of financial position as a right-of-use asset and a lease liability for all future lease payments. The new guidance is effective for annual reporting periods beginning after December 15, 2019, however early adoption is permitted. The Institute has not elected to early adopt the guidance and is currently evaluating the impact on financial statements and related disclosures.

In May 2015, FASB issued ASU 2015-07, *Fair Value Measurement (Topic 850): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. This ASU will be effective for the Institute for fiscal years beginning after December 15, 2016. Early adoption is permitted and the amendments in ASU 2015-07 should be applied retrospectively to all periods presented. As ASU 2015-07 only amends and eliminates certain disclosures, the Institute does not anticipate its adoption will have a material impact on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Institute has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Note 2. Investments and Fair Value Measurements

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quote prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market. Stocks, equity and fixed income mutual funds, and U.S. Treasuries are included in the Institute's Level 1 assets.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs considered observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. U.S. government agency securities and corporate bond obligations related to the Institute's charitable gift annuities are included in the Institute's Level 2 assets. Liabilities under charitable gift annuities and charitable remainder unitrusts are included in the Institute's Level 2 liabilities. Liabilities under charitable gift annuities are recognized for the present value of future cash flows expected to be paid to the donor.

Note 2. Investments and Fair Value Measurements (Continued)

These liabilities are adjusted during the term of the annuities for payments, accretion of discounts and changes in life expectancies. Liabilities under charitable remainder unitrusts are recognized as the difference between the fair value of the assets contributed to the trust and the present value of future cash flows expected to be received upon expiration of the trust. These liabilities are adjusted during the term of the trusts for payments, accretion of discounts and changes in life expectancies. The Institute uses Internal Revenue Service discount rates and mortality tables.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. The Institute's beneficial interest in perpetual trust is included in Level 3 assets. The fair value of the Institute's beneficial interest in perpetual trust is measured using the fair value of the assets contributed to the trust as no facts and circumstances indicate that the fair value of the beneficial interest differs from the fair value of the assets contributed to the trust.

The estimated fair value for stocks, U.S. Treasuries, money market funds and mutual funds is based on quoted market prices in active markets at the reporting date multiplied by the quantity on hand. Corporate bond obligations and U.S. government agency securities are valued at the current purchase price plus any earned interest as quoted by its custodian bank.

The Institute did not have any assets or liabilities valued at fair value on a nonrecurring basis during the years ended September 30, 2017 and 2016. Cash equivalents consisting of money market accounts and overnight deposits are included as Level 1 estimates.

The common trust funds are valued using the net asset value (NAV) or its equivalent to determine the fair value of all the underlying investments. During the year, management reevaluated whether certain investments (the common trust funds) have readily determinable fair values. Based on that determination, these investments are included in Level 2 assets within the fair value hierarchy. The State Street Bank and Trust Company State Street S&P 500® Ex Tobacco Index Non-Lending Common Trust Fund and the State Street Bank and Trust Company Fixed Income Fund for Charitable Trusts are common trust funds used for the investment of the Institute's gift annuity. The investment objective of these funds is consistent with the Investment Policy was reviewed and approved by the Board of Directors in September 2010 as discussed in Note 11. The investment objective of the Funds are to approximate as closely as practicable, before expenses, the performance of the S&P 500® Ex Tobacco Index over the long-term and to obtain both reasonable current income and safety of principal through investment primarily in fixed income securities, respectively.

Redemptions from these funds are permitted daily. There are no unfunded commitments for these investments.

The investment income, net of investment management fees of $41,369 in 2017 and $42,413 in 2016, is $77,192 and $80,405 for the years ended September 30, 2017 and 2016, respectively.

Note 2. Investments and Fair Value Measurements (Continued)

The following tables present a summary of the fair value measurements of the Institute's investments within the fair value hierarchy as of September 30:

