

# **American Institute for Cancer Research**

Financial Report  
September 30, 2018

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**Independent Auditor's Report**

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, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

McLean, Virginia  
February 27, 2019

**American Institute for Cancer Research**

**Statements of Financial Position  
September 30, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 5,523,046	\$ 4,022,128
Accounts receivable, net of allowance for uncollectible accounts of \$5,495 in 2018 and \$5,928 in 2017	369,309	442,327
Due from affiliates (Note 14)	535,352	462,489
Bequests receivable (Note 4)	1,211,298	1,645,724
Investments (Notes 2 and 3)	7,639,504	6,493,609
Prepaid expenses and other assets	462,558	569,541
Property and equipment, net (Note 5)	741,218	842,900
Beneficial interest in perpetual trust (Notes 2 and 3)	375,433	376,313
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<b>Total assets</b>	<b>\$ 16,857,718</b>	<b>\$ 14,855,031</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 726,140	\$ 552,525
Due to affiliates (Note 14)	356,569	184,296
Grants payable (Note 6)	2,274,667	1,209,296
Deferred lease obligation	1,093,366	793,130
Liabilities under charitable gift annuities (Notes 2 and 3)	1,161,802	1,093,026
Liabilities under charitable remainder unitrusts (Notes 2 and 3)	859,553	907,773
Accrued benefit cost (Note 13)	858,571	965,398
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<b>Total liabilities</b>	<b>7,330,668</b>	<b>5,705,444</b>
Commitments (Notes 3, 7, 13 and 16)		
Unrestricted net assets (Notes 8 and 11)	5,235,159	4,400,364
Temporarily restricted net assets (Notes 9 and 11)	3,445,230	3,902,616
Permanently restricted net assets (Notes 10 and 11)	846,661	846,607
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<b>Total net assets</b>	<b>9,527,050</b>	<b>9,149,587</b>
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<b>Total liabilities and net assets</b>	<b>\$ 16,857,718</b>	<b>\$ 14,855,031</b>

See notes to financial statements.

**American Institute for Cancer Research**

**Statement of Activities  
Year Ended September 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
Public support – contributions and bequests	\$ 12,851,583	\$ 1,054,142	\$ 934	\$ 13,906,659
Program service revenue	31,848	-	-	31,848
Affiliate service fees	1,175,530	-	-	1,175,530
List rental income	260,790	-	-	260,790
Interest income and dividends (Note 2)	127,164	29,855	-	157,019
Other revenues	19,830	-	-	19,830
Net assets released from restrictions	1,637,699	(1,637,699)	-	-
<b>Total support and revenues</b>	<b>16,104,444</b>	<b>(553,702)</b>	<b>934</b>	<b>15,551,676</b>
Expenses (Note 15):				
Program services:				
Research	2,572,578	-	-	2,572,578
Public health education	7,711,272	-	-	7,711,272
<b>Total program services</b>	<b>10,283,850</b>	<b>-</b>	<b>-</b>	<b>10,283,850</b>
Supporting services:				
Management and general	2,529,958	-	-	2,529,958
Fundraising	2,839,547	-	-	2,839,547
<b>Total supporting services</b>	<b>5,369,505</b>	<b>-</b>	<b>-</b>	<b>5,369,505</b>
<b>Total expenses</b>	<b>15,653,355</b>	<b>-</b>	<b>-</b>	<b>15,653,355</b>
<b>Excess (deficit) of revenue over expenses</b>	<b>451,089</b>	<b>(553,702)</b>	<b>934</b>	<b>(101,679)</b>
Pension related changes other than net periodic benefit costs (Note 13)	102,818	-	-	102,818
Other gains:				
Net gain on investments	220,081	68,890	-	288,971
Change in value of split-interest agreement liability – annuities	60,807	-	-	60,807
Change in value of split-interest agreement liability – trusts	-	27,426	-	27,426
Net loss on interest in perpetual trust (Note 2)	-	-	(880)	(880)
<b>Change in net assets</b>	<b>834,795</b>	<b>(457,386)</b>	<b>54</b>	<b>377,463</b>
Net assets, beginning of year	4,400,364	3,902,616	846,607	9,149,587
Net assets, end of year	\$ 5,235,159	\$ 3,445,230	\$ 846,661	\$ 9,527,050

See notes to financial statements.

