

# American Association for Cancer Research, Inc. and Affiliates

Consolidated Financial Statements  
Years Ended December 31, 2021 and 2020



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# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## CONTENTS

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INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Consolidated Statements of Financial Position</i>	3
<i>Consolidated Statements of Activities</i>	4
<i>Consolidated Statements of Functional Expenses</i>	5
<i>Consolidated Statements of Cash Flows</i>	7
<i>Notes to Consolidated Financial Statements</i>	8

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors**  
**American Association for Cancer Research, Inc.**  
**Philadelphia, Pennsylvania**

### **Opinion**

We have audited the accompanying consolidated financial statements of the American Association for Cancer Research, Inc. and Affiliates (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Association for Cancer Research, Inc. and Affiliates as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### **Basis for Opinion**

We conducted our audits in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the American Association for Cancer Research, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the American Association for Cancer Research, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Association for Cancer Research, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the American Association for Cancer Research, Inc and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*BBD, LLP.*

**Philadelphia, Pennsylvania**  
**May 14, 2022**

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 20,011,039	\$ 19,421,547
Investments	180,346,310	137,599,338
Accounts receivable		
Publication revenue receivable	678,569	775,692
Contributions receivable	48,170,096	50,909,762
Other receivables	1,475,458	7,672,347
Prepaid expenses and other	2,030,718	1,367,733
Property and equipment (net of accumulated depreciation of \$4,118,465 in 2021 and \$3,732,668 in 2020)	<u>587,667</u>	<u>985,546</u>
<b>Total assets</b>	<b><u>\$ 253,299,857</u></b>	<b><u>\$ 218,731,965</u></b>
<b>LIABILITIES</b>		
Loan payable - Paycheck Protection Program	\$ -	\$ 4,558,714
Accounts payable and other accrued expenses	13,802,494	12,271,034
Grants payable	39,029,564	54,952,438
Deferred income	<u>14,307,022</u>	<u>8,665,380</u>
<b>Total liabilities</b>	<b><u>67,139,080</u></b>	<b><u>80,447,566</u></b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	96,598,697	74,784,613
Board designated	<u>58,980,743</u>	<u>46,019,346</u>
<b>Total net assets without donor restrictions</b>	<b>155,579,440</b>	<b>120,803,959</b>
With donor restrictions	<u>30,581,337</u>	<u>17,480,440</u>
<b>Total net assets</b>	<b><u>186,160,777</u></b>	<b><u>138,284,399</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 253,299,857</u></b>	<b><u>\$ 218,731,965</u></b>

