American Cancer Society, Inc.

Financial Statements

As of and for the Years Ended December 31, 2019 and 2018

American Cancer Society, Inc.
Contents
December 31, 2019 and 2018

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Report of Independent Auditors

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

We have audited the accompanying financial statements of the American Cancer Society, Inc. ("the Society"), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Cancer Society, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

August 28, 2020

AMERICAN CANCER SOCIETY, INC.
BALANCE SHEETS
DECEMBER 31, 2019 and 2018
(In Thousands)

Assets

	2019	2018
Current assets		
Cash and cash equivalents	$ 90,724	$ 68,182
Investments	70,940	66,221
Receivables, net	53,480	45,555
Prepaid expenses	13,610	16,069
Bequests receivable	85,391	79,010
Total current assets	314,145	275,037
Receivables, net	39,659	65,032
Other assets	7,696	6,400
Gift annuity investments	39,182	36,587
Investments	688,329	715,306
Beneficial interests in trusts	355,309	328,126
Fixed assets, net	278,426	255,164
Total assets	$ 1,722,746	$ 1,681,652

Liabilities and Net Assets

	2019	2018
Current liabilities		
Accounts payable and other accrued expenses	$ 75,472	$ 77,986
Research and other program grants payable	90,367	88,171
Employee retirement benefits	15,803	15,847
Debt	31,214	1,665
Other liabilities	3,974	8,977
Total current liabilities	216,830	192,646
Research and other program grants payable	114,092	117,391
Employee retirement benefits	191,233	160,255
Other liabilities	8,876	9,522
Debt	19,660	50,875
Gift annuity obligations	13,299	14,204
Total liabilities	563,990	544,893
Commitments and contingencies		
Net assets		
Without donor restrictions	473,835	496,435
With donor restrictions	684,921	640,324
Total net assets	1,158,756	1,136,759
Total liabilities and net assets	$ 1,722,746	$ 1,681,652

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

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

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

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

AMERICAN CANCER SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Our mission program and mission support expenses were:			
Mission program services:			
Patient support	$ 269,223	$ -	$ 269,223
Research	147,852		147,852
Prevention	104,212	-	104,212
Detection/treatment	65,345	-	65,345
Total mission program services	586,632	-	586,632
Mission support services:			
Management and general	36,064	-	36,064
Fund-raising	134,143	-	134,143
Total mission support services	170,207	-	170,207
Total mission program and mission support services expenses	756,839	-	756,839
Our mission program and mission support expenses were funded by:			
Support from the public:			
Special events, including Relay For Life® and Making Strides Against Breast Cancer®	229,838	78,116	307,954
Contributions	135,544	79,202	214,746
Bequests	96,361	48,697	145,058
Contributed services, merchandise and other in-kind contributions	25,642	30,486	56,128
Other	2,864	1,434	4,298
Total support from the public	490,249	237,935	728,184
Investment income	7,337	776	8,113
Change in value of split-interest agreements	(1,629)	(20,331)	(21,960)
Grants and contracts from government agencies	5,373	442	5,815
Other gains	3,852	204	4,056
Total revenues, gains and other support	505,182	219,026	724,208
Use of amounts restricted by donors for specified purpose or time	220,182	(220,182)	-
Change in net assets prior to impact of retirement plan liability	(31,475)	(1,156)	(32,631)
Net decrease in retirement plan liability	(13,826)	-	(13,826)
Change in net assets	(17,649)	(1,156)	(18,805)
Net assets, beginning of period	514,084	641,480	1,155,564
Net assets, end of period	$ 496,435	$ 640,324	$ 1,136,759