## American Institute for Cancer Research

### Statement of Activities Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenues:</b>				
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)	-	-
<b>Total support and revenues</b>	<b>15,428,669</b>	<b>754,920</b>	<b>1,027</b>	<b>16,184,616</b>
<b>Expenses (Note 15):</b>				
<b>Program services:</b>				
Research	2,120,884	-	-	2,120,884
Public health education	7,680,128	-	-	7,680,128
<b>Total program services</b>	<b>9,801,012</b>	<b>-</b>	<b>-</b>	<b>9,801,012</b>
<b>Supporting services:</b>				
Management and general	2,542,554	-	-	2,542,554
Fundraising	2,702,852	-	-	2,702,852
<b>Total supporting services</b>	<b>5,245,406</b>	<b>-</b>	<b>-</b>	<b>5,245,406</b>
<b>Total expenses</b>	<b>15,046,418</b>	<b>-</b>	<b>-</b>	<b>15,046,418</b>
<b>Excess of revenue over expenses</b>	<b>382,251</b>	<b>754,920</b>	<b>1,027</b>	<b>1,138,198</b>
Pension related changes other than net periodic benefit costs (Note 13)	41,827	-	-	41,827
<b>Other gains:</b>				
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
<b>Change in net assets</b>	<b>730,035</b>	<b>956,457</b>	<b>18,498</b>	<b>1,704,990</b>
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 Functional Expenses  
Year Ended September 30, 2018

	Program Services		Supporting Services		Totals
	Research	Public Health Education	Total Program Services	Management and General	
Grants	\$ 1,763,937	\$ 426,159	\$ 2,190,096	\$ -	\$ 2,190,096
Postage and delivery	16,106	1,762,080	1,778,186	187,227	877,258
Printing and publication	14,869	1,145,249	1,160,118	90,196	410,360
Data processing	23,148	485,850	508,998	183,610	393,301
Mailhouse fees	-	616,931	616,931	63,056	324,383
List costs	-	232,717	232,717	22,578	122,014
Salaries and director fees	387,964	1,187,409	1,575,373	1,045,388	1,517,316
Professional fees	26,471	891,425	917,896	201,026	606,416
Occupancy	41,760	152,170	193,930	129,127	186,137
Travel and entertainment	44,713	42,307	87,020	5,242	15,506
Benefits and payroll taxes	63,470	221,245	284,715	190,886	275,148
Pension expense (Note 13)	28,708	98,993	127,701	80,541	121,572
Office expense	24,393	87,800	112,193	73,802	116,714
Depreciation and amortization	15,197	55,264	70,461	46,974	67,698
Insurance	2,104	7,652	9,756	6,504	9,373
Advertising	2,062	49,112	51,174	21,361	81,229
Information technology	91,449	85,408	176,857	38,384	75,282
Conferences	16,636	24,980	41,616	688	1,966
Interest expense	-	-	-	105,849	105,849
WCRF membership dues	-	65,749	65,749	-	-
Miscellaneous	9,591	72,772	82,363	37,519	61,983
	\$ 2,572,578	\$ 7,711,272	\$ 10,283,850	\$ 2,529,958	\$ 2,839,547
					\$ 5,369,505
					\$ 15,653,355

See notes to financial statements.



# American Institute for Cancer Research

## Statement of Functional Expenses Year Ended September 30, 2017

	Program Services			Supporting Services			Totals
	Research	Public Health Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
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

### Statements of Cash Flows Years Ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 377,463	\$ 1,704,990
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	138,159	67,582
Net gain on investments	(288,971)	(359,855)
Net gain on sale of assets	-	(921)
Contributions from stock gifts	(326,388)	(22,276)
Net gain on investments held for split-interest agreements	51,548	(105,149)
Net loss (gain) on beneficial interest in perpetual trust	880	(17,471)
Contributions received for long-term purposes	(934)	(107,494)
Deferred rent	300,236	280,100
Decrease (increase) in assets:		
Accounts receivable	73,018	(120,871)
Due from affiliates	(72,863)	(79,361)
Bequests receivable	434,426	(712,035)
Prepaid expenses	106,983	121,496
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	173,615	(318,447)
Due to affiliates	172,273	83,711
Grants payable	1,065,371	329,392
Liabilities under charitable gift annuity agreements	68,776	(70,684)
Liabilities under charitable remainder unitrust agreements	(48,220)	2,149
Accrued benefit cost	(106,827)	17,967
<b>Net cash provided by operating activities</b>	<b>2,118,545</b>	<b>692,823</b>
Cash flows from investing activities:		
Acquisition of furniture, equipment and leasehold improvements	(36,477)	(316,660)
Purchase of investments	(1,406,359)	(533,480)
Proceeds from sale of assets	-	4,875
Proceeds from maturities and sales of investments	824,275	646,919
<b>Net cash used in investing activities</b>	<b>(618,561)</b>	<b>(198,346)</b>
Cash flows from financing activities:		
Permanently restricted contributions received for long-term purposes	934	1,027
<b>Net cash provided by financing activities</b>	<b>934</b>	<b>1,027</b>
<b>Net increase in cash</b>	<b>1,500,918</b>	<b>495,504</b>
Cash and cash equivalents:		
Beginning of year	4,022,128	3,526,624
End of year	\$ 5,523,046	\$ 4,022,128
Supplemental schedule of noncash investment activities:		
Leasehold improvements acquired under tenant allowance	\$ -	\$ 513,031

