

**American Cancer Society, Inc.**

**Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**American Cancer Society, Inc.**  
**Contents**  
**December 31, 2020 and 2019**

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## Report of Independent Auditors

Management and The Board of Directors  
American Cancer Society, Inc.

We have audited the accompanying financial statements of the American Cancer Society, Inc. (“the Society”), which comprise the balance sheets as of December 31, 2020 and 2019, and 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 of 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 Cancer Society, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

July 22, 2021

**AMERICAN CANCER SOCIETY, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2020 and 2019**  
(In Thousands)

**Assets**

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 47,469	\$ 90,724
Investments	132,840	70,940
Receivables, net	39,949	53,480
Prepaid expenses	11,038	13,610
Bequests receivable	76,563	85,391
Total current assets	307,859	314,145
Receivables, net	37,667	39,659
Other assets	7,776	7,696
Gift annuity investments	39,460	39,182
Investments	699,287	688,329
Beneficial interests in trusts	371,852	355,309
Fixed assets, net	279,093	278,426
Total assets	<u>\$ 1,742,994</u>	<u>\$ 1,722,746</u>

**Liabilities and Net Assets**

Current liabilities:		
Accounts payable and other accrued expenses	\$ 63,327	\$ 75,472
Research and other program grants payable	75,275	90,367
Employee retirement benefits	2,940	15,803
Debt	2,227	31,214
Other liabilities	1,774	3,974
Total current liabilities	145,543	216,830
Research and other program grants payable	90,414	114,092
Employee retirement benefits	210,479	191,233
Other liabilities	7,569	8,876
Debt	46,982	19,660
Gift annuity obligations	13,972	13,299
Total liabilities	514,959	563,990
Commitments and contingencies		
Net assets:		
Without donor restrictions:	506,973	473,835
With donor restrictions:	721,062	684,921
Total net assets	1,228,035	1,158,756
Total liabilities and net assets	<u>\$ 1,742,994</u>	<u>\$ 1,722,746</u>

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Our mission program and mission support expenses were:</b>			
Mission program services:			
Patient support	\$ 221,219	\$ -	\$ 221,219
Research	97,713		97,713
Prevention	67,396	-	67,396
Detection/treatment	56,171	-	56,171
Total mission program services	442,499	-	442,499
Mission support services:			
Management and general	35,551	-	35,551
Fund-raising	104,198	-	104,198
Total mission support services	139,749	-	139,749
Total mission program and mission support services expenses	582,248	-	582,248
<b>Our mission program and mission support expenses were funded by:</b>			
Support from the public:			
Special events	97,596	39,068	136,664
Contributions	148,554	84,602	233,156
Bequests	97,092	40,243	137,334
Contributed services, merchandise and other in-kind contributions	15,192	24,904	40,096
Other	12,066	479	12,545
Total support from the public	370,500	189,296	559,796
Investment income	46,823	21,051	67,874
Change in value of split-interest agreements	3,061	15,892	18,953
Grants and contracts from government agencies	5,436	355	5,791
Other (losses) gains	745	(345)	399
Total revenues, gains and other support	426,565	226,249	652,813
Use of amounts restricted by donors for specified purpose or time	190,108	(190,108)	-
Change in net assets prior to impact of retirement plan liability	34,425	36,141	70,566
Net increase in retirement plan liability	1,287	-	1,287
Change in net assets	33,138	36,141	69,279
Net assets, beginning of period	473,835	684,921	1,158,756
Net assets, end of period	\$ 506,973	\$ 721,062	\$ 1,228,035

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(In Thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Our mission program and mission support expenses were:</b>			
Mission program services:			
Patient support	\$ 267,668	\$ -	\$ 267,668
Research	145,992		145,992
Prevention	108,418	-	108,418
Detection/treatment	78,043	-	78,043
Total mission program services	<u>600,121</u>	<u>-</u>	<u>600,121</u>
Mission support services:			
Management and general	29,316	-	29,316
Fund-raising	130,472	-	130,472
Total mission support services	<u>159,788</u>	<u>-</u>	<u>159,788</u>
Total mission program and mission support services expenses	<u>759,909</u>	<u>-</u>	<u>759,909</u>
<b>Our mission program and mission support expenses were funded by:</b>			
Support from the public:			
Special events	199,323	76,757	276,080
Contributions	136,060	71,668	207,728
Bequests	104,603	48,310	152,913
Contributed services, merchandise and other in-kind contributions	27,091	32,233	59,324
Other	13,298	534	13,832
Total support from the public	<u>480,375</u>	<u>229,502</u>	<u>709,877</u>
Investment income	68,964	18,654	87,618
Change in value of split-interest agreements	6,252	27,289	33,541
Grants and contracts from government agencies	4,653	541	5,194
Other (losses) gains	(6,352)	273	(6,079)
Total revenues, gains and other support	<u>553,892</u>	<u>276,259</u>	<u>830,151</u>
Use of amounts restricted by donors for specified purpose or time	231,662	(231,662)	-
Change in net assets prior to impact of retirement plan liability	<u>25,645</u>	<u>44,597</u>	<u>70,242</u>
Net increase in retirement plan liability	<u>48,245</u>	<u>-</u>	<u>48,245</u>
Change in net assets	<u>(22,600)</u>	<u>44,597</u>	<u>21,997</u>
Net assets, beginning of period	<u>496,435</u>	<u>640,324</u>	<u>1,136,759</u>
Net assets, end of period	<u>\$ 473,835</u>	<u>\$ 684,921</u>	<u>\$ 1,158,756</u>

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands)

	<u>Mission program</u>				<u>Mission support</u>						
	Patient support	Research	Prevention	Detection / treatment	Total mission program	Management and general	Fund-raising	Total mission support	Total before exchange expenses	Exchange expenses (see note 6)	Total
<b>Mission program and mission support expenses</b>											
Personnel costs	\$ 123,346	\$ 25,817	\$ 43,744	\$ 29,981	\$ 222,888	\$ 16,026	\$ 72,358	\$ 88,384	\$ 311,272	\$ 7,067	\$ 318,339
Professional fees	12,076	8,724	5,556	2,604	28,960	7,490	7,143	14,633	43,593	387	43,980
Grants for mission program services	2,535	50,697	1,993	2,590	57,815	-	-	-	57,815	-	57,815
Education and marketing	23,586	884	4,526	13,251	42,247	2,496	9,292	11,788	54,035	2,480	56,515
Direct assistance to patients	7,170	-	35	18	7,223	-	-	-	7,223	-	7,223
Meetings and travel	1,885	373	889	443	3,590	226	1,216	1,442	5,032	2,719	7,751
Postage and shipping	3,231	145	1,931	652	5,959	2,214	3,517	5,731	11,690	49	11,739
Hope Lodge and community facilities	25,715	3,859	3,859	2,770	36,203	1,237	3,763	5,000	41,203	7,379	48,582
Technology	9,365	4,644	2,868	2,437	19,314	2,149	4,263	6,412	25,726	23	25,749
Depreciation and amortization	9,611	1,701	1,110	943	13,365	616	1,681	2,297	15,662	2	15,664
Miscellaneous	2,699	869	885	482	4,935	3,097	965	4,062	8,997	1,532	10,529
Cost of donated merchandise sold	-	-	-	-	-	-	-	-	-	14,686	14,686
Total mission program, mission support, and exchange expenses	<u>\$ 221,219</u>	<u>\$ 97,713</u>	<u>\$ 67,396</u>	<u>\$ 56,171</u>	<u>\$ 442,499</u>	<u>\$ 35,551</u>	<u>\$ 104,198</u>	<u>\$ 139,749</u>	<u>\$ 582,248</u>	<u>\$ 36,324</u>	<u>\$ 618,572</u>

