

American Association for Cancer Research Foundation

**(An Affiliate of American
Association for Cancer
Research, Inc.)**

Financial Statements
Years Ended December 31, 2021 and 2020



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**AMERICAN ASSOCIATION FOR CANCER RESEARCH FOUNDATION
(AN AFFILIATE OF AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC.)**

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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
American Association for Cancer Research Foundation
Philadelphia, Pennsylvania**

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Association for Cancer Research Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its 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 Foundation 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Foundation's ability to continue as a going concern within one year after the date that the 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 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 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 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 Foundation's 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 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 Foundation's 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 FOUNDATION
(AN AFFILIATE OF AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC.)

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Receivable from affiliate	\$ 8,389,390	\$ 7,881,379
Contributions receivable	70,000	320,000
Prepaid expenses and other	<u>6,240</u>	<u>3,246</u>
Total assets	<u>\$ 8,465,630</u>	<u>\$ 8,204,625</u>
 LIABILITIES		
Gift annuity obligations	<u>\$ 16,240</u>	<u>\$ 17,390</u>
 NET ASSETS		
Without donor restrictions	5,044,767	4,800,962
With donor restrictions	<u>3,404,623</u>	<u>3,386,273</u>
Total net assets	<u>8,449,390</u>	<u>8,187,235</u>
 Total liabilities and net assets	<u>\$ 8,465,630</u>	<u>\$ 8,204,625</u>

See accompanying notes

AMERICAN ASSOCIATION FOR CANCER RESEARCH FOUNDATION
(AN AFFILIATE OF AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC.)

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
REVENUE AND SUPPORT						
Contributions	\$ 41,192,319	\$ 79,500	\$ 41,271,819	\$ 49,717,940	\$ 184,455	\$ 49,902,395
Development fee	2,687,000	-	2,687,000	1,941,000	-	1,941,000
Net assets released from restriction	269,990	(269,990)	-	150,000	(150,000)	-
Total revenue and support	<u>44,149,309</u>	<u>(190,490)</u>	<u>43,958,819</u>	<u>51,808,940</u>	<u>34,455</u>	<u>51,843,395</u>
EXPENSES						
Program Service						
Grants to affiliate						
Meetings, conferences and educational events	4,309,440	-	4,309,440	2,289,898	-	2,289,898
Scientific awards, fellowships and career development awards and research grants	30,217,331	-	30,217,331	45,916,075	-	45,916,075
Education and training awards for early career scientists	5,176,855	-	5,176,855	274,641	-	274,641
Public education and training	131,000	-	131,000	150,500	-	150,500
Total program services	<u>39,834,626</u>	<u>-</u>	<u>39,834,626</u>	<u>48,631,114</u>	<u>-</u>	<u>48,631,114</u>
Supporting Services						
General and administrative	710,306	-	710,306	760,170	-	760,170
Fundraising	3,360,572	-	3,360,572	2,980,363	-	2,980,363
Total supporting services	<u>4,070,878</u>	<u>-</u>	<u>4,070,878</u>	<u>3,740,533</u>	<u>-</u>	<u>3,740,533</u>
Total expenses	<u>43,905,504</u>	<u>-</u>	<u>43,905,504</u>	<u>52,371,647</u>	<u>-</u>	<u>52,371,647</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	243,805	(190,490)	53,315	(562,707)	34,455	(528,252)
OTHER CHANGES						
Investment income	-	210,840	210,840	-	485,591	485,591
Change in value of charitable gift annuity obligations	-	(2,000)	(2,000)	-	(2,660)	(2,660)
Total other changes	<u>-</u>	<u>208,840</u>	<u>208,840</u>	<u>-</u>	<u>482,931</u>	<u>482,931</u>
CHANGE IN NET ASSETS	243,805	18,350	262,155	(562,707)	517,386	(45,321)
NET ASSETS						
Beginning of year	4,800,962	3,386,273	8,187,235	5,363,669	2,868,887	8,232,556
End of year	<u>\$ 5,044,767</u>	<u>\$ 3,404,623</u>	<u>\$ 8,449,390</u>	<u>\$ 4,800,962</u>	<u>\$ 3,386,273</u>	<u>\$ 8,187,235</u>