See notes to financial statements.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### 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 \$276,339 and \$498,408 at September 30, 2018 and 2017, 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.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### 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 an unconditional 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 lease 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.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### 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, 2018, the Institute's expenses totaled \$15,653,355. Of that amount, 16% was spent directly in support of cancer research and 50% of expenses went in support of the Institute's public education programs in cancer prevention. Together, research and public education programs account for 66% of all expenditures by the Institute. Fundraising costs for the year were 18% of total expenses and 16% of expenses went to administrative costs.

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.

**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.

**Adopted accounting pronouncement:** In May 2015, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. The amendments in ASU 2015-07 should be applied retrospectively to all periods presented. Management adopted this ASU during the year ended September 30, 2018. The adoption of this ASU only amends and eliminates certain disclosures.

**Recent accounting pronouncements:** In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans. The amendments in ASU 2018-14 are effective for the Institute for fiscal years ending after December 15, 2021, with early adoption permitted. The adoption of ASU 2018-14 is not expected to have a material impact on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of ASU 2018-13 is not expected to have a material impact on its financial statements.

## American Institute for Cancer Research

### Notes to Financial Statements

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

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Institute is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. Where the Institute is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The Institute is currently evaluating the impact of the adoption of this guidance on its financial statements.

In March 2017, the FASB 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. The Institute has not elected to early adopt the guidance and is currently evaluating the impact on financial statements and related disclosures.

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 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 its financial statements.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### 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.

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, U.S. government agency securities and certificate of deposits are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full-term of the instruments.

The Institute did not have any assets or liabilities valued at fair value on a nonrecurring basis during the years ended September 30, 2018 and 2017. Cash equivalents consisting of money market accounts and overnight deposits are included as Level 1 estimates.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### **Note 2. Investments and Fair Value Measurements (Continued)**

The common trust funds and unit investment trust funds are valued using the net asset value (NAV) or its equivalent to determine the fair value of all the underlying investments. The funds are not subject to the provisions of fair value measurement because they are held at NAV as a practical expedient rather than fair value. NAVs for these funds are valued weekly and redemptions from these funds are permitted daily. There are no unfunded commitments for these investments.

The State Street Bank and Trust Company State Street S&P 500® Ex Tobacco Index Non-Lending Common Trust Fund (a socially responsible index fund that excludes stocks in tobacco products) 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 First Trust Balance Income Opportunity Fund and the First Trust Tactical Income Opportunity Fund are unit investment trust funds used for the investment of the Institute's charitable remainder unitrusts (Note 3).

The investment objective of these funds is consistent with the Investment Policy was reviewed and approved by the Board of Directors in April 2018 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.

The NAV of each fund is determined as of the last business day of each month. Issuances and redemptions of fund units may be made on such days, based upon the NAV per unit of the respective fund.

The investment income, net of investment management fees of \$47,054 in 2018 and \$41,369 in 2017, is \$109,965 and \$77,192 for the years ended September 30, 2018 and 2017, respectively.