See accompanying notes

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>						
Membership dues	\$ 4,273,814	\$ -	\$ 4,273,814	\$ 4,208,008	\$ -	\$ 4,208,008
Meetings and educational workshops	15,503,304	-	15,503,304	3,163,862	-	3,163,862
Publications	19,781,341	-	19,781,341	18,928,229	-	18,928,229
Scientific initiatives	5,243,337	-	5,243,337	9,199,688	-	9,199,688
Endowment distribution	329,175	(199,990)	129,185	180,000	(50,000)	130,000
Other	499,708	-	499,708	628,020	-	628,020
<b>Total revenue</b>	<b>45,630,679</b>	<b>(199,990)</b>	<b>45,430,689</b>	<b>36,307,807</b>	<b>(50,000)</b>	<b>36,257,807</b>
<b>SUPPORT</b>						
Contributions and grants	19,414,653	22,339,801	41,754,454	40,062,102	9,968,151	50,030,253
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>9,247,714</b>	<b>(9,247,714)</b>	<b>-</b>	<b>11,147,055</b>	<b>(11,147,055)</b>	<b>-</b>
<b>Total revenue and support</b>	<b>74,293,046</b>	<b>12,892,097</b>	<b>87,185,143</b>	<b>87,516,964</b>	<b>(1,228,904)</b>	<b>86,288,060</b>
<b>EXPENSES</b>						
<b>Program Services</b>						
Research grants and scientific awards	22,980,033	-	22,980,033	45,519,354	-	45,519,354
Meetings and educational workshops	9,033,784	-	9,033,784	11,473,902	-	11,473,902
Publications	13,485,617	-	13,485,617	12,840,778	-	12,840,778
Communications, science policy and public education	7,217,574	-	7,217,574	7,130,576	-	7,130,576
Scientific programs	6,478,896	-	6,478,896	9,199,568	-	9,199,568
<b>Total program services</b>	<b>59,195,904</b>	<b>-</b>	<b>59,195,904</b>	<b>86,164,178</b>	<b>-</b>	<b>86,164,178</b>
<b>Supporting Services</b>						
Membership development and services	2,091,225	-	2,091,225	2,286,837	-	2,286,837
General and administrative	4,529,891	-	4,529,891	4,752,683	-	4,752,683
Fundraising	3,360,572	-	3,360,572	3,740,533	-	3,740,533
<b>Total supporting services</b>	<b>9,981,688</b>	<b>-</b>	<b>9,981,688</b>	<b>10,780,053</b>	<b>-</b>	<b>10,780,053</b>
<b>Total expenses</b>	<b>69,177,592</b>	<b>-</b>	<b>69,177,592</b>	<b>96,944,231</b>	<b>-</b>	<b>96,944,231</b>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<b>5,115,454</b>	<b>12,892,097</b>	<b>18,007,551</b>	<b>(9,427,267)</b>	<b>(1,228,904)</b>	<b>(10,656,171)</b>
<b>OTHER CHANGES</b>						
Investment income	16,577,646	210,800	16,788,446	20,719,012	485,591	21,204,603
Insurance claim settlement	8,523,667	-	8,523,667	18,474,463	-	18,474,463
Gain on forgiveness of loan payable - Paycheck Protection Program	4,558,714	-	4,558,714	-	-	-
Change in value of gift annuity obligations	-	(2,000)	(2,000)	-	(2,660)	(2,660)
	29,660,027	208,800	29,868,827	39,193,475	482,931	39,676,406
<b>CHANGE IN NET ASSETS</b>	<b>34,775,481</b>	<b>13,100,897</b>	<b>47,876,378</b>	<b>29,766,208</b>	<b>(745,973)</b>	<b>29,020,235</b>
<b>NET ASSETS</b>						
Beginning of year	120,803,959	17,480,440	138,284,399	91,037,751	18,226,413	109,264,164
End of year	\$ 155,579,440	\$ 30,581,337	\$ 186,160,777	\$ 120,803,959	\$ 17,480,440	\$ 138,284,399

See accompanying notes

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021 with comparative totals for 2020

	Research Grants and Scientific Awards	Meetings and Educational Workshops	Publications	Communications, Science Policy and Public Education	Scientific Programs	Membership Development and Services	General and Administrative	Fundraising	Totals	
									2021	2020
Salaries and fringe benefits	\$ 1,577,300	\$ 5,132,368	\$ 7,279,288	\$ 4,607,401	\$ 2,023,190	\$ 1,598,935	\$ 3,381,207	\$ 2,501,978	\$ 28,101,667	\$ 28,158,014
Audio-visual services	9,068	1,350,271	-	9,500	26,193	-	-	-	1,395,032	1,886,860
Commercial exhibits	-	23,320	-	-	-	-	-	-	23,320	277,057
Computer programming and maintenance	176,716	499,035	363,401	225,681	117,551	78,459	218,445	64,155	1,743,443	2,084,325
Credit card fees	-	353,780	202,491	672	27	84,614	3,696	16,385	661,665	750,168
Depreciation	18,789	53,653	79,923	63,259	25,426	16,646	112,353	27,830	397,879	314,257
Dues and subscriptions	-	672	53,049	144,963	4,489	451	21,983	18,396	244,003	398,029
Duplication, printing and supplies	56,054	34,643	17,189	97,516	16,680	44,415	60,092	16,606	343,195	379,378
Equipment rental	598	3,934	2,547	3,162	811	530	1,035	814	13,431	10,773
Grants and awards	20,713,287	143,743	-	-	92,500	-	-	-	20,949,530	42,263,642
Honoraria	151,000	242,200	759,083	20,000	4,000	-	36	-	1,176,319	964,987
Hotel lodging and facilities rental	-	3,980	2,463	-	-	-	6,517	-	12,960	804,212
Insurance	8,723	77,130	37,106	25,259	11,802	7,728	9,524	11,857	189,129	195,675
Marketing and branding	16,353	314,122	189,697	831,424	55,000	22,255	95,997	321,346	1,846,194	2,277,183
Meetings and receptions	-	3,176	-	-	-	-	12,492	-	15,668	809,505
Miscellaneous	6,516	148,572	77,188	12,003	13,158	4,359	86,273	14,287	362,356	192,547
On-site transportation	-	-	-	-	-	-	-	-	-	13,100
Postage and freight	3,666	3,384	5,453	6,589	1,262	72,627	8,005	1,598	102,584	112,677
Printing and production	-	25,948	3,181,254	280,502	-	9,443	32,125	-	3,529,272	3,284,017
Professional fees	22,329	120,808	479,206	307,968	3,873,289	2,058	243,494	139,451	5,188,603	8,205,925
Rent	198,664	431,244	664,493	487,883	185,135	129,921	145,309	190,685	2,433,334	2,582,504
Telecommunications	16,402	47,406	70,226	78,235	22,202	14,532	57,309	22,183	328,495	328,958
Temporary personnel	-	-	-	-	-	-	1,094	-	1,094	38,717
Travel, speakers and staff	-	7,121	2,129	2,223	-	205	8,058	6,792	26,528	507,045
Utilities and building maintenance	4,568	13,274	19,431	13,334	6,181	4,047	24,847	6,209	91,891	104,676
	\$ 22,980,033	\$ 9,033,784	\$ 13,485,617	\$ 7,217,574	\$ 6,478,896	\$ 2,091,225	\$ 4,529,891	\$ 3,360,572	\$ 69,177,592	\$ 96,944,231