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(In Thousands)

	<u>Mission program</u>				<u>Mission support</u>						
	Patient support	Research	Prevention	Detection / treatment	Total mission program	Management and general	Fund-raising	Total mission support	Total before exchange expenses	Exchange expenses (see note 6)	Total
<b>Mission program and mission support expenses</b>											
Personnel costs	\$ 132,786	\$ 27,947	\$ 64,680	\$ 36,814	\$ 262,227	\$ 14,020	\$ 81,578	\$ 95,598	\$ 357,825	\$ 7,068	\$ 364,893
Professional fees	12,184	10,034	8,296	5,209	35,723	6,936	7,399	14,335	50,058	4,876	54,934
Grants for mission program services	3,442	90,370	3,547	3,340	100,699	-	-	-	100,699	-	100,699
Education and marketing	26,633	2,145	9,121	16,390	54,289	1,671	13,054	14,725	69,014	9,841	78,855
Direct assistance to patients	23,360	-	294	160	23,814	-	-	-	23,814	-	23,814
Meetings and travel	5,939	1,569	5,851	2,912	16,271	1,142	5,051	6,193	22,464	15,952	38,416
Postage and shipping	3,402	189	2,783	870	7,244	1,518	3,846	5,364	12,608	70	12,678
Hope Lodge and community facilities	33,538	3,634	4,708	6,286	48,166	63	7,267	7,330	55,496	10,652	66,148
Technology	12,850	7,839	5,923	3,349	29,961	759	7,038	7,797	37,758	10	37,768
Depreciation and amortization	9,008	1,508	1,251	1,823	13,590	148	1,659	1,807	15,397	1	15,398
Miscellaneous	4,526	757	1,964	890	8,137	3,059	3,580	6,639	14,776	7,026	21,802
Cost of donated merchandise sold	-	-	-	-	-	-	-	-	-	25,822	25,822
Total mission program, mission support, and exchange expenses	\$ 267,668	\$ 145,992	\$ 108,418	\$ 78,043	\$ 600,121	\$ 29,316	\$ 130,472	\$ 159,788	\$ 759,909	\$ 81,318	\$ 841,227

The notes beginning on page 8 are an integral part of the financial statements.



**AMERICAN CANCER SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**  
(In Thousands)

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Cash received from (used in):		
Special events	\$ 143,010	\$ 316,631
Contributions	231,549	202,245
Bequests	136,649	142,357
Other support from the public	12,545	15,437
Government grants	5,453	6,980
Interest and dividends on investments, net	20,866	25,962
Other revenue	8,832	6,689
Program services	14,930	30,865
Interest on debt	(824)	(1,322)
Employees and suppliers	(499,113)	(647,358)
Direct assistance	(3,513)	(10,805)
Retirement plan contributions	(7,269)	(26,985)
Grants for mission program services	(96,573)	(101,802)
Net cash used in operating activities	<u>(33,458)</u>	<u>(41,106)</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(31,891)	(46,065)
Proceeds from disposal of fixed assets	21,630	4,776
Support from the public restricted for fixed asset acquisition	13,159	15,589
Purchases of investments	(779,434)	(720,620)
Proceeds from maturities or sale of investments	757,388	808,313
Net cash (used in) received from investing activities	<u>(19,149)</u>	<u>61,993</u>
<b>Cash flows from financing activities</b>		
Payments made to annuitants	(1,699)	(1,800)
Proceeds from annuitants	1,355	772
Support from the public restricted for long-term Investment	11,361	4,348
Payments on debt	(1,665)	(1,665)
Net cash received from financing activities	<u>9,351</u>	<u>1,655</u>
<b>Net change in cash, cash equivalents and restricted cash</b>	(43,255)	22,542
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	90,724	68,182
<b>Cash, cash equivalents and restricted cash, end of year</b>	<u>\$ 47,469</u>	<u>\$ 90,724</u>

The notes beginning on page 8 are an integral part of the financial statements.

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**  
**(Dollars in thousands)**

**STEWARDSHIP FOCUSED DISCLOSURES**

**1. Organizational Overview**

**Our mission**

The American Cancer Society's (the "Society") mission is to save lives, celebrate lives, and lead the fight for a world without cancer.

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

- Patient support – Programs to assist cancer patients and their families and ease the burden of cancer.
- Research – Support to fund and conduct research into the causes of cancer; how it can be prevented, detected early, and treated successfully; how to improve quality of life for people living with cancer, and to advocate for laws and policies that help further cancer research.
- Prevention – Programs that provide the public and health professionals with information and education to prevent cancer occurrence or to reduce the risk of developing cancer.
- Detection/Treatment – Programs that are directed at finding cancer before it is clinically apparent and that provide information and education about cancer treatments for cure, recurrence, symptom management and pain control.

Within these mission activities are certain signature programs that are not replicated in any other voluntary health organization. Our 24 hours a day, 7 days a week, 365 days a year National Cancer Information Center provides consistent, high-quality, unbiased cancer information to constituents, helping them make informed decisions about their health and cancer care. Through our transportation program, we provide free transportation to and from cancer treatment. American Cancer Society Hope Lodge facilities provide free, high quality, temporary lodging for patients and their caregivers close to treatment centers, thereby easing the emotional and financial burden of finding affordable lodging. Our award-winning research programs consist of the Extramural Grants department (funding to outside research institutions), as well as the Intramural Research department (research conducted by Society researchers), with programs in epidemiology, surveillance research, health services research, behavioral research, international tobacco control research, and statistics and evaluation.

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**  
**(Dollars in thousands)**

**1. Organizational overview, continued**

**Our mission program and mission support expenses**

Our expenses fall into two categories: first, our mission program activities – which are the four areas above, and second, mission support services – expenses incurred to support our mission activities – which include: our internal audit function, which provides oversight of our accounting, internal control, and information technology processes; our shared services organization, which processes enterprise-wide financial and constituent transactions; general infrastructure costs; and the costs of fundraising. Other than our volunteer base, our largest resource – our staff – are allocated in both categories depending on their role, set of activities and effort reporting. Expenses for our community office locations, including rent are also allocated based on our staff effort reporting. Other expenses are allocated based on various methods including the underlying purpose of transactions. For the years ended December 31, 2020 and 2019, our mission expenses were allocated to these two areas as follows:

	<b>2020</b>		<b>2019</b>	
Mission program expenses	\$ 442,489	76 %	\$ 600,121	79 %
Mission support expenses	139,749	24	159,788	21
Total	<u>\$ 582,238</u>	<u>100 %</u>	<u>\$ 759,909</u>	<u>100 %</u>

**Covid-19 impact**

In early 2020, as the number of coronavirus (COVID-19) cases grew rapidly and a global pandemic was declared, a general decline in the market followed and caused significant disruptions across various industries and sectors. During 2020, we actively monitored the developments, including government mandates and recommendations at the national, state, and local level, aimed at slowing the spread of the virus. To comply with various government mandates and guidelines, we temporarily closed offices, Discovery Shops, Hope Lodge facilities and postponed or canceled many fundraising events. In addition, we suspended direct patient assistance programs to prioritize the safety of cancer patients and Society volunteers and employees. Cancer research grant spending was also reduced because of the closure of many research facilities. The postponing and canceling of in-person fundraising events also caused a significant decline in revenue. In response to the decline in revenue, we took various measures to ensure financial stability, including the implementation of cost containment measures to reduce operating expenses. These cost containment measures included a strategic decision to reduce and realign our physical and staffing footprint aimed at increasing our overall mission impact. Overall, our compliance with government mandates and guidelines coupled with our cost containment measures helped minimize the significant decline to our revenue resulting in an increase to our total net assets in fiscal year 2020.

