

American Association for Cancer Research, Inc. and Affiliates

Consolidated Financial Statements
Years Ended December 31, 2022 and 2021



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AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

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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, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, on January 1, 2022, the American Association for Cancer Research, Inc. and Affiliates adopted ASU 2016-02 (topic 842). Our opinion is not modified with respect to that matter.

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
June 2, 2023

AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 16,697,338	\$ 20,011,039
Investments	161,155,480	180,346,310
Accounts receivable		
Publication revenue receivable	619,159	678,569
Contributions receivable	33,747,253	48,170,096
Other receivables	2,620,918	1,475,458
Prepaid expenses and other	2,313,190	2,030,718
Property and equipment (net of accumulated depreciation of \$4,468,185 in 2022 and \$4,118,465 in 2021)	237,947	587,667
Operating lease right-of-use-assets	<u>7,226,174</u>	<u>-</u>
Total assets	<u>\$ 224,617,459</u>	<u>\$ 253,299,857</u>
LIABILITIES		
Accounts payable and other accrued expenses	\$ 10,974,671	\$ 13,802,494
Grants payable	29,792,306	39,029,564
Deferred income	23,558,683	14,307,022
Operating leases liability	<u>8,010,357</u>	<u>-</u>
Total liabilities	<u>72,336,017</u>	<u>67,139,080</u>
NET ASSETS		
Without donor restrictions		
Undesignated	69,384,966	96,598,697
Board designated	<u>58,857,904</u>	<u>58,980,743</u>
Total net assets without donor restrictions	128,242,870	155,579,440
With donor restrictions	<u>24,038,572</u>	<u>30,581,337</u>
Total net assets	<u>152,281,442</u>	<u>186,160,777</u>
Total liabilities and net assets	<u>\$ 224,617,459</u>	<u>\$ 253,299,857</u>

See accompanying notes

AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Membership dues	\$ 4,474,214	\$ -	\$ 4,474,214	\$ 4,273,814	\$ -	\$ 4,273,814
Meetings and educational workshops	25,827,973	-	25,827,973	15,503,304	-	15,503,304
Publications	19,181,154	-	19,181,154	19,781,341	-	19,781,341
Scientific initiatives	2,448,001	-	2,448,001	5,243,337	-	5,243,337
Endowment distribution	194,695	(62,499)	132,196	329,175	(199,990)	129,185
Other	345,108	-	345,108	499,708	-	499,708
Total revenue	52,471,145	(62,499)	52,408,646	45,630,679	(199,990)	45,430,689
SUPPORT						
Contributions and grants	20,493,506	9,053,530	29,547,036	19,414,653	22,339,801	41,754,454
NET ASSETS RELEASED FROM RESTRICTIONS	13,710,107	(13,710,107)	-	9,247,714	(9,247,714)	-
Total revenue and support	86,674,758	(4,719,076)	81,955,682	74,293,046	12,892,097	87,185,143
EXPENSES						
Program Services						
Research grants and scientific awards	25,056,116	-	25,056,116	22,980,033	-	22,980,033
Meetings and educational workshops	20,045,833	-	20,045,833	9,033,784	-	9,033,784
Publications	13,050,911	-	13,050,911	13,485,617	-	13,485,617
Communications, science policy and public education	8,764,853	-	8,764,853	7,217,574	-	7,217,574
Scientific programs	7,104,535	-	7,104,535	6,478,896	-	6,478,896
Total program services	74,022,248	-	74,022,248	59,195,904	-	59,195,904
Supporting Services						
Membership development and services	2,466,939	-	2,466,939	2,091,225	-	2,091,225
General and administrative	4,605,388	-	4,605,388	4,529,891	-	4,529,891
Fundraising	3,695,103	-	3,695,103	3,360,572	-	3,360,572
Total supporting services	10,767,430	-	10,767,430	9,981,688	-	9,981,688
Total expenses	84,789,678	-	84,789,678	69,177,592	-	69,177,592
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	1,885,080	(4,719,076)	(2,833,996)	5,115,454	12,892,097	18,007,551
OTHER CHANGES						
Investment income (loss)	(29,221,650)	(611,479)	(29,833,129)	16,577,646	210,800	16,788,446
Return of undistributed pledges	-	(1,209,600)	(1,209,600)	-	-	-
Insurance claim settlement	-	-	-	8,523,667	-	8,523,667
Gain on forgiveness of loan payable - Paycheck Protection Program	-	-	-	4,558,714	-	4,558,714
Change in value of gift annuity obligations	-	(2,610)	(2,610)	-	(2,000)	(2,000)
CHANGE IN NET ASSETS	(29,221,650)	(1,823,689)	(31,045,339)	29,660,027	208,800	29,868,827
NET ASSETS						
Beginning of year	155,579,440	30,581,337	186,160,777	120,803,959	17,480,440	138,284,399
End of year	\$ 128,242,870	\$ 24,038,572	\$ 152,281,442	\$ 155,579,440	\$ 30,581,337	\$ 186,160,777