	Total 2017	Level 1	Level 2	Level 3
Financial assets:				
Investments:				
Operating fund:				
U.S. government agency securities	$ 124,424	$ -	$ 124,424	$ -
Equity mutual funds	820,480	820,480	-	-
Total operating fund investments	944,904	820,480	124,424	-
Cancer research fund (Notes 8 and 9):				
Fixed income mutual funds	541,945	541,945	-	-
Equity mutual funds	658,647	658,647	-	-
Common stock	308,865	308,865	-	-
Total cancer research fund investments	1,509,457	1,509,457	-	-
Charitable gift annuities (Note 3):				
U.S. Treasuries	225,037	225,037	-	-
U.S. government agency securities	99,991	-	99,991	-
Common trust funds	1,625,442	-	1,625,442	-
Total charitable gift annuity investments	1,950,470	225,037	1,725,433	-
Charitable remainder unitrusts (Note 3):				
Equity mutual funds	1,822,473	1,822,473	-	-
Stocks	50,958	50,958	-	-
Fixed income mutual funds	215,347	215,347	-	-
Total charitable remainder unitrusts investments	2,088,778	2,088,778	-	-
Total investments	6,493,609	4,643,752	1,849,857	-
Beneficial interest in perpetual trust (Note 3)	376,313	-	-	376,313
Total financial assets	$ 6,869,922	$ 4,643,752	$ 1,849,857	$ 376,313
Financial liabilities (Note 3):				
Liabilities under charitable gift annuities	$ 1,093,026	$ -	$ 1,093,026	$ -
Liabilities under charitable remainder unitrusts	907,773	-	907,773	-
Total financial liabilities	$ 2,000,799	$ -	$ 2,000,799	$ -

Note 2. Investments and Fair Value Measurements (Continued)

	Total 2016	Level 1	Level 2	Level 3
Financial assets:				
Investments:				
Operating fund:				
U.S. government agency securities	$ 125,060	$ -	$ 125,060	$ -
Equity mutual funds	706,950	706,950	-	-
Total operating fund investments	832,010	706,950	125,060	-
Cancer research fund (Notes 8 and 9):				
Fixed income mutual funds	528,413	528,413	-	-
Equity mutual funds	545,233	545,233	-	-
Common stock	275,748	275,748	-	-
Total cancer research fund investments	1,349,394	1,349,394	-	-
Charitable gift annuities (Note 3):				
U.S. Treasuries	197,832	197,832	-	-
U.S. government agency securities	110,819	-	110,819	-
Common trust funds	1,539,618	-	1,539,618	-
Total charitable gift annuity investments	1,848,269	197,832	1,650,437	-
Charitable remainder unitrusts (Note 3):				
Equity mutual funds	1,821,188	1,821,188	-	-
Stocks	47,345	47,345	-	-
Fixed income mutual funds	115,096	115,096	-	-
Total charitable remainder unitrusts investments	1,983,629	1,983,629	-	-
Total investments	6,013,302	4,237,805	1,775,497	-
Beneficial interest in perpetual trust (Note 3)	358,842	-	-	358,842
Total financial assets	$ 6,372,144	$ 4,237,805	$ 1,775,497	$ 358,842
Financial liabilities (Note 3):				
Liabilities under charitable gift annuities	$ 1,163,710	$ -	$ 1,163,710	$ -
Liabilities under charitable remainder unitrusts	905,624	-	905,624	-
Total financial liabilities	$ 2,069,334	$ -	$ 2,069,334	$ -

In 2017, the increase in the Institute’s beneficial interest in perpetual trusts of $17,471 reflects investment gains of $35,131 and distributions of $17,660. In 2016, the increase in the Institute’s beneficial interest in perpetual trusts of $5,924 reflects investment gains of $24,034 and distributions of $18,110.

Note 3. Split-Interest Agreements

The Institute is the beneficiary of various split-interest agreements, including charitable gift annuities (for which State Street Bank and Trust, Co. acts as trustee), charitable remainder unitrusts (for which the Institute acts as the trustee) and a perpetual trust (for which Wilmington Trust (formerly M&T Bank) acts as the trustee).

Under charitable gift annuity agreements, the Institute pays a fixed annuity amount for the life of the beneficiary, and receives the remaining assets upon the beneficiary's death, as set forth in the annuity agreements. Under charitable remainder unitrust agreements, the donor establishes and funds a trust. As trustee, the Institute makes specified distributions to designated beneficiaries over the trust term. Upon termination of the trust, the Institute receives all or a portion of the remaining trust assets, as set forth in the trust agreement. Under the perpetual trust, the assets are held by a trustee and the Institute receives specified income in perpetuity.

The assets held in charitable remainder unitrusts, charitable gift annuities and perpetual trusts are stated at fair value. Recorded liabilities to beneficiaries represent the present value of the estimated future payments based on actuarial assumptions using the 2012 IAR Mortality Table. Liabilities are updated annually based on changes in life expectancies and discount rates and the changes in value are reported as change in value of split-interest agreement liability in the statements of activities. At September 30, 2017 and 2016, the discount rates used to value liabilities under charitable gift annuities and charitable remainder unitrusts was 2.4% and 1.4%, respectively.