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**  
**(Dollars in thousands)**

**2. Liquidity considerations**

**Investments**

To ensure consistency with our mission objectives, we do not invest in securities of any tobacco companies.

We maintain a pool of investments for the primary purpose of providing liquidity for daily operating needs while protecting principal and preserving the real (inflation-adjusted) purchasing power of the portfolio. The overall short-term investment balance is targeted based on our projected daily and monthly net cash flows and is generally intended to ensure all operating needs are met throughout the year without tapping into our long-term investments.

We also maintain an investment pool with a long-term investment horizon to preserve the real (inflation-adjusted) purchasing power while providing a relatively predictable, constant and stable stream of earnings. The pool utilizes a fully diversified approach to asset allocation in the following asset classes rebalancing ranges and targets:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Global equity	11%	17%	24%
Real estate	1%	5%	11%
Liquid alternatives	5%	10%	15%
Multi-asset credit	6%	11%	16%
Core fixed income	12%	17%	26%
Treasury inflation-protected security	4%	21%	26%
Short duration fixed income	0%	7%	12%
Cash	0%	12%	20%

Together, all our investment pools, at fair value, were as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
Global equity	\$ 171,588	20 %	\$ 157,820	20 %
Real estate	37,742	4	38,583	4
Liquid alternatives	72,421	8	86,645	11
Multi-asset credit	70,904	8	66,606	8
Core fixed income	226,737	26	248,342	31
Treasury inflation-protected security	83,347	10	52,009	7
Short duration fixed income	74,758	9	76,928	10
Cash	134,090	15	71,518	9
	<u>\$ 871,587</u>	<u>100 %</u>	<u>\$ 798,451</u>	<u>100 %</u>

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**  
**(Dollars in thousands)**

**2. Liquidity considerations, continued**

**Gift annuity investments**

Sufficient assets are maintained to meet the annuity requirements stipulated by the various state laws. We are required to hold reserves related to our gift annuity program based on the laws in certain states in which we solicit these gifts. Such reserves totaled \$25,483 and \$25,883 at December 31, 2020 and 2019, respectively, and are included in gift annuity investments in the accompanying balance sheets.

**Planned gifts (bequests and beneficial interest in trusts)**

We are the beneficiary of planned gifts under bequests, other testamentary documents, trusts and similar deferred contributions. The assets from a bequest or a contribution may be given directly to us or may be put in the care of a trustee, with the Society being designated as having a full or partial beneficial interest in the trust ("BIT"). Certain gifts are considered split-interest agreements whereby we receive benefits that are shared, or split, with either the donor or third-party beneficiaries. Depending on the number and mortality of any third-party beneficiaries, we may not receive cash for our interest in the BIT's for a number of years. During the years ended December 31, 2020 and 2019, approximately 60% and 57% of our revenue from bequests was cash and 40% and 43% will be received in future years, respectively.

The management of the assets within the various trusts, including the purchase and sale decisions, is performed by the respective trustee, and we have no ability to control or influence these decisions. Distributions from these trusts are based on the terms of the underlying trust agreement that generally require that the investment income be distributed on at least an annual basis.

**Use of net assets**

Included in net assets without donor restrictions at December 31, 2020 and 2019 is \$229,884 and \$227,552, respectively, that is our net investment in fixed assets and is not available to spend on current operations. Also included in net assets without donor restrictions at December 31, 2020 and 2019 is \$20,862 and \$16,879 designated by the Board for BrightEdge, our Philanthropic Impact Fund. Our goal is to invest in companies that accelerate access to lifesaving and therapeutic technologies for the patients and families we serve.

Net assets with donor restrictions result from contributions of assets whose use by the Society is specified by our donors through time and specific purpose restrictions. For net assets with time restrictions, the assets are not restricted for a specific purpose by the donor. Instead, the donor's restriction on our use of those assets may be met with the passage of time if the time restriction is not in perpetuity. Included in net assets with donor restrictions at December 31, 2020 and 2019 is \$456,975 and \$445,935, respectively, that we have not yet received in cash that will be used for our mission program services once received. The use of net assets with donor restrictions as of December 31, 2020 and 2019 has been limited by our donors for the following purposes:

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**  
(Dollars in thousands)

**2. Liquidity considerations, continued**

**Use of net assets, continued**

	<b>With Donor Restrictions</b>	
	<b>2020</b>	<b>2019</b>
Mission programs:		
Patient Support:		
Hope Lodge facilities	\$ 137,432	\$ 156,192
Other	34,508	36,079
Research	153,119	137,688
Prevention	18,352	9,541
Detection/treatment	10,778	11,501
Across mission programs:		
Time restrictions (primarily planned giving including perpetual trusts and endowments)	297,924	267,764
Specific geographic locations	43,345	44,229
Fixed asset acquisitions / building fund	42	104
Other mission program and mission support services	25,562	21,823
Total	<u>\$ 721,062</u>	<u>\$ 684,921</u>

**Financial assets available for use**

The Society structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Society generally invests its cash in excess of weekly requirements in short-term investments. The Society invests its remaining operating assets in a fully diversified mix of investment vehicles designed to provide continued liquidity, preserve capital, and grow corpus.

Given the comprehensive nature of the Society's mission and reliance on donor restricted contributions to fund ongoing, annual programs, the Society defines "available for general expenditures" as all net assets without donor restrictions excluding amounts for deferred compensation, custodial assets, and illiquid investments and including net assets with donor restrictions and expected spend down on endowments anticipated to be spent within one year of the balance sheet date.

The Society's Board of Directors has implemented a liquidity policy that requires the Society to maintain available financial assets equal to between six months and ten months of the annual general expenditures which is calculated based on several factors, including anticipated cash outlays for operating activities. Compliance with the policy is reviewed quarterly by the Board.

**AMERICAN CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**  
(Dollars in thousands)

**2. Liquidity considerations, continued**

**Financial assets available for use, continued**

The Society's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<b>2020</b>	<b>2019</b>
<b>Financial assets without donor restrictions</b>		
Investments, cash, and cash equivalents	\$ 620,288	\$ 630,307
Current receivables, net	7,130	10,292
Current bequests receivable	52,194	71,205
<b>Total financial assets without donor restrictions</b>	<u>679,612</u>	<u>711,804</u>
<b>Less deferred compensation, custodial, and other illiquid investments</b>	(89,500)	(106,804)
<b>Less amounts unavailable to management without Board approval</b>		
Amount remaining in cash and investments designated for BrightEdge	(20,862)	(16,879)
<b>Total amounts unavailable to management</b>	<u>(110,362)</u>	<u>(123,683)</u>
<b>Total financial assets available to management for general expenditures</b>	569,250	588,121
<b>Add funds with donor restrictions expected to be spent within 12 months December 31, 2021</b>	<u>30,533</u>	<u>32,203</u>
<b>Total financial assets managed for liquidity</b>	<u>\$ 599,783</u>	<u>\$ 620,324</u>

**Research and other program grants**

As part of our commitment to the fight against cancer, we actively provide grants to improve both the prevention and detection of cancer. The total amount of our future payments under research and other program grants as of December 31, 2020 and 2019 is \$168,939 and \$211,196, respectively. The present value of our future payments as of December 31, 2020 and 2019 is \$165,689 and \$204,459, respectively. The discount at December 31, 2020 of \$3,250 will be recognized as grants for mission program services expense in 2021 through 2025. As of December 31, 2020, our future payments are as follows:

Payable in the next:	
12 months	\$ 75,275
13 - 24 months	52,118
25 - 36 months	29,824
37 - 48 months	10,388
49 - 60 months	1,334
Discount	(3,250)
<b>Total</b>	<u>\$ 165,689</u>

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**2. Liquidity considerations, continued**

**Operating leases**

We maintain a physical presence in a significant number of communities we serve across the country and many of these locations are subject to operating lease agreements. Additionally, telecommunication systems related to our National Cancer Information Center are leased. Some of these leases are subject to payment escalations and expire on various dates through 2026. Our future minimum annual lease payments under leases with terms that are not cancellable are as follows as of December 31, 2020:

Payable in the next:		
12 months	\$	19,161
13 - 24 months		11,812
25 - 36 months		6,292
37 - 48 months		4,628
49 - 60+ months		5,324
Total	\$	<u>47,217</u>

Rental expense under operating leases was \$27,967 and \$29,328 for the years ended December 31, 2020 and 2019, respectively.