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See accompanying notes

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020

	<u>Research Grants and Scientific Awards</u>	<u>Meetings and Educational Workshops</u>	<u>Publications</u>	<u>Communications, Science Policy and Public Education</u>	<u>Scientific Programs</u>	<u>Membership Development and Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 1,814,727	\$ 5,330,293	\$ 7,013,415	\$ 4,501,678	\$ 2,103,943	\$ 1,693,757	\$ 3,185,287	\$ 2,514,914	\$ 28,158,014
Audio-visual services	140,752	1,668,287	-	5,750	67,792	-	4,279	-	1,886,860
Commercial exhibits	-	277,057	-	-	-	-	-	-	277,057
Computer programming and maintenance	170,087	556,684	427,183	284,637	141,894	105,081	322,379	76,380	2,084,325
Credit card fees	-	490,063	159,061	1,329	12	84,910	4,970	9,823	750,168
Depreciation	14,369	41,028	55,268	43,894	18,258	13,375	108,466	19,599	314,257
Dues and subscriptions	1,625	520	112,354	204,485	7,528	91	30,810	40,616	398,029
Duplication, printing and supplies	22,615	72,905	39,173	70,099	20,244	65,843	60,030	28,469	379,378
Equipment rental	588	1,671	2,258	3,173	748	547	1,052	736	10,773
Grants and awards	42,152,415	18,500	-	-	92,727	-	-	-	42,263,642
Honoraria	182,250	15,000	745,737	20,000	2,000	-	-	-	964,987
Hotel lodging and facilities rental	375,749	371,599	-	4,628	51,796	88	-	352	804,212
Insurance	8,669	87,063	33,342	21,139	11,013	8,069	15,530	10,850	195,675
Marketing and branding	85,010	740,545	136,344	479,185	35,057	32,556	124,419	644,067	2,277,183
Meetings and receptions	249,613	463,582	493	809	90,850	-	2,044	2,114	809,505
Miscellaneous	20,251	11,970	57,255	12,169	10,488	2,990	54,570	22,854	192,547
On-site transportation	-	13,100	-	-	-	-	-	-	13,100
Postage and freight	3,496	18,494	8,719	6,159	5,723	52,286	11,972	5,828	112,677
Printing and production	-	91,812	2,772,497	349,006	-	13,005	57,697	-	3,284,017
Professional fees	18,453	431,061	457,458	505,868	6,227,020	9,353	447,964	108,748	8,205,925
Rent	173,177	481,982	677,309	489,365	194,683	144,340	216,293	205,355	2,582,504
Telecommunications	18,305	51,166	72,005	75,772	22,769	16,680	49,831	22,430	328,958
Temporary personnel	-	-	-	-	-	31,627	7,090	-	38,717
Travel, speakers and staff	61,513	224,737	50,810	38,820	88,456	7,423	14,371	20,915	507,045
Utilities and building maintenance	5,690	14,783	20,097	12,611	6,567	4,816	33,629	6,483	104,676
	<u>\$ 45,519,354</u>	<u>\$ 11,473,902</u>	<u>\$ 12,840,778</u>	<u>\$ 7,130,576</u>	<u>\$ 9,199,568</u>	<u>\$ 2,286,837</u>	<u>\$ 4,752,683</u>	<u>\$ 3,740,533</u>	<u>\$ 96,944,231</u>