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

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

	Mission program					Mission support					
	Patient support	Research	Prevention	Detection / treatment	Total mission program	Management and general	Fund-raising	Total mission support	Total before exchange expenses	Exchange expenses (see note 6)	Total
Mission program and mission support expenses											
Salaries	$ 105,747	$ 23,341	$ 52,014	$ 29,757	$ 210,859	$ 11,496	$ 66,414	$ 77,910	$ 288,769	$ 5,617	$ 294,386
Employee benefits	19,249	3,014	8,928	4,894	36,085	1,766	10,536	12,302	48,387	1,094	49,481
Payroll taxes	7,790	1,592	3,738	2,163	15,283	758	4,628	5,386	20,669	357	21,026
Professional fees	17,195	12,195	10,187	6,943	46,520	7,052	10,517	17,569	64,089	4,888	68,977
Grants for mission program services	3,442	90,370	3,547	3,340	100,699	-	-	-	100,699	-	100,699
Educational materials	23,587	1,380	7,944	15,224	48,135	1,636	10,770	12,406	60,541	9,841	70,382
Direct assistance	23,360	-	294	160	23,814	-	-	-	23,814	-	23,814
Travel	4,082	810	3,859	1,877	10,628	367	3,506	3,873	14,501	38	14,539
Postage and shipping	3,320	172	2,761	845	7,098	1,518	3,815	5,333	12,431	70	12,501
Meetings and conferences	1,633	713	1,944	969	5,259	756	1,469	2,225	7,484	15,914	23,398
Community office locations, incl. rent, maintenance and utilities	27,708	3,226	4,161	5,056	40,151	37	5,081	5,118	45,269	10,077	55,346
Technology	9,196	4,750	3,905	2,254	20,105	458	4,752	5,210	25,315	3	25,318
Telecommunications	2,508	1,468	1,240	766	5,982	148	1,474	1,622	7,604	7	7,611
Depreciation and amortization	9,008	1,508	1,251	1,823	13,590	148	1,659	1,807	15,397	1	15,398
Miscellaneous	9,843	1,453	2,645	1,972	15,913	3,176	5,851	9,027	24,940	7,589	32,529
Cost of donated merchandise sold	-	-	-	-	-	-	-	-	-	25,822	25,822
Total mission program, mission support, and exchange expenses	$ 267,668	$ 145,992	$ 108,418	$ 78,043	$ 600,121	$ 29,316	$ 130,472	$159,788	$ 759,909	$ 81,318	$ 841,227

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

AMERICAN CANCER SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands)

	Mission program					Mission support					
	Patient support	Research	Prevention	Detection / treatment	Total mission program	Management and general	Fund-raising	Total mission support	Total before exchange expenses	Exchange expenses (see note 6)	Total
Mission program and mission support expenses											
Salaries	$ 106,515	$ 23,720	$ 47,633	$ 29,559	$ 207,427	$ 15,977	$ 63,111	$ 79,088	$ 286,515	$ 4,997	$ 291,512
Employee benefits	18,085	2,894	7,423	4,409	32,811	2,292	9,135	11,427	44,238	-	44,238
Payroll taxes	8,456	1,740	3,637	2,265	16,098	1,199	4,867	6,066	22,164	318	22,482
Professional fees	19,038	13,694	10,401	6,014	49,147	5,488	10,849	16,337	65,484	6,291	71,775
Grants for mission program services	2,279	92,258	5,272	4,027	103,836	-	-	-	103,836	-	103,836
Educational materials	25,154	1,147	6,770	6,158	39,229	2,044	15,031	17,075	56,304	162	56,466
Direct assistance, incl. wigs, and Look Good Feel Better® kits	28,824	-	25	178	29,027	-	-	-	29,027	-	29,027
Travel	4,041	1,171	3,597	1,743	10,552	500	3,051	3,551	14,103	71	14,174
Postage and shipping	3,926	213	2,314	1,018	7,471	1,649	3,948	5,597	13,068	263	13,331
Meetings and conferences	2,024	950	1,963	922	5,859	411	1,505	1,916	7,775	16,649	24,424
Community office locations, incl.					-						
rent, maintenance and utilities	25,802	2,644	5,675	3,540	37,661	2,003	8,005	10,008	47,669	6,377	54,046
Technology	7,595	3,088	2,884	1,529	15,096	1,434	4,534	5,968	21,064	58	21,122
Telecommunications	3,496	1,527	1,306	844	7,173	424	1,795	2,219	9,392	9	9,401
Depreciation and amortization	5,832	1,040	2,086	1,434	10,392	817	3,370	4,187	14,579	2	14,581
Miscellaneous	8,156	1,766	3,226	1,705	14,853	1,826	4,942	6,768	21,621	19,399	41,020
Cost of donated merchandise sold	-	-	-	-	-	-	-	-	-	24,168	24,168
Total mission program, mission support, and exchange expenses	$ 269,223	$ 147,852	$ 104,212	$ 65,345	$ 586,632	$ 36,064	$ 134,143	$ 170,207	$ 756,839	$ 78,764	$ 835,603