See accompanying notes

AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022 with comparative totals for 2021

	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	
									2022	2021
Salaries and fringe benefits	\$ 1,658,666	\$ 5,406,726	\$ 7,266,382	\$ 4,818,394	\$ 2,492,817	\$ 1,569,674	\$ 2,727,876	\$ 2,314,602	\$ 28,255,137	\$ 28,101,667
Audio-visual services	89,207	4,010,095	17,735	130,251	271,231	65,404	106,401	81,019	4,771,343	1,395,032
Commercial exhibits	-	551,461	-	-	-	-	-	-	551,461	23,320
Computer programming and maintenance	145,339	533,534	349,921	239,981	147,214	81,020	258,841	95,863	1,851,713	1,743,443
Credit card fees	-	663,034	170,298	831	1,591	75,781	1,612	21,221	934,368	661,665
Depreciation	12,944	48,707	65,381	52,369	27,322	14,485	102,825	25,687	349,720	397,879
Dues and subscriptions	1,639	140	18,730	202,559	3,812	730	23,602	8,441	259,653	244,003
Duplication, printing and supplies	51,141	98,566	28,955	174,411	39,751	69,529	69,911	21,221	553,485	343,195
Equipment rental	836	15,764	4,224	5,483	1,764	935	429	1,522	30,957	13,431
Grants and awards	22,484,702	385,578	-	-	106,317	-	-	-	22,976,597	20,949,530
Honoraria	169,250	395,200	741,870	-	24,000	-	-	-	1,330,320	1,176,319
Hotel lodging and facilities rental	48,519	2,322,929	35,595	49,078	78,930	44,410	176,938	29,030	2,785,429	12,960
Insurance	6,750	159,062	34,092	23,283	14,246	7,553	13,699	12,290	270,975	189,129
Marketing and branding	9,095	591,928	274,090	1,194,424	37,338	69,830	24,790	435,187	2,636,682	1,846,194
Meetings and receptions	132,637	2,100,942	28,454	128,351	347,313	138,142	205,750	138,379	3,219,968	15,668
Miscellaneous	10,006	57,065	42,265	16,906	19,513	6,538	100,378	8,869	261,540	362,356
On-site transportation	-	621,253	-	6,738	-	-	-	-	627,991	-
Postage and freight	6,306	65,108	8,732	25,303	3,410	88,284	15,506	4,327	216,976	102,584
Printing and production	-	113,331	2,690,007	310,517	-	23,056	-	-	3,136,911	3,529,272
Professional fees	18,394	271,939	362,106	701,240	3,011,727	17,449	443,024	203,697	5,029,576	5,188,603
Rent	128,517	454,777	690,878	526,514	253,656	125,121	130,444	214,707	2,524,614	2,433,334
Telecommunications	11,999	49,239	60,378	64,518	24,988	13,344	37,032	21,668	283,166	328,495
Temporary personnel	-	67,074	-	-	81,191	14,644	21,738	-	184,647	1,094
Travel, speakers and staff	65,386	1,044,124	136,655	77,200	106,304	35,656	131,872	48,661	1,645,858	26,528
Utilities and building maintenance	4,783	18,257	24,163	16,502	10,100	5,354	12,720	8,712	100,591	91,891
	<u>\$ 25,056,116</u>	<u>\$ 20,045,833</u>	<u>\$ 13,050,911</u>	<u>\$ 8,764,853</u>	<u>\$ 7,104,535</u>	<u>\$ 2,466,939</u>	<u>\$ 4,605,388</u>	<u>\$ 3,695,103</u>	<u>\$ 84,789,678</u>	<u>\$ 69,177,592</u>