-9-

See accompanying notes



# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 47,876,378	\$ 29,020,235
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Net realized gain on sale of investments	(3,127,659)	(5,201,661)
Net unrealized gain on investments	(12,877,038)	(15,264,253)
Depreciation	397,879	314,257
Discount on contribution receivable	660,000	-
Contributions restricted for long-term purposes	(9,500)	(114,455)
Gain on forgiveness of loan payable - Paycheck Protection Program	(4,558,714)	-
Change in value of gift annuity obligations	2,000	2,660
(Increase) decrease in		
Accounts receivable	8,123,178	(16,771,619)
Prepaid expenses and other	(662,985)	1,511,436
Increase (decrease) in		
Accounts payable and other accrued expenses	1,529,460	(5,512,158)
Grants payable	(15,922,874)	14,212,172
Deferred income	5,641,642	(1,263,831)
<b>Net cash provided by operating activities</b>	<u>27,071,767</u>	<u>932,783</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	14,246,829	99,286,401
Purchase of investments	(40,989,104)	(109,889,575)
Acquisition of property and equipment	-	(599,413)
<b>Net cash used for investing activities</b>	<u>(26,742,275)</u>	<u>(11,202,587)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable - Paycheck Protection Program	-	4,558,714
Collections of contributions restricted for endowment	260,000	364,455
<b>Net cash provided by financing activities</b>	<u>260,000</u>	<u>4,923,169</u>
<b>Net change in cash</b>	589,492	(5,346,635)
<b>CASH BALANCE</b>		
Beginning of year	<u>19,421,547</u>	<u>24,768,182</u>
<b>End of year</b>	<u>\$ 20,011,039</u>	<u>\$ 19,421,547</u>

See accompanying notes

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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### (1) NATURE OF OPERATIONS

The American Association for Cancer Research, Inc. (the "AACR") is a not-for-profit corporation incorporated in New York with headquarters located in Pennsylvania. The mission of the AACR is to prevent and cure all cancers through research, education, communication and collaboration. Through its programs and services, the AACR fosters research in cancer and related biomedical science; accelerates the dissemination of new research findings among scientists and others dedicated to the conquest of cancer; promotes science education and training; and advances the understanding of cancer etiology, prevention, diagnosis and treatment throughout the world.

The American Association for Cancer Research Foundation (the "AACR Foundation") is a Pennsylvania nonprofit corporation. The AACR is the sole member of the AACR Foundation. The purpose of the AACR Foundation is to raise funds and solicit grants and contributions to benefit, support and promote the AACR's mission as described in the preceding paragraph.

AACR International – Canada was established in 2014 as a Canadian not-for-profit corporation and received its charity status in 2015. It is a subsidiary of the AACR. Its purpose is to promote health by supporting, managing and conducting new and innovative research for the cure, prevention and treatment of cancer, and by fostering collaboration amongst scientists engaged in cancer research. It intends to advance education by developing and operating programs, conferences, seminars and workshops designed to train students and scientists and advance their understanding of cancer etiology, prevention, diagnosis and treatment.

AACR programs and activities include:

#### Research Grants and Scientific Awards

- The AACR provides critical research funding for cancer researchers, both domestically and internationally, to support every stage of their careers with fellowships, career development awards, independent investigator grants and team science grants. Through its grants and awards, the AACR helps to sustain a robust cancer workforce and high quality cancer research to understand, prevent, detect and treat cancer.

#### Meetings and Educational Workshops

- The AACR convenes topical scientific conferences, workshops and an annual meeting that combined draw more than 36,000 participants from the cancer research community. Through these meetings the AACR educates a global audience on the latest findings in cancer research.

#### Publications

- The AACR publishes a portfolio of ten highly rated peer-reviewed journals that present leading research articles. Our scientific breadth and excellence continue to attract the premier researchers in the field. More than 25,000 pages of peer reviewed, original cancer research are published through the AACR journals annually.

#### Communications, Science Policy and Public Education

- The AACR collaborates with cancer survivors, raises public awareness of the progress in and cause for hope in cancer research, advocates for strong federal research funding and publishes Cancer Today for cancer patients, survivors and caregivers.

#### Scientific Programs

- The AACR provides for the professional development of underrepresented populations in the cancer research community and convenes groundbreaking collaborations through its think tanks, task forces and scientific advisory committees.

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of the AACR, the AACR Foundation and AACR International – Canada. All significant interorganization balances and transactions have been eliminated.