Contribution revenue is recognized based on the net amount of the assets and liabilities of split-interest agreements received in a given period, and the changes in the values of agreements received in prior years. Contribution revenue was $52,782 and $40,942 for the years ended September 30, 2017 and 2016, respectively. Distributions were $160,624 and $171,535 for the years ended September 30, 2017 and 2016, respectively.

In accordance with New Jersey state regulations for gift annuities, the Institute maintains segregated assets of $100,000 related to specific gifts, included in investments at September 30, 2017 and 2016.

Note 3. Split-Interest Agreements (Continued)

The September 30 balances related to the Institute's split-interest agreements were:

	2017	2016
Charitable gift annuities:		
Cash and cash equivalents	$ 62,857	$ 28,225
Investments:		
U.S. Treasuries	225,037	197,832
U.S. government agency securities	99,991	110,819
Common trust funds	1,625,442	1,539,618
Total charitable gift annuities	$ 2,013,327	$ 1,876,494
Liabilities under charitable gift annuities	$ 1,093,026	$ 1,163,710
Charitable remainder unitrusts:		
Cash and cash equivalents	$ 36,991	$ 47,271
Investments:		
Equity mutual funds	1,822,473	1,821,188
Stocks	50,958	47,345
Fixed income mutual funds	215,347	115,096
Total charitable remainder unitrusts	$ 2,125,769	$ 2,030,900
Liabilities under charitable remainder unitrusts	$ 907,773	$ 905,624
Perpetual trust:		
Cash and cash equivalents	$ 4,695	$ 939
Investments:		
Fixed income mutual funds	119,259	112,855
Equity mutual funds	252,359	245,048
Total beneficial interest in perpetual trust	$ 376,313	$ 358,842
Net gain on beneficial interest in perpetual trust	$ 17,471	$ 5,924

Note 4. Bequests Receivable, Net

Bequests receivable, net, consists of the following as of September 30:

	2017	2016
Unconditional bequests expected to be collected:		
One year or less	$ 1,486,224	$ 632,389
One year to five years	162,000	312,000
	1,648,224	944,389
Allowance for uncollectable bequests	(2,500)	(10,700)
	$ 1,645,724	$ 933,689

Note 5. Property and Equipment, Net

Property and equipment, net, consists of the following as of September 30:

	2017	2016
Donated land	$ 5,900	$ 5,900
Furniture and fixtures	233,201	59,232
Equipment	255,731	277,035
Leasehold improvements	513,031	78,296
	1,007,863	420,463
Less accumulated depreciation and amortization	164,963	335,717
	$ 842,900	$ 84,746

Note 6. Grants Payable

The Institute awards grants for cancer research to various scientific projects and research facilities. Grants are awarded by the Board of Directors upon the recommendation of a Grant Review Panel, which is separate from the Board. The responsibility of the Grant Review Panel is to review grant requests and consult with the Board of Directors during the grant approval process. The Grant Review Panel is subject to a conflict of interest policy under which a member is disqualified from evaluating any grant proposal submitted by an organization or institution with which the particular member is affiliated.

Grants payable at September 30, 2017, are scheduled to be funded in future fiscal years as follows:

2018	$ 498,760
2019	568,429
2020	142,107
	$ 1,209,296

Note 7. Line of Credit

The Institute entered into a $1,000,000 revolving line of credit agreement with a financial institution bearing interest at the one-month London Interbank Offered Rate (LIBOR) rate plus 1.75%. At September 30, 2017 and 2016, the one-month LIBOR rate was 1.24% and 2.27%, respectively. There were no outstanding advances against the line of credit at September 30, 2017 and 2016, and this line of credit is subject to renewal on an annual basis. The line of credit is set to expire on April 24, 2018.

Note 8. Board Designated Net Assets

The Board has designated certain unrestricted funds to be part of the Institute's Cancer Research Fund. Annual distributions from the Cancer Research Fund, which are approximately 10% of its cumulative balance, support grants awarded by the Institute.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets were composed of the following at September 30:

	2017	2016
Purpose restrictions:		
Cancer Research Fund	$ 940,657	$ 788,955
Time restrictions:		
Held under split-interest agreements	1,316,235	1,223,515
Bequests receivable	1,645,724	933,689
	$ 3,902,616	$ 2,946,159

Net assets related to split-interest agreements are reported as temporarily restricted until the gift matures. Bequests recognized as revenue that will be collected in future periods are reported as temporarily restricted until the period they are collected.