See accompanying notes

AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

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

See accompanying notes

AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (33,879,335)	\$ 47,876,378
<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	(2,496,635)	(3,127,659)
Net unrealized (gain) loss on investments	32,606,745	(12,877,038)
Depreciation	349,720	397,879
Discount on contribution receivable	-	660,000
Contributions restricted for long-term purposes	(8,000)	(9,500)
Return of undistributed pledges	1,209,600	-
Gain on forgiveness of loan payable - Paycheck Protection Program	-	(4,558,714)
Change in value of gift annuity obligations	2,610	2,000
(Increase) decrease in		
Accounts receivable	12,119,193	8,123,178
Prepaid expenses and other	(282,472)	(662,985)
Right-of-use-assets	(7,226,174)	-
Increase (decrease) in		
Accounts payable and other accrued expenses	(2,830,433)	1,529,460
Grants payable	(9,237,258)	(15,922,874)
Deferred income	9,251,661	5,641,642
Operating leases liability	8,010,357	-
Net cash provided by operating activities	<u>7,589,579</u>	<u>27,071,767</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	40,075,523	14,246,829
Purchase of investments	<u>(50,994,803)</u>	<u>(40,989,104)</u>
Net cash used for investing activities	<u>(10,919,280)</u>	<u>(26,742,275)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for endowment	<u>16,000</u>	<u>260,000</u>
Net change in cash	(3,313,701)	589,492
CASH BALANCE		
Beginning of year	<u>20,011,039</u>	<u>19,421,547</u>
End of year	<u>\$ 16,697,338</u>	<u>\$ 20,011,039</u>

See accompanying notes

AMERICAN ASSOCIATION FOR CANCER RESEARCH, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(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, 2022 and 2021

(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 consolidated 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 consolidated 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, 2022 and 2021

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.

Leases

Effective with the implementation of ASU 2016-02, Leases (Topic 842) and subsequent amendments to the initial guidance (collectively, Topic 842) on January 1, 2022, operating leases are recorded in right-of-use-assets and lease liabilities in the consolidated statements of financial position. Leases with a term of twelve months or less are considered short term leases and are accounted for as an expense in the consolidated statements of activities as rental payments are incurred.

Operating lease assets represent the AACR's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The AACR uses the implicit rate when readily determinable. When the lease does not provide an implicit rate, the AACR uses a secured borrowing rate based on the information available at commencement date in determining the present value of lease payments.

The AACR's lease terms may include options to extend if the option is considered reasonably certain to be exercised. Operating lease expense for lease payments are recognized on a straight-line basis over the lease term. Prior to January 1, 2022 and the implementation of ASU 2016-02, Leases (Topic 842), operating leases were accounted for as expense in the consolidated statements of activities when the rental payment was incurred. No asset or liability was recorded for operating leases.

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.

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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, 2022 is expected to be recognized as revenue as follows:

Year ending December 31,

2023	\$22,057,683
2024	782,000
2025	<u>719,000</u>
	<u>\$23,558,683</u>

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 and grants 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.

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.

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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).

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases (Topic 842) and subsequent amendments to the initial guidance (collectively, Topic 842). Under the new guidance, lessees are required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. This guidance was effective for the AACR on January 1, 2022, with early application permitted. The AACR adopted this standard using the modified retrospective approach. The results for reporting periods after January 1, 2022 are presented under Topic 842, while prior periods have not been adjusted.

The AACR elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the AACR to carry forward the historical lease classification. The AACR has also elected the practical expedient to not separate lease components from non-lease components. As a result of the adoption of Topic 842, the AACR recognized \$10,131,000 of operating lease right-of-use-assets and operating lease liabilities in the consolidated statements of financial position at January 1, 2022. There was no material impact on net assets.