#### **Financial Statement Presentation**

The AACR and Affiliates report information regarding their financial position and activities according to the following classes of net assets:

##### ***Without donor restrictions***

Net assets that are not subject to donor-imposed restrictions.

##### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the AACR and Affiliates and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the AACR and Affiliates to expend the income generated in accordance with the provisions of the contribution.

#### **Accounting Estimates**

In preparing financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### **Fair Value Measurements**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the AACR and Affiliates. Unobservable inputs reflect the AACR and Affiliates' assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the AACR and Affiliates have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the AACR and Affiliates' own assumptions.

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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### **Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the consolidated statements of activities. Dividend and interest income is recorded as earned.

The AACR and Affiliates invest in a professionally-managed portfolio that contains various types of securities (See Note 3). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that the amounts reported in the consolidated financial statements could change materially in the near term.

### **Publication Revenue Receivable**

Publication revenue receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements. The AACR does not charge interest on outstanding balances.

### **Property and Equipment**

The AACR and Affiliates capitalize all expenditures for property and equipment in excess of \$10,000. Property and equipment are carried at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

### **Revenue Recognition**

Membership dues are on a calendar year and invoiced based on fixed rate schedules prior to the membership year, which creates a deferred revenue balance upon collection. Revenue from membership dues is recognized as revenue on a pro rata basis over the membership year as membership benefits are provided.

Publication fees are fixed at the time of purchase based on price listings or negotiated rates. Customers can pay at the time of purchase or are invoiced for purchases. Subscription revenue from publications is recognized in the period that the publication is delivered to the customer or over the period of time that a customer may access the resource depending on the type of publication. Author publication fees are recognized when the manuscript is accepted for publication.

Meetings and educational workshop fees are based on published fixed rates and collected either at the time of registration, in advance of the meeting resulting in a deferred revenue balance or at the time the meeting takes place and immediately recognized as revenue. Meetings and educational workshop revenues are recognized in the period the meetings are conducted.

Deferred revenue at December 31, 2021 is expected to be recognized as revenue in 2022.

### **Contributions and Grants**

Contributions and grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

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# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

### Functional Allocation of Expenses

The costs of providing the various program and other activities have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and fringe benefits which are allocated based on estimates of time and effort.

### Income Tax Status

The AACR and AACR Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organizations' tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and the AACR and AACR Foundation have been classified as organizations other than a private foundation under Section 509(a)(2) and 509(a)(3), respectively.

AACR International – Canada was established in 2014 as a Canadian not for profit corporation and received its charity status in 2015. It is a wholly owned subsidiary of the AACR.

GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The AACR and Affiliates believe that they had no uncertain tax positions as defined in GAAP.

### Concentrations of Credit Risk

Financial instruments which potentially subject the AACR and Affiliates to concentrations of credit risk are cash, publication revenue receivable, contributions receivable and other receivables.

The AACR maintains cash deposits at various financial institutions. At times, such deposits may exceed federally-insured limits.

Publication revenue receivable consists principally of non-member subscription revenues and reprints and page charges due from authors who submit articles to the AACR's journals. Contributions and other receivables are due primarily from foundations and companies in the pharmaceutical industry (See Note 4).

## (3) INVESTMENTS

Investments at December 31, consisted of the following:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 7,818,212	\$ 2,098,253
Common stocks	24,659,447	23,740,769
Mutual funds		
Fixed income	44,332,784	28,839,532
Equity	6,394,560	3,394,808
Limited partnerships	<u>97,141,307</u>	<u>79,525,976</u>
	<u>\$180,346,310</u>	<u>\$137,599,338</u>

Investment income was comprised of the following:

	<u>2021</u>	<u>2020</u>
Net realized gain	\$ 3,127,659	\$ 5,201,661
Net unrealized gain	12,877,038	15,264,253
Interest and dividends	1,380,299	1,509,855
Investment management fees	<u>(467,365)</u>	<u>(641,166)</u>
	<u>\$ 16,917,631</u>	<u>\$ 21,334,603</u>

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

Investments are measured at fair value using level 1 inputs except for limited partnerships which are measured at net asset value.