Note 10. Permanently Restricted Net Assets

Permanently restricted net assets were composed of the following at September 30:

	2017	2016
Beneficial interst in perpetual trust	$ 376,313	$ 358,842
Endowments	470,294	469,267
	$ 846,607	$ 828,109

Note 11. Endowment Net Assets

The Institute adopted the provisions of FASB ASC 958-205-50-1A, Reporting Endowment Funds. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (the Act) and also require disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Institute's endowments are pooled with 17 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds, donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 11. Endowment Net Assets (Continued)

The Board of Directors of the Institute has interpreted the Act as requiring the preservation of the fair market 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 Institute 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 those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Institute and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Institute and (7) the investment policies of the organization.

The Institute's Investment Policy contains a section on donor-restricted funds which includes the following: the classification of restricted gifts, the investment of restricted gifts, the definition of income earned, and the calculation of annual distributions. The classifications of restricted gifts are outlined in Note 2. Gifts are pooled and invested to ensure assets increase over time thereby enhancing the funds' long-term health and fiscal viability. The Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Institute targets a diversified asset allocation that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints. Income earned includes interest, dividends and realized/unrealized gains and losses unless otherwise specified by the donor. Distributions are made annually at a rate not to exceed 5% of the average fair market value of the permanently restricted funds, calculated on the basis of market values determined annually and averaged over a period of three years immediately preceding the year for which the distribution is to be made. Annual distributions are also made at a rate not to exceed 10% of the fair market value of the temporarily restricted and board-designated funds. The most recent Investment Policy was reviewed and approved by the Board of Directors in September 2010.

Endowment net assets composition by type of fund as of September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 9,541	$ 940,657	$ 470,294	$ 1,420,492
Board-designated endowment funds	12,999	-	-	12,999
	$ 22,540	$ 940,657	$ 470,294	$ 1,433,491

Note 11. Endowment Net Assets (Continued)

Changes in endowment net assets for the fiscal year ended September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 17,674	$ 788,955	$ 469,267	$ 1,275,896
Investment return:				
Investment income	1,648	25,189	-	26,837
Net gains (realized and unrealized)	7,329	108,818	-	116,147
Total investment return	8,977	134,007	-	142,984
Contributions	-	122,901	1,027	123,928
Appropriation of endowment assets for expenditure	(4,111)	(105,206)	-	(109,317)
Endowment net assets, end of year	$ 22,540	$ 940,657	$ 470,294	$ 1,433,491

Endowment net assets composition by type of fund as of September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 8,143	$ 788,955	$ 469,267	$ 1,266,365
Board-designated endowment funds	9,531	-	-	9,531
	$ 17,674	$ 788,955	$ 469,267	$ 1,275,896

Changes in endowment net assets for the fiscal year ended September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 16,445	$ 790,280	$ 463,377	$ 1,270,102
Investment return:				
Investment income	1,953	33,760	-	35,713
Net gains (realized and unrealized)	3,460	61,056	-	64,516
Total investment return	5,413	94,816	-	100,229
Contributions	-	8,643	5,890	14,533
Appropriation of endowment assets for expenditure	(4,184)	(104,784)	-	(108,968)
Endowment net assets, end of year	$ 17,674	$ 788,955	$ 469,267	$ 1,275,896

Note 11. Endowment Net Assets (Continued)

Funds in Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the permanent endowment. Deficiencies of this nature are reported as unrestricted net assets. At September 30, 2017 and 2016, the Institute had deficiencies of $4,002 and $12,783, respectively, reported as unrestricted net assets. These deficiencies were a result of unfavorable market activity. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Note 12. Income Taxes

The Institute is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code on income other than unrelated business income. No provision for income taxes is required as of September 30, 2017 and 2016, since the Institute had no unrelated business income. The Institute has been recognized by the Internal Revenue Service as a publicly supported organization and is therefore not a private foundation. Management annually reviews its tax position and has determined that there are no uncertain tax positions that require recognition in the financial statements.

Note 13. Employee Benefits

Defined Contribution Plan: The Institute sponsors a defined contribution retirement plan for those employees who have completed one year of service with the Institute. Employees vest in the retirement plan at a rate of 20% a year until fully vested. The minimum number of hours required for eligibility is 1,000 hours worked in a plan year. The age of eligibility for participation in the plan is age 18. Employees may borrow a percentage of their vested account balance.