(3) INVESTMENTS

Investments at December 31, consisted of the following:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 3,394,949	\$ 7,818,212
Common stocks	18,309,129	24,659,447
Mutual funds		
Fixed income	34,368,498	44,332,784
Equity	8,816,325	6,394,560
Equity exchange traded funds	6,602,260	-
Limited partnerships	<u>89,664,319</u>	<u>97,141,307</u>
	<u>\$161,155,480</u>	<u>\$180,346,310</u>

Investment income (loss) was comprised of the following:

	<u>2022</u>	<u>2021</u>
Net realized gain	\$ 2,496,635	\$ 3,127,659
Net unrealized gain (loss)	(32,606,745)	12,877,038
Interest and dividends	1,717,442	1,380,299
Investment management fees	<u>(1,308,265)</u>	<u>(467,365)</u>
	<u>\$ (29,700,933)</u>	<u>\$ 16,917,631</u>

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

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Limited partnerships consisted of the following at December 31, 2022:

	<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	\$14,740,839	none	quarterly	60 days
U.S. large cap	18,115,899	none	monthly	10-30 days
U.S. large/mid cap	5,739,330	none	monthly	10 days
U.S. small/mid cap	3,667,234	none	monthly	10-30 days
Emerging markets	10,291,093	none	monthly	10 days
International	10,120,746	none	monthly	30 days
Equities long/short private fund (b)	2,613,618	none	semi-annual	90 days
Private equity funds (c)	<u>24,375,560</u>	\$29,610,000	none	none
	<u>\$89,664,319</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, 2022 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, 2022.

(c) – This category includes fifteen funds that invest 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>2022</u>	<u>2021</u>
In less than one year	\$25,977,682	\$38,584,346
In one to five years	<u>8,469,571</u>	<u>10,285,750</u>
	34,447,253	48,870,096
Less discount to net present value	(660,000)	(660,000)
Less allowance for uncollectible contributions receivable	<u>(40,000)</u>	<u>(40,000)</u>
	<u>\$33,747,253</u>	<u>\$48,170,096</u>

(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>2022</u>	<u>2021</u>
To be paid in less than one year	\$26,567,306	\$35,626,064
To be paid in one to five years	<u>3,225,000</u>	<u>3,403,500</u>
	<u>\$29,792,306</u>	<u>\$39,029,564</u>

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(6) 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, 2022 and 2021.

(7) NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

Board designated net assets consisted of the following:

	<u>Balance</u> <u>December 31, 2021</u>	<u>Additions</u>	<u>Investment</u> <u>Loss</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2022</u>
Oncology Development fund	\$40,154,499	\$10,500,000	\$ (9,888,086)	\$ -	\$40,766,413
Reserve fund	15,521,353	-	-	-	15,521,353
Quasi-Endowment fund	3,304,891	-	(602,557)	(132,196)	2,570,138
	<u>\$58,980,743</u>	<u>\$10,500,000</u>	<u>\$(10,490,643)</u>	<u>\$(132,196)</u>	<u>\$58,857,904</u>

	<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	3,229,667	-	204,409	(129,185)	3,304,891
	<u>\$46,019,346</u>	<u>\$10,830,167</u>	<u>\$2,260,415</u>	<u>\$(129,185)</u>	<u>\$58,980,743</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, 2022 and 2021, the AACR received income distributions of \$132,196 and \$129,185, respectively, from the Quasi-Endowment Fund.

(8) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Balance</u> <u>December 31, 2021</u>	<u>Additions</u> <u>(Subtractions)</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2022</u>
Subject to expenditure for specified purpose or periods				
Research Grants and Fellowships	\$19,505,939	\$4,858,386	\$(11,191,915)	\$13,172,410
Meetings and Educational Workshops	2,291,145	1,495,000	(1,365,000)	2,421,145
Education and Training	4,817,915	1,390,544	(1,083,192)	5,125,267
Other	557,000	17,000	-	574,000
Available in future periods	74,715	75,000	(70,000)	79,715
	<u>27,246,714</u>	<u>7,835,930</u>	<u>(13,710,107)</u>	<u>21,372,537</u>
Net assets to be maintained indefinitely				
Endowment, with an historic dollar value of \$2,749,955, whose income is available to support the programs, services and mission of the AACR	3,334,623	(606,089)	(62,499)	2,666,035
	<u>\$30,581,337</u>	<u>\$7,229,841</u>	<u>\$(13,772,606)</u>	<u>\$24,038,572</u>