**Debt**

We have financed certain properties based on market conditions and cash flow needs at the time of financing. Our outstanding debt, subject to certain loan covenants, as of December 31, 2020 and 2019 is as follows:

Type	Issuer	Maturity Date	Interest rate	Balance at 12/31/2020	Balance at 12/31/2019	Collateral
Note Payable	TD Bank, N.A.	2027	2.46%	29,549	31,190	New York City Hope Lodge facility, net book value of \$24,821 and all assets constituting general revenues
Note Payable	Alliance Finance Fund	2044	1.00%	9,750	9,750	Salt Lake City Hope Lodge Facility, net book value of \$9,624
Note Payable	SCC SUB-CDE 10, LLC	2047	1.00%	9,602	9,602	Jackson Hope Lodge Facility, net book value of \$8,533
Notes Payable	Various	Various	2.00% - 5.75%	308	332	Not Applicable
Total				<u>\$ 49,209</u>	<u>\$ 50,874</u>	



**AMERICAN CANCER SOCIETY, INC.**  
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**2. Liquidity considerations, continued**

Our future principal payments are as follows:

Payable in the next:		
12 months	\$	2,227
13 - 24 months		2,418
25 - 36 months		2,422
37 - 48 months		2,558
49 - 60 months		2,792
Thereafter		<u>36,792</u>
Total	\$	<u>49,209</u>

**Retirement funding**

We have a variety of retirement benefit strategies that cover nearly all our employees. We sponsor a defined benefit pension plan (the "Plan") through which we provide benefits that are based on years of service and certain averages of compensation. We fund the plan on a quarterly basis based on estimates of annual funding levels stated by pension requirements, which are enforced by regulatory agencies. In general, these requirements stipulate that our plan be funded at a level of 60% to continue to pay full benefits to retired individuals. As of January 1, 2021, and 2020, the plan was funded at 100% and 98%, respectively, based on regulatory funding levels. We anticipate the funding percentage to decrease as the relief provisions provided by the Moving Ahead for Progress in the 21<sup>st</sup> Century Act expire over the next few years.

We also sponsor a defined contribution plan with benefits based on individual employee salary deferrals and a related matching amount by the Society, subject to a maximum. Our matching amounts totaled \$5,624 and \$11,671 for the years ended December 31, 2020 and 2019, respectively. We sponsor a Supplemental Executive Retirement Plan (SERP) for certain participants whose income exceeds the maximum income that can be considered under the defined benefit pension plan. We have segregated short-term investments sufficient for payment of benefits under this plan.

In addition, we have an unfunded postretirement benefit plan for post-retirement medical, dental, and life insurance coverage for certain employees hired prior to 1995, subject to deductibles, co-payment provisions, and other limitations. We paid \$1,605 and \$1,940 for these benefits from our general assets during the years ended December 31, 2020 and 2019, respectively.

We expect to contribute approximately \$12,940, to all our defined benefit plans over the next 12 months. In 2016, the Plan and the SERP were frozen to new participants and participants are no longer earning benefits for service under the Plan. See Note 10 for additional information.

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**3. Contributed services, merchandise, and other in-kind contributions**

We recorded contributed services related to the communication of mission program and fund-raising messages through various media. We also have valued and recorded contributed services provided by scientific peer reviewers for the extramural research grant process. In addition, we received wigs that were donated by HairUWear, Inc. for use in our quality of life program. Moreover, we received in-kind contributions of advertising production, magazine space, public service announcements, and in-store advertising materials from various retail and professional organizations.

Total contributed services, merchandise, and other in-kind contributions for the years ended December 31, 2020 and 2019 are as follows:

	<u><b>2020</b></u>	<u><b>2019</b></u>
Media communication and production services	\$ 13,680	\$ 15,797
Discovery Shops	14,268	25,126
Cosmetic wigs	1,882	6,657
Guestroom program	1,827	5,749
Peer review services (approximately 548 and 504 volunteers donated 17,810 and 18,144 hours, respectively)	1,991	1,609
Other in-kind contributions	<u>6,448</u>	<u>4,386</u>
 Total contributed services, merchandise, and other in-kind contributions at fair value	 <u>\$ 40,096</u>	 <u>\$ 59,324</u>

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**OTHER REQUIRED DISCLOSURES**

**4. Significant accounting policies**

**Accounting for contributions**

Donor contributions with purpose restricted received in the same year in which the restrictions are met are recorded as an increase to donor restricted support at the time of receipt and as net assets released from restrictions.

Contributed merchandise and other in-kind contributions, including merchandise remaining in inventory at year end, are reported as contributions at their estimated fair values when received or when an unconditional promise to give has been made. We do not imply time restrictions on contributions of long-lived assets (or of other assets restricted to the purchase of long-lived assets) received without donor stipulations about how long the contributed assets must be used. As a result, contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as donor restricted revenue; those restrictions expire when we place those long-lived assets in service.

**Advertising costs**

Our advertising costs are expensed as incurred and were \$27,337 and \$31,552 for the years ended December 31, 2020 and 2019, respectively.

**Bequests receivable**

We consider a bequest unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable.

**Beneficial interests in trusts**

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

Perpetual trusts are initially recorded as net assets with donor restrictions public support (bequest or contribution revenue, depending on the initial source of the gift) at fair value, based on our interest in the fair value of the underlying trust assets at the time of the gift. Subsequent changes to a trust's fair value are a change in value of split interest agreements and reported as net unrealized gains or losses on perpetual trusts within net assets with donor restrictions in the statements of activities. Income received from the trusts is reported as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or absence of donor-imposed restrictions.

We also may be the beneficiary of interests in trusts and other assets in situations where we have not been notified of our interest. Our interest may be conditional or revocable, or the value of our interest may not be readily ascertainable. In such circumstances, no revenue has been recorded.

**Cash and cash equivalents**

We consider all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents - with the exception of cash held for reinvestment - which is included in investments and gift annuity investments, as appropriate.

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**4. Significant accounting policies, continued**

**Fair value of financial instruments**

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

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that we can access.  |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"> <li>• Quoted prices for similar assets or liabilities in active markets;</li> <li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• Inputs other than quoted prices that are observable for the asset or liability; or</li> <li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> |

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

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

Our financial instruments consist of cash and cash equivalents, investments, receivables, gift annuity investments, bequests receivable, beneficial interests in trusts, research and other program grants payable, accounts payable and accrued expenses, gift annuity obligations and debt. Investments, beneficial interest in trusts, gift annuity investments and the related obligations are recorded at their fair values.

**Fixed assets**

Fixed assets are recorded at cost for purchased items and fair value for contributed items.

If donors contribute long-lived assets with stipulations as to how long the assets must be used or with any other restrictions, we report those contributions as net assets with donor restrictions.

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

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

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**4. Significant accounting policies, continued**

**Estimates**

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

The following are assumptions we used to estimate certain reported amounts, which are not required to be measured at fair value on a recurring basis, as of December 31, 2020 and 2019. The assumptions used to estimate amounts, which are required to be measured at fair value on a recurring basis are included in Note 8.