Retirement plan contributions for the year ended September 30, 2017, were approximately $176,000. The Institute did not make contributions to this plan during the year ended September 30, 2016.

Defined Contribution 403(b) Plan: The Institute also provides a defined contribution 403(b) retirement plan to all employees. Participants may elect to contribute a portion of their pre-tax compensation to the plan. Annual contributions may not exceed the limits prescribed by Internal Revenue Code Section 402(g). Employees are eligible for this plan upon employment, and immediately have a fully vested interest in their contributions. The Institute does not make contributions to this plan.

Employment Agreements: To retain the services of a key employee, the Institute entered into an employment agreement in 2011. This agreement provides for annual compensation and other compensation such as bonuses, supplemental retirement and other benefits.

In accordance with ASC Topic 715, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, the gains or losses and prior service costs that arise during the period but are not recognized as components of net periodic benefit costs are recognized separately on the statement of activities as pension related changes other than net periodic benefit costs.

Note 13. Employee Benefits (Continued)

The components of accrued benefit costs and net periodic benefit costs for other postretirement benefits as of September 30 are as follows:

	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 947,431	$ 735,887
Service cost	44,011	37,950
Interest cost	34,013	31,496
Actuarial (gain) loss	(38,685)	161,276
Benefits paid	(21,372)	(19,178)
Benefit obligation at end of year	965,398	947,431
Funded status at end of year	(965,398)	(947,431)
Accrued benefit cost	$ (965,398)	$ (947,431)

The funded status is included in accrued benefit cost in the accompanying statements of financial position. The Institute uses an annual measurement date of September 30 to determine benefit obligations for the plan.

In October 2017, the Society of Actuaries released new data regarding observed mortality rate improvements since 2000 (the MP-2017 Mortality Improvement Scale). The updated mortality tables and the scale were considered by the Institute, but not yet adopted as of September 30, 2017.

For the years ended September 30, 2017 and 2016, the benefit obligations were calculated using a discount rate of 3.72% and 3.59%, respectively, and the net periodic benefit cost was calculated using a discount rate of 3.59% and 4.28%, respectively. The rate of future compensation increases is estimated at 3% for the years ended September 30, 2017 and 2016.

	2017	2016
Net periodic benefit cost:		
Service cost	$ 44,011	$ 37,950
Interest cost	34,013	31,496
Amortization of net loss	3,142	-
Net periodic benefit cost	$ 81,166	$ 69,446

Note 13. Employee Benefits (Continued)

The estimated prior service cost and net loss for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year is $0 and $0, respectively.

	2017	2016
Pension related changes other than net periodic benefit cost consist of:		
Net gain (loss)	$ 41,827	$ (161,276)
Items not yet recorded as a component of net periodic benefit cost:		
Net loss	$ 65,482	$ 107,309

The benefits expected to be paid for future years ending September 30 are as follows:

Years ending September 30:	
2018	$ -
2019	-
2020	1,330,000
	$ 1,330,000

Note 14. Related Parties

Fundraising and Professional Services

Direct Response Consulting Services (DRCS) provides fundraising and other professional services to the Institute. The Institute's management performs a periodic review of amounts paid for fundraising services and believes that the payments are comparable to or less than payments that would be made to unrelated parties for such services. DRCS is owned by the founders of the Institute who are not currently Board Members. Under the Institute's governing legal instruments, the above individuals may not vote to elect or remove members of the Board of Directors while under a service contract with the Institute and for a period of three years thereafter.

For the years ended September 30, 2017 and 2016, the Institute incurred expenses of approximately $505,000 and $463,000, respectively, for fundraising and other professional services, for which payment was made to DRCS and DRCS' related companies. As of September 30, 2017 and 2016, the Institute owed an outstanding payable balance to DRCS and DRCS' related companies of approximately $2,926 and $1,272, respectively.

Note 14. Related Parties (Continued)

Affiliated Charities

The Institute operates jointly with affiliates in the United Kingdom, through the World Cancer Research Fund (WCRF United Kingdom – founded 1990); in the Netherlands, through the Stichting Wereld Kanker Onderzoek Fonds (WCRF Netherlands – founded 1994); and in Hong Kong, through the World Cancer Research Fund Limited (WCRF Hong Kong – founded 1997). These organizations promote, fund, support and encourage research and public education as to the causes and treatment of cancer for the general benefit of the public.