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	<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>

Net assets to be maintained indefinitely consisted of the following:

	<u>2022</u>	<u>2021</u>
Endowment		
Cash	\$ 5,000	\$ 13,000
Investments	2,658,134	3,311,270
Gift annuity	<u>2,901</u>	<u>10,353</u>
	<u>\$2,666,035</u>	<u>\$3,334,623</u>

(9) 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, 2022 and 2021 are as follows:

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Invested endowment net assets, December 31, 2021	\$3,304,891	\$3,311,270	\$ 6,616,161
Additions	-	16,000	16,000
Investment loss	(602,557)	(606,637)	(1,209,194)
Spending policy distribution	<u>(132,196)</u>	<u>(62,499)</u>	<u>(194,695)</u>
Invested endowment net assets, December 31, 2022	<u>\$2,570,138</u>	<u>\$2,658,134</u>	<u>\$ 5,228,272</u>
	<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>

(10) LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 16,697,338	\$ 20,011,039
Investments	161,155,480	180,346,310
Accounts receivable	<u>36,987,330</u>	<u>50,324,123</u>
Total financial assets	214,840,148	250,681,472
Less: financial assets not available for general operations within one year		
Restricted by donors with purpose restrictions	(21,292,822)	(27,246,714)
Restricted by donors in perpetuity	(2,666,035)	(3,334,623)
Investments with liquidity horizons greater than one year	(24,375,560)	(13,832,107)
Unfunded commitments to private equity funds	(29,610,000)	(11,140,000)
Board designated funds	<u>(58,857,904)</u>	<u>(58,980,743)</u>
Total financial assets available within one year	<u>\$ 78,037,827</u>	<u>\$136,147,285</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 (See Note 6).

(11) 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 \$1,393,493 and \$1,304,611 for 2022 and 2021, respectively.

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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 consolidated statements of financial position, was \$1,638,944 and \$1,642,250 at December 31, 2022 and 2021, respectively.

(12) LEASES

The AACR has operating leases for office space for its headquarters in Philadelphia, Pennsylvania under a lease which expires in 2025 and a satellite office in Washington, D.C. which expires in 2028. The Philadelphia lease may be renewed for a ten-year period and the Washington D.C. lease may be renewed at the AACR's discretion for a five-year period. The lease renewal options are not recognized as part of the operating right-of-use-asset and operating leases liability. Each lease requires the AACR to pay its share of escalations in real estate taxes and operating expenses. Rent expense under these operating leases was \$2,418,930 for the year ended December 31, 2022. Total rent expense, which includes short term leases and operating leases, was \$2,524,614 and \$2,433,334 for the years ended December 31, 2022 and 2021, respectively.

The maturities of operating lease liabilities as of December 31, 2022 were as follows:

Year ending December 31,

2023	\$2,516,669
2024	2,553,816
2025	2,591,109
2026	303,647
2027	311,244
2028	<u>319,035</u>
	8,595,520
Less: Interest	<u>(585,163)</u>
Present value of operating leases liability	<u>\$8,010,357</u>

The weighted average remaining lease term on operating leases was 3.6 years and the weighted average discount rate was 4% as of December 31, 2022.

(13) SELF INSURED HEALTH INSURANCE

The AACR has a self-insured health benefits plan, which provides medical insurance benefits to employees electing coverage under the plan. The AACR maintains a reserve for incurred but not reported medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. The AACR has a stop loss policy that covers individual claims in excess of \$85,000 and aggregate claims of more than \$1,000,000. The AACR was reimbursed \$1,887,758 for stop loss claims in 2022. The AACR's reserve for incurred but not reported medical claims was \$50,000 at December 31, 2022.

(14) COMMITMENT

The AACR has entered into agreements with hotels providing room accommodations for its meetings and educational workshops through the year 2026. These agreements include a guarantee by the AACR that a minimum number of rooms will be rented by conference attendees.

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(15) 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 \$425 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 2022, AACR distributed over \$20 million in payments to fund Stand Up To Cancer Research Grants.

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 2, 2023 the date on which the consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2022 that required recognition in the consolidated financial statements.