Discount rates:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Pledges receivable	1.65% to 4.20%	1.65% to 4.20%
Research and other program grants payable	0.36% to 2.84%	0.80% to 2.84%

Our cost-reimbursement grant programs are subject to independent audit under federal regulations and review by grantor agencies. These audits and reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, we believe that any costs ultimately disallowed would not materially affect our financial position.

**Income taxes**

Consistent with our mission, we have received a determination letter from the Internal Revenue Service that indicates we are exempt from income tax under Section 501(a) of the U.S. Internal Revenue Code as an organization described in section 501(c)(3).

**Change in presentation**

Certain reclassifications have been made to the prior year's information to conform to the current year presentation.

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**4. Significant accounting policies, continued**

**Adoption of new accounting pronouncements**

While there are many new accounting pronouncements issued that the Society has adopted or will be adopting in the near future, the following pronouncements have significant disclosure requirements that impact our financial statements.

As of January 1, 2020, the Society adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the 2020 fiscal year are presented under ASC 606, using the modified retrospective method for contracts not completed at adoption. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of the adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which when effective will require organizations to recognize assets and liabilities on the balance sheet for the rights and obligations created by the leases. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. We are currently evaluating the potential impact on our financial statements and do not expect it to have a material impact to our financial results.

In June 2018, the FASB issued ASU 2018-08 *Not-for-Profit Entities (Topic 958-605) Clarifying the Accounting Guidance for Contributions Received and Contributions Made* to further improve the scope and the accounting guidance on revenue recognition, to assist entities in distinguishing between contributions (non-reciprocal) and exchange (reciprocal) transactions and to determine whether a contribution is conditional. The effective date of the amendment is fiscal year ending December 31, 2019. The Society adopted this standard on a modified prospective basis for contributions made for the year ended December 31, 2020 and contributions received for the year ended December 31, 2019. The adoption of this standard did not materially impact the financial statements.

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**5. Activities with joint costs**

For the years ended December 31, 2020 and 2019, we incurred expenses to conduct activities that had both fundraising appeals, as well as mission program and management and general components (joint activities). Those joint activities included direct mail, telecommunications, and other constituent relationship activities. Our costs of conducting those joint activities were allocated as follows:

	<b>2020</b>	<b>2019</b>
Patient support	\$ 57,819	\$ 61,847
Prevention	9,874	27,364
Detection/treatment	5,064	7,224
Management and general	5,365	4,862
Fundraising	28,084	35,117
Total	<u>\$ 106,206</u>	<u>\$ 136,414</u>

**6. Exchange transactions**

Exchange transactions are reciprocal transfers in which each party receives and sacrifices something of approximate commensurate value, as opposed to a nonreciprocal transaction (i.e., a contribution), in which a donor provides resources to support our mission and expects to receive nothing of commensurate value in return. Costs of exchange transactions that benefit the recipient of the exchange and are not directly related to our mission are reported as exchange expenses. Costs related to exchange transactions that directly benefit or support our mission are reported in mission program or mission support expenses.

Exchange transaction income and expenses are netted and included in other gains (losses) in the accompanying statements of activities and are included in their natural classifications on the statements of functional expenses. Exchange transaction income and expenses are as follows as of December 31, 2020 and 2019:

	<b>Exchange Income</b>		<b>Exchange Expenses</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Special events	\$ 6,513	\$ 40,262	\$ 6,510	\$ 40,260
Discovery Shop	14,719	25,839	29,769	40,993
Sales to third parties	5,116	5,002	0	0
Other	4,203	5,950	45	65
	<u>\$ 30,551</u>	<u>\$ 77,053</u>	<u>\$ 36,324</u>	<u>\$ 81,318</u>

As shown in the table above, we conduct special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured using an estimate based upon historical costs. The direct costs of the special events that ultimately benefit the donor, rather than us, are recorded as exchange transaction income and exchange transaction expense. All proceeds received by us in excess of the direct costs are recorded as special events revenue in our statements of activities.

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**7. Fixed assets**

Our fixed assets are as follows as of December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Land	\$ 26,451	\$ 27,471
Buildings and leasehold improvements	351,648	357,152
Furniture, fixtures, equipment, and other capitalized assets	37,625	41,944
Computer software	35,696	91,689
Construction in progress	31,669	38,179
Less: accumulated depreciation and amortization	(203,996)	(278,009)
Net fixed assets	<u>\$ 279,093</u>	<u>\$ 278,426</u>

Depreciation expense, including expenses on assets used in exchange transactions for the years ended December 31, 2020 and 2019 was \$15,664 and \$15,398, respectively.

**8. Fair value measurement**

Refer to Note 4 for a description of our fair value of financial instrument policy.

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

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

The significance of transfers between levels was evaluated based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended December 31, 2020 and 2019, there were no significant transfers in or out of Levels 1, 2, or 3.

Following is a description of the valuation methods we used for assets and liabilities measured at fair value. There have been no changes in the valuation methods.



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**8. Fair value measurement, continued**

Global equities, including securities listed on domestic and international exchanges, are principally valued at the regular trading session closing price on the exchange or market in which such securities are principally traded, on the last business day of each period presented, using the market approach. Additionally, ACS may invest in entities not publicly traded and funded through private equity financing through its BrightEdge initiative.

Investments in real estate are valued using the market approach, based upon the relative interests of each participating investor (including each participant), in the fair value of the underlying net assets of each limited partnership.

Investments in liquid alternatives are generally valued using the market approach, based upon the relative interest of each participating investor (including each participant), in the fair value of the underlying net assets of each of the respective liquid alternative.

Multi-asset credit investments, investment credit instruments are valued based upon evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities using the income approach, as well as regular trading session closing price on the exchange or market, using the market approach.

Core fixed income investment valuations, including corporate bonds, commercial paper, and government agency obligations are based upon evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities using the market approach, as well as the use of the income approach in absence of a discoverable market.

Treasury Inflation-Protected Securities (TIPs) investments or inflation-indexed securities are based upon evaluated prices provided by independent pricing services and adjusted by the consumer price index when such processes are believed to reflect the fair market value of such securities using the market approach, as well as the use of the income approach in absence of a discoverable market.

Short duration fixed income investment valuations are based upon evaluated prices provided by independent pricing services, when such processes are believed to reflect the fair market value of such securities using the income approach.

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

Nonperpetual trusts, included on the balance sheets as beneficial interest in trusts, are recorded at their estimated fair value based on the present value of our estimated future cash receipts from the trust. Future cash receipts are based on an income approach (present value techniques) using internally developed models. Assumptions are made regarding the expected rate of return on the investments in the trust, the discount rate, and the expected mortality of the individual(s) if the termination of the agreement is dependent on life expectancy. An expected rate of return on the investments in the trusts is estimated using historical investment returns for various relevant market indices for the estimated asset allocation of the nonperpetual trusts. For the years ended December 31, 2020 and 2019, based on then-current financial market conditions, we estimated the present value of nonperpetual trusts using an investment return rate (net of trustee fees and other expenses) of 6.24% and 5.35% respectively, and a discount rate of 6.24% and 5.35%, respectively, commensurate with the risks involved.

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**8. Fair value measurement, continued**

The expected mortality is estimated using the 2012 Individual Annuity Reserving Mortality Tables for one single or two life beneficiary charitable gifts. Each of these calculations is based on the fair value of the underlying assets of the trust. As trust statements are not received as of year-end for some trust, the fair value of the underlying assets is adjusted based on changes in the relevant market indices from the date of the trustee statement to year-end that correlate to the estimated asset allocation of the underlying assets. As the fair value of these trusts is derived from internal estimates of the present value of our interest in the underlying assets, incorporating market data when available, the amounts ultimately received could differ from the amounts reflected in the historical financial statements.