Limited partnerships consisted of the following at December 31, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equities long private funds (a)				
S&P 500	\$17,899,486	none	quarterly	60 days
U.S. large cap	19,667,759	none	monthly	10-30 days
U.S. large/mid cap	10,982,129	none	monthly	10 days
U.S. small/mid cap	3,655,527	none	monthly	10-30 days
Emerging markets	12,184,582	none	monthly	10 days
International	12,829,745	none	monthly	30 days
Equities long/short private fund (b)	6,089,972	none	semi-annual	90 days
Private equity funds (c)	<u>13,832,107</u>	\$11,140,000	none	none
	<u>\$97,141,307</u>			

(a) – This category includes investments that seek to outperform their indices using a risk-controlled, analyst-driven approach. The fair values of the investments in this category have been estimated using the net asset value per share. There are no initial lock-up restrictions at December 31, 2021 on these funds.

(b) – This category includes investments in a hedge fund of fund managers that invest in direct hedge fund managers employing long/short and absolute return strategies. The fair values of the investments in this category have been estimated using the net asset value per share. There are no initial lock-up restrictions at December 31, 2021.

(c) – This category includes ten funds that invests in direct private equity and venture capital partnerships across all industries. These investments can be redeemed early, albeit at a substantial discount. If not redeemed early, distributions will be received through the liquidation of the underlying assets of the fund. The fair values of the investments in this category have been estimated using the net asset value per share.

#### (4) CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2021</u>	<u>2020</u>
In less than one year	\$38,584,346	\$47,623,013
In one to five years	<u>10,285,750</u>	<u>3,326,749</u>
	48,870,096	50,949,762
Less discount to net present value	(660,000)	-
Less allowance for uncollectible contributions receivable	<u>(40,000)</u>	<u>(40,000)</u>
	<u>\$48,170,096</u>	<u>\$50,909,762</u>

No discount was recorded on contributions receivable at December 31, 2020.

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

### (5) GRANTS PAYABLE

Grants authorized but unpaid at year-end are reported as liabilities. No discount has been recorded due to immateriality since most grants will be paid within 18 months after year end. The following is a summary of grants authorized and payable at December 31,:

	<u>2021</u>	<u>2020</u>
To be paid in less than one year	\$35,626,064	\$49,215,188
To be paid in one to five years	<u>3,403,500</u>	<u>5,737,250</u>
	<u>\$39,029,564</u>	<u>\$54,952,438</u>

### (6) LOAN PAYABLE – PAYCHECK PROTECTION PROGRAM

In April 2020, the AACR received a \$4,558,714 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act in March 2020 and administered by the Small Business Administration. The loan was fully forgiven by the Small Business Administration in May 2021 and is recognized as a gain in the 2021 consolidated statement of activities.

### (7) LINE OF CREDIT

In April 2020, the AACR opened a \$25,000,000 line of credit that is payable on demand by the lender. Advances under this line are secured by one of the AACR's investment accounts. The line of credit bears interest at a variable rate based on the London Interbank Offered Rate plus 1%. There were no advances outstanding at December 31, 2021 and 2020.

### (8) NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

Board designated net assets consisted of the following:

	<u>Balance</u> <u>December 31, 2020</u>	<u>Additions</u>	<u>Investment</u> <u>Income</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2021</u>
Oncology Development fund	\$27,268,326	\$10,830,167	\$2,056,006	\$ -	\$40,154,499
Reserve fund	15,521,353	-	-	-	15,521,353
Quasi-Endowment fund	<u>3,229,667</u>	<u>-</u>	<u>204,409</u>	<u>(129,185)</u>	<u>3,304,891</u>
	<u>\$46,019,346</u>	<u>\$10,830,167</u>	<u>\$2,260,415</u>	<u>\$(129,185)</u>	<u>\$58,980,743</u>
	<u>Balance</u> <u>December 31, 2019</u>	<u>Additions</u>	<u>Investment</u> <u>Income</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2020</u>
Oncology Development fund	\$22,815,585	\$ -	\$4,452,741	\$ -	\$27,268,326
Reserve fund	15,521,353	-	-	-	15,521,353
Quasi-Endowment fund	<u>2,807,329</u>	<u>30,000</u>	<u>522,338</u>	<u>(130,000)</u>	<u>3,229,667</u>
	<u>\$41,144,267</u>	<u>\$ 30,000</u>	<u>\$4,975,079</u>	<u>\$(130,000)</u>	<u>\$46,019,346</u>

The Oncology Development Fund was created with the overarching goal of accelerating breakthrough innovations in cancer prevention, interception, treatment or cures by investing in oncology-focused investment funds. The Reserve Fund is to be used as a reserve for future years' operations. The Quasi-Endowment Fund is to provide annual income distributions that are restricted for educational sessions at the AACR annual meeting and other purposes. For the years ended December 31, 2021 and 2020, the AACR received income distributions of \$129,185 and \$130,000, respectively, from the Quasi-Endowment Fund.