In 2000, the Institute entered into a written membership agreement with the World Cancer Research Fund International (WCRF International). As part of this membership agreement, the Institute will pay membership dues in return for services being provided by WCRF International. WCRF International is an umbrella association comprised of AICR and the WCRF entities. In 2017 and 2016, the Institute paid dues of $64,926 and $78,332 to WCRF International (USD equivalent of £50,000), respectively.

WCRF International also signed membership agreements with WCRF United Kingdom, WCRF Netherlands and WCRF Hong Kong. These entities are each affiliated charities of the Institute, but are not consolidated by the Institute under U.S. GAAP.

WCRF International is funded by contributions from the Institute and its affiliates. In 2017 and 2016, the Institute paid contributions totaling $385,031 and $466,040, respectively, to WCRF International. The Institute also provided services to WCRF International and recognized related affiliate service fees of $1,059,060 in 2017 and $1,263,156 in 2016. The cost of services incurred by the Institute and billed to WCRF International are allocated among research, public health education, management and general, and fundraising based upon the service provided.

When necessary, the Institute will make payments to U.S. vendors on behalf of WCRF affiliates who purchase goods or services in the U.S. The Institute is reimbursed by the respective affiliate for the payment and does not report revenue or expense associated with these transactions.

Note 14. Related Parties (Continued)

The affiliate transactions described above are recorded in the due from affiliates and due to affiliates in the statements of financial position. The summary activity in these accounts for the years ended September 30 is as follows:

	2017				
	WCRF International	WCRF United Kingdom	WKOF Netherlands	WCRF Hong Kong	Totals
Beginning balance	$ 361,794	$ (100,585)	$ 21,334	$ -	$ 282,543
Reimbursed expenses	122,364	23,784	52,292	6,500	204,940
Dues	(64,926)	-	-	-	(64,926)
Contributions	(385,031)	(100,000)	-	-	(485,031)
Service fee	1,059,060	-	-	-	1,059,060
Payments received	(670,452)	(7,495)	(40,446)	-	(718,393)
Ending balance	$ 422,809	$ (184,296)	$ 33,180	$ 6,500	$ 278,193

	2016				
	WCRF International	WCRF United Kingdom	WKOF Netherlands	WCRF Hong Kong	Totals
Beginning balance	$ 300,260	$ (109,698)	$ 56,283	$ 16,689	$ 263,534
Reimbursed expenses	135,266	9,113	45,051	14,250	203,680
Dues	(78,332)	-	-	-	(78,332)
Contributions	(466,040)	-	-	-	(466,040)
Service fee	1,263,156	-	-	-	1,263,156
Payments received	(792,516)	-	(80,000)	(30,939)	(903,455)
Ending balance	$ 361,794	$ (100,585)	$ 21,334	$ -	$ 282,543

Note 15. Allocation of Joint Costs

The Institute incurred joint costs of $5,462,489 and $6,710,948 in 2017 and 2016, respectively, for informational materials used for direct mail, telemarketing and other campaigns that included fundraising appeals. In fiscal year 2017, $1,637,510 was allocated to fundraising, $3,505,880 was allocated to education and $319,099 was allocated to management and general expense. In fiscal year 2016, $2,136,056 was allocated to fundraising, $4,206,412 was allocated to education and $368,480 was allocated to management and general expense.

Note 16. Lease Commitments

In 2012, the Institute entered into an operating lease agreement for its headquarters located in Washington, D.C. The Institute leases the building and related improvements under a 10-year lease agreement with an option to terminate the lease any time after September 8, 2017. Accordingly, the Washington, D.C. lease will terminate on October 31, 2017.

In December 2016, the Institute entered into a new operating lease agreement for its headquarters to be located in Arlington, Virginia, with a commencement date of August 2017. The Institute will lease the building and related improvements under an 11 year and 2 month lease agreement with an option to cancel the lease with one year's notice any time after September 2023. The rental cost of the headquarters includes a base rental, real estate and personal property taxes, and other operating costs associated with the building. The lease agreement includes provisions for fixed rent escalations and building operating costs.

Rent expense was approximately $755,000 in 2017 and $720,000 in 2016.

Future minimum payments under the noncancelable portion of operating leases for years ending September 30 are as follows:

Years ended September 30:	
2018	$ -
2019	181,170
2020	388,497
2021	399,193
2022	410,183
Thereafter	421,468
	$ 1,800,511

Note 17. Subsequent Events

The Institute has evaluated subsequent events from September 30, 2017 through February 23, 2018, the date the financial statements were available to be issued, and determined that there were no items to disclose.