## American Institute for Cancer Research

### Notes to Financial Statements

#### 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 2018	Level 1	Level 2	Level 3
Financial assets:				
Investments:				
Operating fund:				
U.S. government agency securities	\$ 123,193	\$ -	\$ 123,193	\$ -
Equity mutual funds	947,681	947,681	-	-
Certificate of Deposit	200,244	-	200,244	-
Total operating fund investments	<u>1,271,118</u>	<u>947,681</u>	<u>323,437</u>	<u>-</u>
Cancer research fund (Notes 8 and 9):				
Fixed income mutual funds	722,904	722,904	-	-
Equity mutual funds	869,959	869,959	-	-
Common stock	437,060	437,060	-	-
Total cancer research fund investments	<u>2,029,923</u>	<u>2,029,923</u>	<u>-</u>	<u>-</u>
Charitable gift annuities (Note 3):				
U.S. Treasuries	199,479	199,479	-	-
U.S. government agency securities	98,539	-	98,539	-
Total charitable gift annuity investments	<u>298,018</u>	<u>199,479</u>	<u>98,539</u>	<u>-</u>
Charitable remainder unitrusts (Note 3):				
Equity mutual funds	1,463,792	1,463,792	-	-
Stocks	40,746	40,746	-	-
Fixed income mutual funds	175,302	175,302	-	-
Total charitable remainder unitrusts investments	<u>1,679,840</u>	<u>1,679,840</u>	<u>-</u>	<u>-</u>
Total investments	5,278,899	4,856,923	421,976	-
Beneficial interest in perpetual trust (Note 3)	375,433	-	-	375,433
Total financial assets	<u>\$ 5,654,332</u>	<u>\$ 4,856,923</u>	<u>\$ 421,976</u>	<u>\$ 375,433</u>
Financial liabilities (Note 3):				
Liabilities under charitable gift annuities	\$ 1,161,802	\$ -	\$ 1,161,802	\$ -
Liabilities under charitable remainder unitrusts	859,553	-	859,553	-
Total financial liabilities	<u>\$ 2,021,355</u>	<u>\$ -</u>	<u>\$ 2,021,355</u>	<u>\$ -</u>

## American Institute for Cancer Research

### Notes to Financial Statements

#### Note 2. Investments and Fair Value Measurements (Continued)

	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	-
Total charitable gift annuity investments	325,028	225,037	99,991	-
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	4,868,167	4,643,752	1,849,857	-
Beneficial interest in perpetual trust (Note 3)	376,313	-	-	376,313
Total financial assets	\$ 5,244,480	\$ 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	\$ -

## American Institute for Cancer Research

### Notes to Financial Statements

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#### Note 2. Investments and Fair Value Measurements (Continued)

The table below reconciles total investments to the statement of financial position at September 30:

	2018	2017
Investments held at fair value	\$ 5,278,899	\$ 4,868,167
Investments held at NAV, below	2,360,605	1,625,442
	<u>\$ 7,639,504</u>	<u>\$ 6,493,609</u>

Investments held using NAV as a practical expedient:

	2018	2017
Common trust funds (closed fund)	\$ 2,003,216	\$ 1,625,442
Unit investment trust funds (closed fund)	357,389	-
	<u>\$ 2,360,605</u>	<u>\$ 1,625,442</u>

The following table presents a reconciliation of all Level 3 assets measured at fair value as of September 30, 2018 and 2017:

	Beneficial Interest in Perpetual Trust
Balance at September 30, 2016	\$ 358,842
Realized and unrealized gain	17,471
Balance at September 30, 2017	376,313
Realized and unrealized loss	(880)
Balance at September 30, 2018	<u>\$ 375,433</u>

In 2018, the decrease in the Institute's beneficial interest in perpetual trusts of \$880 reflects investment gains of \$17,947 and distributions of \$18,827. 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.

#### 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.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### Note 3. Split-Interest Agreements (Continued)

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, 2018 and 2017, the discount rates used to value liabilities under charitable gift annuities and charitable remainder unitrusts was 3.4% and 2.4%, 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 \$101,502 and \$52,782 for the years ended September 30, 2018 and 2017, respectively. Distributions were \$169,844 and \$160,624 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017.

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

	2018	2017
Charitable gift annuities:		
Cash and cash equivalents	\$ 35,706	\$ 62,857
Investments:		
U.S. Treasuries	199,479	225,037
U.S. government agency securities	98,539	99,991
Common trust funds	2,003,216	1,625,442
Total charitable gift annuities	<u>\$ 2,336,940</u>	<u>\$ 2,013,327</u>
Liabilities under charitable gift annuities	<u>\$ 1,161,802</u>	<u>\$ 1,093,026</u>
Charitable remainder unitrusts:		
Cash and cash equivalents	\$ 67,744	\$ 36,991
Investments:		
Equity mutual funds	1,463,792	1,822,473
Unit investment trusts	357,389	-
Stocks	40,746	50,958
Fixed income mutual funds	175,302	215,347
Total charitable remainder unitrusts	<u>\$ 2,104,973</u>	<u>\$ 2,125,769</u>
Liabilities under charitable remainder unitrusts	<u>\$ 859,553</u>	<u>\$ 907,773</u>