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

### (9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes and periods:

	<u>Balance</u> <u>December 31, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2021</u>
Subject to expenditure for specified purpose or periods				
Research Grants and Fellowships	\$12,345,549	\$15,096,684	\$ (7,936,294)	\$19,505,939
Meetings and Educational Workshops	1,017,145	1,938,000	(664,000)	2,291,145
Education and Training	116,758	5,225,577	(524,420)	4,817,915
Other	610,000	-	(53,000)	557,000
Available in future periods	<u>74,715</u>	<u>70,000</u>	<u>(70,000)</u>	<u>74,715</u>
	<u>14,164,167</u>	<u>22,330,261</u>	<u>(9,247,714)</u>	<u>27,246,714</u>
Net assets to be maintained indefinitely				
Endowment, with an historic dollar value of \$2,741,955, whose income is available to support the programs, services and mission of the AACR	<u>3,316,273</u>	<u>218,340</u>	<u>(199,990)</u>	<u>3,334,623</u>
	<u>\$17,480,440</u>	<u>\$22,548,601</u>	<u>\$ (9,447,704)</u>	<u>\$30,581,337</u>
	<u>Balance</u> <u>December 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2020</u>
Subject to expenditure for specified purpose or periods				
Research Grants and Fellowships	\$12,120,239	\$ 8,979,910	\$ (8,754,600)	\$12,345,549
Meetings and Educational Workshops	2,563,145	589,000	(2,135,000)	1,017,145
Education and Training	126,972	114,786	(125,000)	116,758
Other	520,000	100,000	(10,000)	610,000
Available in future periods	<u>127,170</u>	<u>70,000</u>	<u>(122,455)</u>	<u>74,715</u>
	<u>15,457,526</u>	<u>9,853,696</u>	<u>(11,147,055)</u>	<u>14,164,167</u>
Net assets to be maintained indefinitely				
Endowment, with an historic dollar value of \$2,732,455, whose income is available to support the programs, services and mission of the AACR	<u>2,768,887</u>	<u>597,386</u>	<u>(50,000)</u>	<u>3,316,273</u>
	<u>\$18,226,413</u>	<u>\$10,451,082</u>	<u>\$ (11,197,055)</u>	<u>\$17,480,440</u>



# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

Net assets to be maintained indefinitely consisted of the following:

	<u>2021</u>	<u>2020</u>
Endowment		
Cash	\$ 13,000	\$ 13,500
Contributions receivable	-	250,000
Investments	3,311,270	3,042,228
Gift annuity	<u>10,353</u>	<u>10,545</u>
	<u>\$3,334,623</u>	<u>\$3,316,273</u>

### (10) ENDOWMENT FUNDS

An accounting standard exists which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The AACR is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, the AACR has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The AACR's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The spending policy calculates the amount of money annually distributed from the endowment fund to support various programs. The current spending policy is to distribute an amount equal to 5% of a moving three-year average of the fair value of the endowment fund.

Changes in the invested endowment assets for the years ended December 31, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Invested endowment net assets, December 31, 2020	\$3,229,667	\$3,042,228	\$6,271,895
Additions	-	260,000	260,000
Investment gain	204,409	209,032	413,441
Spending policy distribution	<u>(129,185)</u>	<u>(199,990)</u>	<u>(329,175)</u>
Invested endowment net assets, December 31, 2021	<u>\$3,304,891</u>	<u>\$3,311,270</u>	<u>\$6,616,161</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Invested endowment net assets, December 31, 2019	\$2,807,329	\$2,248,426	\$5,055,755
Additions	30,000	358,955	388,955
Investment gain	522,338	484,847	1,007,185
Spending policy distribution	<u>(130,000)</u>	<u>(50,000)</u>	<u>(180,000)</u>
Invested endowment net assets, December 31, 2020	<u>\$3,229,667</u>	<u>\$3,042,228</u>	<u>\$6,271,895</u>

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

### (11) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the AACR and Affiliates' financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

	<u>2021</u>	<u>2020</u>
Cash	\$ 20,011,039	\$ 19,421,547
Investments	180,346,310	137,599,338
Accounts receivable	<u>50,324,123</u>	<u>59,357,801</u>
Total financial assets	250,681,472	216,378,686
Less: financial assets not available for general operations within one year		
Restricted by donors with purpose restrictions	(27,246,714)	(14,089,452)
Restricted by donors in perpetuity	(3,334,623)	(3,316,273)
Investments with liquidity horizons greater than one year	(13,832,107)	(9,855,717)
Unfunded commitments to private equity funds	(11,140,000)	(8,139,022)
Board designated funds	<u>(58,980,743)</u>	<u>(46,019,346)</u>
Total financial assets available within one year	<u>\$136,147,285</u>	<u>\$134,958,876</u>

#### Liquidity Management

The AACR regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The AACR has various sources of liquidity at its disposal, including cash, money market funds, marketable debt and equity securities, and a line of credit.