See accompanying notes

AMERICAN ASSOCIATION FOR CANCER RESEARCH FOUNDATION
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STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 262,155	\$ (45,321)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Change in value of gift annuity obligations	2,000	2,660
Contributions restricted for long-term purposes	(9,500)	(114,455)
(Increase) decrease in		
Receivable from affiliate	(508,011)	(283,274)
Contributions receivable	-	30,000
Prepaid expenses and other	(2,994)	49,085
Increase (decrease) in		
Gift annuity obligations	<u>(3,150)</u>	<u>(3,150)</u>
Net cash used for operating activities	<u>(259,500)</u>	<u>(364,455)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for investment in endowment	<u>259,500</u>	<u>364,455</u>
Net change in cash	-	-
CASH BALANCE		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

(1) NATURE OF OPERATIONS

The American Association for Cancer Research Foundation (the "*AACR Foundation*") was formed as a Pennsylvania nonprofit corporation. The American Association for Cancer Research, Inc. (the "*AACR*") is the sole member and parent organization 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 next paragraph.

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 cancer 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.

(2) SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements include only the accounts of the AACR Foundation.

The AACR Foundation reports information regarding its 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 Foundation 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 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 Foundation to expend the income generated in accordance with the provisions of the contribution.

Accounting Estimates

In preparing financial statements in conformity with 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 Foundation. Unobservable inputs reflect the AACR Foundation's 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:

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Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the AACR Foundation has 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 Foundation's own assumptions.

Concentrations of Credit Risk

Contributions receivable represent financial instruments which potentially subject the AACR Foundation to concentrations of credit risk. Contributions receivable are expected to be collected in 2022.

Concentration of Contributions

The AACR Foundation received approximately 35% and 61% of its contributions from one foundation in 2021 and 2020, respectively.

Contributions

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

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. 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 benefits which are allocated based on estimates of time and effort.

Income Tax Status

The AACR Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision or liability for income taxes is included in the accompanying financial statements.

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 Foundation believes that it had no uncertain tax positions.

(3) GIFT ANNUITY OBLIGATIONS

The AACR Foundation administers a charitable gift annuity contract, pursuant to which it must make specified annuity payments to the donor or his or her beneficiary over his or her lifetime. The liability reflected in the accompanying statements of financial position represents the present value of the expected future payments using a five percent discount rate. Payments to the donor or his or her beneficiary are recorded as reductions in the liability. Adjustments resulting from amortization of the discounts and changes in life expectancies of the donor or beneficiary are recorded as *"change in value of charitable gift annuity obligations"* in the accompanying statements of activities. The amount of the liability was \$16,240 at December 31, 2021 and \$17,390 at December 31, 2020.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

(4) NET ASSETS WITH DONOR RESTRICTIONS

	<u>Balance</u> <u>December 31, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2021</u>
Available in future periods	\$ 70,000	\$ 70,000	\$ (70,000)	\$ 70,000
Endowment	<u>3,316,273</u>	<u>218,340</u>	<u>(199,990)</u>	<u>3,334,623</u>
	<u>\$3,386,273</u>	<u>\$288,340</u>	<u>\$(269,990)</u>	<u>\$3,404,623</u>

	<u>Balance</u> <u>December 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2020</u>
Available in future periods	\$ 100,000	\$ 70,000	\$(100,000)	\$ 70,000
Endowment	<u>2,768,887</u>	<u>597,386</u>	<u>(50,000)</u>	<u>3,316,273</u>
	<u>\$2,868,887</u>	<u>\$667,386</u>	<u>\$(150,000)</u>	<u>\$3,386,273</u>

The endowment is required to be maintained indefinitely and provides income that is restricted for educational sessions at the AACR annual meeting and other purposes. The endowment has a historic dollar value of \$2,741,955 and \$2,732,455 at December 31, 2021 and 2020 respectively. The endowment assets consisted of the following at December 31;

	<u>2021</u>	<u>2020</u>
Receivable from affiliate	\$ 23,353	\$ 24,045
Contribution receivable	-	250,000
Investments (held by affiliate)	<u>3,311,270</u>	<u>3,042,228</u>
	<u>\$3,334,623</u>	<u>\$3,316,273</u>

(5) 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 Foundation 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 Foundation 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 Foundation'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.