Perpetual trusts, included on the balance sheets as beneficial interests in trusts, are recorded at fair value based on our interest in the fair value of the underlying trust assets. As trust statements are not received as of year-end for some trusts, the most recent fair value of the underlying assets is adjusted based on changes in the relevant market indices from the date of the trustee statement to year-end that correlate to the estimated asset allocation of the underlying assets.

Our gift annuity obligation is recorded at fair value based on Level 3 inputs and other relevant market data based on the present value of our estimated future cash outflows. For the years ended December 31, 2020 and 2019, the assumptions used in the valuation of the annuity liability include mortality in accordance with the 2012 Individual Annuity Reserving Mortality Tables and a discount rate of 2.90% and 4.30%, respectively for all annuities, compounded annually, net of expenses. These rates are commensurate with the risks associated with the ultimate payment of the obligation. We have elected fair value accounting for our gift annuity obligations.

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

The following tables set forth by level, within the fair value hierarchy, our assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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**8. Fair value measurement, continued**

		Financial assets and liabilities measured at fair value as of December 31, 2020			
Assets		Level 1	Level 2	Level 3	Total
<b>Investments, current</b>					
Cash and cash equivalents		\$ 57,259	\$ -	\$ -	\$ 57,259
Core fixed income		75,581	-	-	75,581
Total investments, current		<u>\$ 132,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,840</u>
<b>Gift annuity investments, at fair value</b>					
Cash and cash equivalents		\$ 1,250	\$ -	\$ -	\$ 1,250
Global equity		24,202	-	69	24,271
Core fixed income		6,073	7,866	-	13,939
Total gift annuity investments, at fair value		<u>\$ 31,525</u>	<u>\$ 7,866</u>	<u>\$ 69</u>	<u>\$ 39,460</u>
<b>Investments</b>					
Global equity		\$ 79,032	\$ -	\$ 10,451	\$ 89,483
Global equity measured at net asset value*					57,834
Real estate measured at net asset value*					37,742
Liquid alternatives measured at net asset value*					72,421
Multi-asset credit		-	70,904	-	70,904
Core fixed income		43,186	169,612	-	212,798
Treasury inflation-protected security		1,107	82,240	-	83,347
Short duration fixed Income		74,758	-	-	74,758
Total investments		<u>\$ 198,083</u>	<u>\$ 322,756</u>	<u>\$ 10,451</u>	<u>\$ 699,287</u>
<b>Beneficial interests in trusts</b>					
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,852</u>	<u>\$ 371,852</u>
<b>Liabilities</b>					
<b>Gift annuity obligations</b>					
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,972</u>	<u>\$ 13,972</u>

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**8. Fair value measurement, continued**

		Financial assets and liabilities measured at fair value as of December 31, 2019			
Assets		Level 1	Level 2	Level 3	Total
<b>Investments, current</b>					
Cash and cash equivalents		\$ 50,942	\$ -	\$ -	\$ 50,942
Core fixed income		19,998	-	-	19,998
Total investments, current		<u>\$ 70,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,940</u>
<b>Gift annuity investments, at fair value</b>					
Cash and cash equivalents		\$ 578	\$ -	\$ -	\$ 578
Global equity		23,873	-	-	23,873
Core fixed income		6,930	7,733	68	14,731
Total gift annuity investments, at fair value		<u>\$ 31,381</u>	<u>\$ 7,733</u>	<u>\$ 68</u>	<u>\$ 39,182</u>
<b>Investments</b>					
Global equity		\$ 88,243	\$ 38,747	\$ 8,310	\$ 135,300
Global equity measured at net asset value*					9,888
Real estate measured at net asset value*					36,562
Liquid alternatives measured at net asset value*					86,645
Multi-asset credit		-	66,527	-	66,527
Core fixed income		34,956	190,854	-	225,810
Treasury inflation-protected security		1,848	50,161	-	52,009
Short duration fixed Income		-	75,588	-	75,588
Total investments		<u>\$ 125,047</u>	<u>\$ 421,877</u>	<u>\$ 8,310</u>	<u>\$ 688,329</u>
<b>Beneficial interests in trusts</b>					
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,309</u>	<u>\$ 355,309</u>
<b>Liabilities</b>					
<b>Gift annuity obligations</b>					
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,299</u>	<u>\$ 13,299</u>

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**8. Fair value measurement, continued**

\* In accordance with *Fair Value Measurement (Topic 820)*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

The table below provides a summary of changes in the fair value of our Level 3 financial assets and liabilities measured on a recurring basis for the years ended December 31, 2020 and 2019:

	<b>Global equities</b>	<b>Other</b>	<b>Beneficial interest in trusts</b>	<b>Gift annuity obligation</b>
<b>December 31, 2020</b>				
Balance, beginning of year	\$ 8,378	\$ -	\$ 355,309	\$ 13,299
Purchases (sold)	2,850	-	-	-
Unrealized gains (losses)	1,180	-	13,497	-
Other	(1,888)	-	3,046	673
Balance, end of year	<u>\$ 10,520</u>	<u>\$ -</u>	<u>\$ 371,852</u>	<u>\$ 13,972</u>
<b>December 31, 2019</b>				
Balance, beginning of year	\$ 2,188	\$ 1,418	\$ 328,126	\$ 14,204
Purchases (sold)	5,000	-	-	-
Unrealized gains (losses)	(1,745)	-	19,803	-
Other	2,935	(1,418)	7,380	(905)
Balance, end of year	<u>\$ 8,378</u>	<u>\$ -</u>	<u>\$ 355,309</u>	<u>\$ 13,299</u>

The unrealized gains (losses) are included in change in value of split interest agreements in the accompanying statements of activities. The unrealized gains (losses) related to assets still held at December 31, 2020 and 2019 were \$13,497 and \$19,803, respectively.

The following tables set forth additional disclosures for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2020 and 2019:

	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
<b>Investment type</b>	<b>Fair value</b>	<b>Unfunded commitments</b>	<b>Fair value</b>	<b>Unfunded commitments</b>
Global equities	\$ 57,834	\$ -	\$ 9,888	\$ -
Real estate	37,742	-	36,562	-
Liquid alternatives	72,421	-	86,645	-
Total	<u>\$ 167,997</u>	<u>\$ -</u>	<u>\$ 133,095</u>	<u>\$ -</u>

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**8. Fair value measurement, continued**

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

The real estate holdings are recorded at net asset value, which approximates fair value as determined by independently conducted appraisals of the properties. The appraisals of the real estate holdings have been prepared with consideration to the income, cost, and sales comparison approaches of estimating property value. Requests for redemption may be made by delivering a redemption notice at least 45 days in advance. The investment objective is to give investors a robust core real estate portfolio that provides a diversified portfolio of the highest quality assets, both durable and growing income with highly liquid assets and a conservative risk profile. There are no unfunded commitments.

The liquid alternatives are private investment funds that target to provide superior risk-adjusted returns through diversified portfolio investments. The investments' net asset values are determined by valuation methods of external pricing, internal modeling, price estimates, comparable analysis, or official closing price on the principal exchange markets for such investments as of the valuation point. Investment capital can be redeemed at the end of any calendar quarter with maximums ranging from 20% to 25% depending on shareholder class.

**9. Endowment**

**Interpretation of relevant law**

As a New York corporation, we are subject to and have interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as net assets with donor restrictions: (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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, and (d) the donor-restricted endowment fund that we have not fulfilled the donor-stipulated purpose and/or the required time period has not been elapsed. For the amounts that are not restricted in perpetuity, we have appropriated those amounts for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Endowment assets are included in investments on the balance sheets. Net assets with donor restrictions of \$350,688 and \$325,894 at December 31, 2020 and 2019 are to be held in perpetuity such as endowments, which are included in the table below, as well as perpetual trusts.