## American Institute for Cancer Research

### Notes to Financial Statements

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#### Note 3. Split-Interest Agreements (Continued)

	2018	2017
Perpetual trust:		
Cash and cash equivalents	\$ 14,173	\$ 4,695
Investments:		
Fixed income mutual funds	116,581	119,259
Equity mutual funds	244,679	252,359
Total beneficial interest in perpetual trust	<u>\$ 375,433</u>	<u>\$ 376,313</u>
Net gain on beneficial interest in perpetual trust	<u>\$ (880)</u>	<u>\$ 17,471</u>

#### Note 4. Bequests Receivable, Net

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

	2018	2017
Unconditional bequests expected to be collected:		
One year or less	\$ 1,230,875	\$ 1,486,224
One year to five years	-	162,000
	<u>1,230,875</u>	<u>1,648,224</u>
Allowance for uncollectable bequests	<u>(19,577)</u>	<u>(2,500)</u>
	<u>\$ 1,211,298</u>	<u>\$ 1,645,724</u>

#### Note 5. Property and Equipment, Net

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

	2018	2017
Donated land	\$ 5,900	\$ 5,900
Furniture and fixtures	244,289	233,201
Equipment	281,120	255,731
Leasehold improvements	513,031	513,031
	<u>1,044,340</u>	<u>1,007,863</u>
Less accumulated depreciation and amortization	<u>303,122</u>	<u>164,963</u>
	<u>\$ 741,218</u>	<u>\$ 842,900</u>

#### 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.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### Note 6. Grants Payable (Continued)

Grants payable at September 30, 2018, are scheduled to be funded in future fiscal years as follows:

2019	\$ 1,154,978
2020	924,173
2021	195,516
	<u>\$ 2,274,667</u>

#### 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, 2018 and 2017, the one-month LIBOR rate was 2.26% and 1.24%, respectively. There were no outstanding advances against the line of credit at September 30, 2018 and 2017, and this line of credit is subject to renewal on an annual basis. The line of credit is set to expire on April 23, 2019.

#### 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:

	2018	2017
Purpose restrictions:		
Cancer Research Fund (endowment earnings)	\$ 890,271	\$ 940,657
Time restrictions:		
Held under split-interest agreements	1,343,661	1,316,235
Bequests receivable	1,211,298	1,645,724
	<u>\$ 3,445,230</u>	<u>\$ 3,902,616</u>

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:

	2018	2017
Beneficial interest in perpetual trust	\$ 375,433	\$ 376,313
Endowments	471,228	470,294
	<u>\$ 846,661</u>	<u>\$ 846,607</u>

## American Institute for Cancer Research

### Notes to Financial Statements

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#### 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.

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 April 2018.

**American Institute for Cancer Research**

**Notes to Financial Statements**

**Note 11. Endowment Net Assets (Continued)**

Endowment net assets composition by type of fund as of September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 12,441	\$ 890,271	\$ 471,228	\$ 1,373,940
Board-designated endowment funds	537,106	-	-	537,106
	<u>\$ 549,547</u>	<u>\$ 890,271</u>	<u>\$ 471,228</u>	<u>\$ 1,911,046</u>

Changes in endowment net assets for the fiscal year ended September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 22,540	\$ 940,657	\$ 470,294	\$ 1,433,491
Investment return:				
Investment income	6,590	29,855	-	36,445
Net gains (realized and unrealized)	26,303	68,890	-	95,193
Total investment return	32,893	98,745	-	131,638
Contributions	500,000	4,844	934	505,778
Appropriation of endowment assets for expenditure	(5,886)	(153,975)	-	(159,861)
Endowment net assets, end of year	<u>\$ 549,547</u>	<u>\$ 890,271</u>	<u>\$ 471,228</u>	<u>\$ 1,911,046</u>

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
	<u>\$ 22,540</u>	<u>\$ 940,657</u>	<u>\$ 470,294</u>	<u>\$ 1,433,491</u>



## American Institute for Cancer Research

### Notes to Financial Statements

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#### 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

#### 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, 2018 and 2017, the Institute had deficiencies of \$2,079 and \$4,002, 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, 2018 and 2017, 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.