### (12) PENSION PLAN AND OTHER BENEFITS

The AACR has a defined contribution pension plan covering substantially all eligible employees. Contributions to the plan, which are determined by the Board of Directors, were \$1,304,611 and \$1,232,643 for 2021 and 2020, respectively.

The AACR has an employment contract with its chief executive officer that provides for various types of compensated leave. The liability to the chief executive officer resulting from this contract and the AACR's standard leave policies, which is included in "accounts payable and other accrued expenses" in the accompanying statements of financial position, was \$1,642,250 and \$1,643,422 at December 31, 2021 and 2020, respectively.

### (13) COMMITMENTS

#### Operating Leases

The AACR leases office space for its headquarters in Philadelphia, Pennsylvania under a lease which expires in 2025 and satellite offices in Washington, D.C. and Boston, MA under leases which expire in 2028 and 2022, respectively. The Philadelphia lease may be renewed for a ten-year period, the Washington D.C. lease may be renewed at the AACR's discretion for a five-year period and the Boston lease may be renewed at the AACR's discretion for a one-year period. Each lease requires the AACR to pay its share of escalations in real estate taxes and operating expenses. Rent expense was \$2,433,334 and \$2,582,504 for 2021 and 2020, respectively.

The leases for office facilities contain scheduled rent increases which are being recognized on a straight-line basis over the lease terms.

# AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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Minimum annual lease commitments under noncancelable office leases are approximately as follows:

**Year ending December 31,**

2022	\$ 2,579,766
2023	2,516,669
2024	2,553,816
2025	2,591,109
2026	303,647
Thereafter	<u>630,279</u>
<b>Total</b>	<b><u>\$11,175,286</u></b>

**Other Commitments**

The AACR also entered into agreements with hotels providing room accommodations for its meetings and educational workshops through the year 2023. These agreements include a guarantee by the AACR that a minimum number of rooms will be rented by conference attendees.

### **(14) STAND UP TO CANCER**

Stand Up To Cancer, a program of the Entertainment Industry Foundation, was created through an unprecedented collaboration uniting the major television networks, entertainment industry executives and celebrities, and prominent leaders in cancer research and patient advocacy. Stand Up To Cancer embarked on a series of projects to raise significant dollars to fund research that will positively impact patient care and prevention. Since 2008, more than \$417 million has been pledged to the AACR by Stand Up To Cancer to accelerate groundbreaking research and bring new treatments to patients.

The AACR has a long-term contract with the Entertainment Industry Foundation to serve as the scientific partner for Stand Up To Cancer. The AACR provides scientific oversight, conducts expert peer review and is responsible for all aspects related to grant administration for Stand Up To Cancer. The funds for the Stand Up To Cancer initiative are recorded as the donor's conditions are satisfied. In 2021, AACR distributed over \$21 million in payments to fund Stand Up To Cancer Research Grants.

### **(15) IMPACT OF COVID-19 PANDEMIC ON AACR OPERATIONS**

The Covid-19 pandemic has profoundly impacted just about every aspect of our organization and our business in 2021. Much of our annual operating budget revolves around in-person meetings, events and activities. The most significant of which, the 2021 Annual Meeting, was cancelled and converted into a virtual meeting. Many other programs including special conferences, think tanks, educational workshops and fundraising events were also converted to virtual meetings or cancelled all together. Other projects, however, were able to proceed despite the pandemic, including the launch of a new open access journal, Cancer Research Communications. While it was an extremely challenging year both programmatically and financially, due to the excellent performance from the Investment Portfolio and the successful resolution of the Annual Meeting Cancellation Insurance, AACR was able to generate a positive surplus for the year.

### **(16) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 14, 2022 the date on which the consolidated financial statements were available to be issued. Except as noted in Note 15, no material subsequent events have occurred since December 31, 2021 that required recognition in the consolidated financial statements.