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

	<u>With Donor Restrictions</u>
Invested endowment net assets, December 31, 2019	\$2,248,426
Additions	358,955
Investment income	484,847
Spending policy distribution	<u>(50,000)</u>
Invested endowment net assets, December 31, 2020	3,042,228
Additions	260,000
Investment income	209,032
Spending policy distribution	<u>(199,990)</u>
Invested endowment net assets, December 31, 2021	<u>\$3,311,270</u>

(6) LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2021</u>	<u>2020</u>
Receivable from affiliate	\$ 8,389,390	\$ 7,881,379
Contributions receivable	<u>70,000</u>	<u>320,000</u>
Total financial assets available within one year	8,459,390	8,201,379
Less: financial assets not available for general operations within one year		
Restricted by donors in perpetuity	<u>(3,334,623)</u>	<u>(3,316,273)</u>
Total financial assets available within one year	<u>\$ 5,124,767</u>	<u>\$ 4,885,106</u>

Liquidity Management

As part of the AACR Foundation's liquidity management, the AACR on the Foundation's behalf invests cash in excess of daily requirements in short-term investments, typically money market funds.

(7) EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION

Expenses by functional and natural expense classification for the years ended December 31, 2021 and 2020 are as follows:

<u>2021</u>	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ -	\$529,984	\$2,501,979	\$ 3,031,873
Duplication, printing and supplies	-	1,133	16,605	17,738
Grants to AACR	39,834,626	-	-	39,834,626
Marketing	-	-	12,939	12,939
Miscellaneous	-	119,208	161,531	280,739
Professional fees	-	6,288	470,041	476,329
Rent	-	53,783	190,685	244,468
Travel, speakers and staff	<u>-</u>	<u>-</u>	<u>6,792</u>	<u>6,792</u>
	<u>\$39,834,626</u>	<u>\$710,306</u>	<u>\$3,360,572</u>	<u>\$43,905,504</u>

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2020	Program	General and Administrative	Fundraising	Total
Salaries and fringe benefits	\$ -	\$542,975	\$1,971,939	\$ 2,514,914
Duplication, printing and supplies	-	2,294	26,175	28,469
Grants to AACR	48,631,114	-	-	48,631,114
Marketing	-	-	24,010	24,010
Meetings and receptions	-	-	2,114	2,114
Miscellaneous	-	156,980	36,541	193,521
Professional fees	-	-	751,235	751,235
Rent	-	57,921	147,434	205,355
Travel, speakers and staff	-	-	20,915	20,915
	<u>\$48,631,114</u>	<u>\$760,170</u>	<u>\$2,980,363</u>	<u>\$52,371,647</u>

(8) RELATED PARTY TRANSACTIONS

The AACR Foundation had a non-interest bearing receivable from the AACR of \$8,389,390 and \$7,881,379 at December 31, 2021 and 2020, respectively. There is no formal repayment schedule.

The AACR Foundation charged the AACR a fee of \$2,687,000 in 2021 and \$1,941,000 in 2020 for development services.

The AACR Foundation made grants to the AACR of \$39,834,626 in 2021 and \$48,631,114 in 2020.

During 2021 and 2020, the AACR charged personnel and other costs of \$4,070,878 and \$3,740,533, respectively, to the AACR Foundation.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 14, 2022 the date on which the financial statements were available to be issued. The AACR Foundation evaluated its December 31, 2021 financial statements for subsequent events through the date the financial statements were issued. The extent of the impact of COVID-19 on the AACR Foundation's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred since December 31, 2021 that required recognition in the financial statements