On December 22, 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act tax reform legislation. This legislation makes significant changes to the U.S. tax law, including a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate alternative minimum tax. The legislation did reduce the U.S. corporate tax rate from the current rate of 35% to 21%. Among other things, the legislation enacted a 21% tax rate on certain fringe benefits provided to employees. Management estimates that the taxes related to these fringe benefits is not material to financial statements.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### 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. Employees become fully vested at age 59 ½, regardless of start date. 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, 2018 and 2017, were approximately \$170,000 and \$176,000, respectively.

**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.

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

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 965,398	\$ 947,431
Service cost	43,966	44,011
Interest cost	35,515	34,013
Actuarial loss	(102,818)	(38,685)
Benefits paid	(83,490)	(21,372)
Benefit obligation at end of year	<u>858,571</u>	<u>965,398</u>
Funded status at end of year	(858,571)	(965,398)
Accrued benefit cost	<u>\$ (858,571)</u>	<u>\$ (965,398)</u>

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.

For the years ended September 30, 2018 and 2017, the benefit obligations were calculated using a discount rate of 4.29% and 3.72%, respectively, and the net periodic benefit cost was calculated using a discount rate of 3.72% and 3.59%, respectively. The rate of future compensation increases is estimated at 3% for the years ended September 30, 2018 and 2017.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### Note 13. Employee Benefits (Continued)

	2018	2017
Net periodic benefit cost:		
Service cost	\$ 43,966	\$ 44,011
Interest cost	35,515	34,013
Amortization of net loss	-	3,142
Net periodic benefit cost	<u>\$ 79,481</u>	<u>\$ 81,166</u>

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.

	2018	2017
Pension related changes other than net periodic benefit cost consist of:		
Net gain	<u>\$ 102,818</u>	<u>\$ 41,827</u>

Items not yet recorded as a component of net periodic benefit cost:		
Net (gain) loss	<u>\$ (37,336)</u>	<u>\$ 65,482</u>

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

Years ending September 30:		
2019		\$ 83,490
2020		83,490
2021		1,070,000
		<u>\$ 1,236,980</u>

#### 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, 2018 and 2017, the Institute incurred expenses of approximately \$491,000 and \$505,000, respectively, for fundraising and other professional services, for which payment was made to DRCS and DRCS' related companies. As of September 30, 2018 and 2017, the Institute owed an outstanding payable balance to DRCS and DRCS' related companies of approximately \$2,167 and \$2,926, respectively.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### 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 2018 and 2017, the Institute paid dues of \$65,749 and \$64,926 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 2018 and 2017, the Institute paid contributions totaling \$426,159 and \$385,031, respectively, to WCRF International. The Institute also provided services to WCRF International and recognized related affiliate service fees of \$1,175,530 in 2018 and \$1,059,060 in 2017. 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.

## American Institute for Cancer Research

### Notes to Financial Statements

#### Note 14. Related Parties (Continued)

The affiliate transactions described above are recorded in 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:

	2018				
	WCRF International	WCRF United Kingdom	WCRF Netherlands	WCRF Hong Kong	Totals
Beginning balance	\$ 422,809	\$ (184,296)	\$ 33,180	\$ 6,500	\$ 278,193
Reimbursed expenses	118,952	27,727	15,362	12,600	174,641
Dues	(65,749)	-	-	-	(65,749)
Contributions	(426,158)	(200,000)	-	-	(626,158)
Service fee	1,175,530	-	-	-	1,175,530
Payments received	(751,174)	-	-	(6,500)	(757,674)
Ending balance	\$ 474,210	\$ (356,569)	\$ 48,542	\$ 12,600	\$ 178,783

  

	2017				
	WCRF International	WCRF United Kingdom	WCRF 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

#### Note 15. Allocation of Joint Costs

The Institute incurred joint costs of \$5,399,831 and \$5,462,489 in 2018 and 2017, respectively, for informational materials used for direct mail, telemarketing and other campaigns that included fundraising appeals. In fiscal year 2018, \$1,656,291 was allocated to fundraising, \$3,421,141 was allocated to education and \$322,399 was allocated to management and general expense. 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.

## American Institute for Cancer Research

### Notes to Financial Statements

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#### 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 was terminated 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 \$359,000 in 2018 and \$755,000 in 2017.

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

Years ended September 30:

2019	\$ 181,170
2020	388,497
2021	399,193
2022	410,183
2023	421,468
	<u>\$ 1,800,511</u>

#### Note 17. Subsequent Events

The Institute has evaluated subsequent events from September 30, 2018, through February 27, 2019, the date the financial statements were available to be issued, and determined that there were no items to disclose.