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**9. Endowment, continued**

<b>Endowment net asset composition by type and changes in endowments</b>	<b>With Donor Restrictions</b>	
	<b>2020</b>	<b>2019</b>
Endowment net assets, beginning	\$ 106,990	\$ 95,773
Investment return, net	16,902	14,365
Endowment cash additions	23,066	1,402
Reclassification of restrictions	92	
Appropriation of endowment assets for expenditure	(4,463)	(4,550)
<b>Endowment net assets, ending</b>	<b>\$ 142,587</b>	<b>\$ 106,990</b>

**Funds with deficiencies**

From time to time, due to adverse market conditions, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires us to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions, to the extent there are accumulated gains available to absorb such loss, or otherwise in net assets without donor restrictions. Deficiencies of this nature that are reported in net assets without donor restrictions were \$28 and \$0 as of December 31, 2020 and 2019, respectively.

**Return objectives and risk parameters**

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

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**9. Endowment, continued**

**Spending policy**

We considered the following factors in developing our spending policy with regard to donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) our mission and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) our other resources, (7) our investment policies, and (8) where appropriate, alternatives to spending from the donor-restricted funds and the possible effects of those alternatives.

Unless the donor has specified otherwise, 4% of the three-year rolling average fair value of an endowment is available for spending each year, to the extent of a donor restricted endowment's cumulative undistributed earnings. In addition, the difference between the actual total return each year and the spending percentage is charged or credited to net assets without donor restrictions or net assets with donor restrictions (depending on the donor's instructions regarding the use of investment income or relevant law). We believe a spending policy is necessary to carry out the statutorily prescribed standard of ordinary business care and prudence and uses a spending rate of 4% in order to maintain the purchasing power of the endowment. Endowment assets consist of:

	<b>Current Allocation</b>		<b>Target Allocation</b>		
	<b>2020</b>	<b>2019</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Global equity	51 %	51 %	45 %	55 %	65 %
Real estate	8	10	5	10	15
Liquid alternatives	12	11	5	10	15
Multi-asset credit	8	10	10	15	20
Core fixed Income	17	13	0	5	10
Treasury inflated protected securities	4	5	0	5	10
	<u>100 %</u>	<u>100 %</u>		<u>100.00 %</u>	

Asset allocation targets will be transitioned to over time, considering current market conditions and liquidity. Policy bands are wide to provide implementation flexibility.



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**10. Employee retirement benefit plans**

We maintain a noncontributory defined benefit pension plan that previously covered nearly all of our employees. The current strategic mix for the Plan's assets is a blended exposure to equity and debt market risk. The Plan employs an active management strategy that has historically generated returns in excess of established benchmarks and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility. The Plan's assets at December 31, consist of:

	<b>Current Allocation</b>		<b>Target</b>	<b>+/- Bands</b>
	<b>2020</b>	<b>2019</b>		
Global equity	33 %	30 %	38 %	10 %
Multi-asset credit	8	8	10	5
Liquid alternative funds	11	10	10	5
Real estate	5	6	7	5
Core fixed income	42	44	35	5
Cash	1	2	0	
	<u>100 %</u>	<u>100 %</u>	<u>100.00 %</u>	

Targets are as a percentage of the total return-seeking portfolio. Bands around targets are as of a percentage of the total Plan.

We employ a "building block approach" in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and debt are preserved, consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established with proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonability and appropriateness. While the approach gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term prospective rate.

We also maintain a nonqualified an unfunded SERP for certain participants whose income exceeds the maximum income that can be considered under the Plan.

In 2016, the Plan and SERP were frozen to new participants and participants are no longer earning benefits for service performed under the Plan and SERP.

We accrue the cost of providing postretirement benefits for medical, dental, and life insurance coverage over the active service period of employees and are amortizing the unrecognized transition obligation over 20 years. Medical trend rates do not apply as the plans are on fixed payment amounts.

We utilize a spot rate yield curve to estimate the pension benefit obligation and net periodic benefit costs, which provides an accurate measurement of interest costs by applying the spot rate that could be used to settle each projected cash flow individually.

Information related to our Plan, SERP, and postretirement benefit plan at December 31, 2020 and 2019 and the related changes during the years then ended are as follows:

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**10. Employee retirement benefit plans, continued**

<b>December 31, 2020</b>	<b>Retirement Benefits</b>	<b>Postretirement Nonpension Benefits</b>	<b>Total Retirement &amp; Postretirement Benefits</b>
<b>Change in benefit obligation</b>			
Benefit obligation at beginning of year	\$ 733,808	\$ 41,877	\$ 775,685
Service cost	-	91	91
Interest cost	20,313	1,120	21,433
Actuarial loss	73,347	2,839	76,186
Plan participant contributions	-	542	542
Benefits paid	(65,863)	(2,147)	(68,010)
Retiree drug subsidy reimbursement/Curtailment	-	484	484
<b>Benefit obligation at end of year</b>	<b>\$ 761,605</b>	<b>\$ 44,806</b>	<b>\$ 806,411</b>
<b>Change in plan assets</b>			
Fair value of plan assets at beginning of year	\$ 569,100	\$ -	\$ 569,100
Actual expenses paid	(4,611)	-	(4,611)
Actual return on plan assets	94,794	-	94,794
Employer contributions	-	1,605	1,605
Plan participant contributions	-	542	542
Benefits paid	(65,863)	(2,147)	(68,010)
<b>Fair value of plan assets at end of year</b>	<b>\$ 593,420</b>	<b>\$ -</b>	<b>\$ 593,420</b>
<b>Funded status and amounts recognized in our balance sheet in employee retirement benefits</b>	<b>\$ (168,185)</b>	<b>\$ (44,806)</b>	<b>\$ (212,991)</b>
Supplemental Retirement Benefits			\$ (428)
<b>Weighted average actuarial assumptions</b>			
Discount rate:			
Net periodic pension service cost	N/A	3.57%	
Net periodic pension interest cost	2.86%	2.77%	
Benefit obligation	3.34%	3.21%	
Expected return on plan assets	6.25%	N/A	
Rate of compensation increase	N/A	4.13%	
<b>Amounts not yet recognized in net periodic pension costs</b>			
Unrecognized prior service credit at beginning of year	\$ -	\$ (3,006)	\$ (3,006)
Change in prior service cost	-	3,006	3,006
Unrecognized prior service credit at end of year	\$ -	\$ -	\$ -
Unrecognized actuarial losses at beginning of year	\$ 203,328	\$ 9,346	\$ 212,674
Change in actuarial losses	(3,611)	1,873	(1,738)
Unrecognized actuarial losses at end of year	\$ 199,717	\$ 11,219	\$ 210,936
Supplemental Retirement Benefits			\$ 36

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**10. Employee retirement benefit plans, continued**

<b>December 31, 2020</b>	<b>Retirement Benefits</b>	<b>Postretirement Nonpension Benefits</b>	<b>Total Retirement &amp; Postretirement Benefits</b>
<b>Amounts recognized as a reduction (increase) to unrestricted net assets</b>			
Amounts recognized as a reduction to unrestricted net assets at beginning of year	\$ 203,328	\$ 6,340	\$ 209,668
Change in prior services credit	-	3,006	3,006
Change in actuarial losses	(3,611)	1,873	(1,738)
Amounts recognized as a reduction to unrestricted net assets at end of year	<u>\$ 199,717</u>	<u>\$ 11,219</u>	<u>\$ 210,936</u>
Supplemental Retirement Benefits			\$ 19
<b>Components of net periodic benefit cost</b>			
Service cost	\$ -	\$ 91	\$ 91
Interest cost	20,313	1,120	21,433
Expected return on plan assets	(34,561)	-	(34,561)
Administrative expenses	5,800	-	5,800
Amortization of:			-
Unrecognized prior service cost (credit)	-	(3,006)	(3,006)
Unrecognized actuarial losses (gains)	3,845	966	4,811
Settlement expense (credit)	11,691	484	12,175
<b>Net periodic benefit (credit) cost</b>	<u>\$ 7,088</u>	<u>\$ (345)</u>	<u>\$ 6,743</u>
Accumulated benefit obligation	\$ 761,605	\$ 44,806	\$ 806,411
Supplemental Retirement Benefits			\$ 428
<b>Estimated future benefits payable in the next:</b>			
12 months	\$ 43,053	\$ 2,940	\$ 45,993
13 - 24 months	42,123	2,868	44,991
25 - 36 months	40,984	2,813	43,797
37 - 48 months	40,364	2,755	43,119
49 - 60 months	39,651	2,690	42,341
Thereafter	188,224	12,305	200,529

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**10. Employee retirement benefit plans, continued**

<b>December 31, 2019</b>	<b>Retirement Benefits</b>	<b>Postretirement Nonpension Benefits</b>	<b>Total Retirement &amp; Postretirement Benefits</b>
<b>Change in benefit obligation</b>			
Benefit obligation at beginning of year	\$ 638,567	\$ 38,219	\$ 676,786
Service cost	-	93	93
Interest cost	24,824	1,452	26,276
Actuarial loss	112,115	4,235	116,350
Plan participant contributions	-	615	615
Benefits paid	(41,698)	(2,737)	(44,435)
Retiree drug subsidy reimbursement	-	-	-
<b>Benefit obligation at end of year</b>	<b>\$ 733,808</b>	<b>\$ 41,877</b>	<b>\$ 775,685</b>
<b>Change in plan assets</b>			
Fair value of plan assets at beginning of year	\$ 501,368	\$ -	\$ 501,368
Actual expenses paid	(5,581)	-	(5,581)
Actual return on plan assets	102,011	-	102,011
Employer contributions	13,000	2,122	15,122
Plan participant contributions	-	615	615
Benefits paid	(41,698)	(2,737)	(44,435)
<b>Fair value of plan assets at end of year</b>	<b>\$ 569,100</b>	<b>\$ -</b>	<b>\$ 569,100</b>
<b>Funded status and amounts recognized in our balance sheet in employee retirement benefits</b>			
	<b>\$ (164,708)</b>	<b>\$ (41,877)</b>	<b>\$ (206,585)</b>
Supplemental Retirement Benefits			\$ (451)
<b>Weighted average actuarial assumptions</b>			
Discount rate:			
Net periodic pension service cost	N/A	4.62%	
Net periodic pension interest cost	4.02%	3.95%	
Benefit obligation	4.45%	4.35%	
Expected return on plan assets	6.75%	N/A	
Rate of compensation increase	N/A	4.13%	
<b>Amounts not yet recognized in net periodic pension costs</b>			
Unrecognized prior service credit at beginning of year	\$ -	\$ (6,756)	\$ (6,756)
Change in prior service cost	-	3,750	3,750
Unrecognized prior service credit at end of year	\$ -	\$ (3,006)	\$ (3,006)
Unrecognized actuarial losses at beginning of year	\$ 162,839	\$ 5,376	\$ 168,215
Change in actuarial losses	40,489	3,970	44,459
Unrecognized actuarial losses at end of year	\$ 203,328	\$ 9,346	\$ 212,674
Supplemental Retirement Benefits			\$ 36

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**10. Employee retirement benefit plans, continued**

<b>December 31, 2019</b>	<b>Retirement Benefits</b>	<b>Postretirement Nonpension Benefits</b>	<b>Total Retirement &amp; Postretirement Benefits</b>
<b>Amounts recognized as a reduction (increase) to unrestricted net assets</b>			
Amounts recognized as a reduction to unrestricted net assets at beginning of year	\$ 162,839	\$ -	\$ 162,839
Change in prior services credit	-	(3,006)	(3,006)
Change in actuarial losses	40,489	9,346	49,835
Amounts recognized as a reduction (increase) to unrestricted net assets at end of year	\$ 203,328	\$ 6,340	\$ 209,668
<b>Components of net periodic benefit cost</b>			
Service cost	\$ -	\$ 93	\$ 93
Interest cost	24,824	1,452	26,276
Expected return on plan assets	(32,841)	-	(32,841)
Administrative expenses	5,180	-	5,180
Amortization of:			-
Unrecognized prior service cost (credit)	-	(3,750)	(3,750)
Unrecognized actuarial losses (gains)	2,858	265	3,123
Settlement expense (credit)	-	-	-
<b>Net periodic benefit (credit) cost</b>	\$ 21	\$ (1,940)	\$ (1,919)
Accumulated benefit obligation	\$ 733,808	\$ 41,877	\$ 775,685
Supplemental Retirement Benefits			\$ 451
<b>Estimated future benefits payable in the next:</b>			
12 months	\$ 44,631	\$ 2,803	\$ 47,434
13 - 24 months	43,250	2,760	46,010
25 - 36 months	43,576	2,707	46,283
37 - 48 months	42,161	2,672	44,833
49 - 60 months	41,206	2,639	43,845
Thereafter	194,479	12,319	206,798

We expect to contribute \$10,000 to the Plan over the next 12 months and approximately \$2,940 to our postretirement benefit plan over the next 12 months. The actuarial losses included in net assets without donor restrictions related to our Plan that we expect to recognize in net periodic pension cost over the next 12 months are \$3,777. The actuarial losses included in net assets without donor restrictions related to our postretirement benefit plan that we expect to recognize in net periodic benefit cost over the next 12 months is \$1,183.

A description of the valuation methods we used for assets measured at fair value is available in Note 8.

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**10. Employee retirement benefit plans, continued**

The fair value of the Plan's assets at December 31, 2020 and 2019 by asset category is as follows:

<b>Financial assets measured at fair value on a recurring basis as of December 31, 2020</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Global equity	\$ 124,409	\$ -	\$ -	\$ 124,409
Global equity measured at net asset value*				73,251
Multi-asset credit	-	48,413	-	48,413
Liquid alternatives measured at net asset value*				62,504
Real estate measured at net asset value*				31,415
Core fixed income	7,129	242,388	-	249,517
Cash	3,911	-	-	3,911
Other	-	-	90	90
Total investment assets, at fair value	<u>\$ 135,449</u>	<u>\$ 290,801</u>	<u>\$ 90</u>	<u>\$ 593,510</u>

  

<b>Financial assets measured at fair value on a recurring basis as of December 31, 2019</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Global equity	\$ 102,526	\$ 46,837	\$ -	\$ 149,363
Global equity measured at net asset value*				22,929
Multi-asset credit	-	52,028	-	52,028
Liquid alternatives measured at net asset value*				56,319
Real estate measured at net asset value*				31,793
Core fixed income	-	243,580	-	243,580
Cash	13,088	-	-	13,088
Other	-	-	91	91
Total investment assets, at fair value	<u>\$ 115,614</u>	<u>\$ 342,445</u>	<u>\$ 91</u>	<u>\$ 569,191</u>

\* In accordance with *Fair Value Measurement (Topic 820)*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

The table below provides a summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 91	\$ 92
Purchases/(Sales)	(1)	(1)
Balance, end of period	<u>\$ 90</u>	<u>\$ 91</u>

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**11. Commitments and contingencies**

We are a party to legal claims arising in the course of our normal business activities. Although the ultimate outcome of these claims cannot be ascertained at this time, we believe that none of these matters, when resolved, will have a material effect on our net assets.

**12. Subsequent events**

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through July 22, 2021, the date the financial statements were issued. During this period, there were no subsequent events that required recognition or disclosure in the financial statements.