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

AMERICAN CANCER SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018
(In Thousands)

	2019	2018
Cash flows from operating activities		
Cash received from (paid for):		
Special events	$ 316,631	$ 349,100
Contributions	202,245	160,588
Bequests	142,357	145,458
Other support from the public	15,437	4,374
Government grants	6,980	3,121
Interest and dividends on investments, net	25,962	25,155
Other revenue	6,689	6,193
Program services	30,865	29,093
Interest on debt	(1,322)	(1,294)
Employees and suppliers	(647,358)	(641,018)
Direct assistance	(10,805)	(7,654)
Retirement plan contributions	(26,985)	(27,519)
Grants for mission program services	(101,802)	(106,472)
Net cash paid for operating activities	(41,106)	(60,875)
Cash flows from investing activities		
Purchase of fixed assets	(46,065)	(36,366)
Proceeds from disposal of fixed assets	4,776	15,415
Support from the public restricted for fixed asset acquisition	15,589	32,136
Purchases of investments	(720,620)	(819,896)
Proceeds from maturities or sale of investments	808,313	819,249
Net cash received from investing activities	61,993	10,538
Cash flows from financing activities		
Payments made to annuitants	(1,800)	(2,034)
Proceeds from annuitants	772	827
Support from the public restricted for long-term Investment	4,348	4,887
Payments on debt	(1,665)	(5,719)
Net cash (paid for) received from financing activities	1,655	(2,039)
Net change in cash, cash equivalents and restricted cash	22,542	(52,376)
Cash, cash equivalents and restricted cash, beginning of year	68,182	120,558
Cash, cash equivalents and restricted cash, end of year	$ 90,724	$ 68,182

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

STEWARDSHIP FOCUSED DISCLOSURES

1. Organizational Overview

Our mission

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

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

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

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

(Dollars in thousands)

1. Organizational overview, continued

Our mission program and mission support expenses

Our expenses fall into two categories: first, our mission program activities – which are the four areas above, and second, mission support services – expenses incurred to support our mission activities – which include: our internal audit function, which provides oversight of our accounting, internal control, and information technology processes; our shared services organization, which processes enterprise-wide financial and constituent transactions; general infrastructure costs; and the costs of fundraising. Other than our volunteer base, our largest resource – our staff – are allocated in both categories depending on their role, set of activities and effort reporting. Expenses for our community office locations, including rent are also allocated based on our staff effort reporting. Other expenses are allocated based on various methods including the underlying purpose of transactions. For the years ended December 31, 2019 and 2018, our mission expenses were allocated to these two areas as follows:

	2019		2018	
Mission program expenses	$ 600,121	79 %	$ 586,632	78 %
Mission support expenses	159,788	21	170,207	22
Total	$ 759,909	100 %	$ 756,839	100 %

2. Liquidity considerations

Investments

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

We maintain a pool of short-term investments for the primary purpose of providing liquidity for daily operating needs while preserving principal. The overall short-term investment balance is targeted based on our projected daily and monthly net cash flows and is generally intended to ensure all operating needs are met throughout the year without tapping into our long-term investments. Additionally, the pool utilizes a tiered investment structure of very liquid money market funds and short-term fixed income instruments to provide the highest current total return consistent with providing both liquidity and safety of principal. The amount allocated to the tiers is based on historical and projected operating cash flow needs.

We also maintain a pool of long-term investments with an intermediate and long-term horizon for the primary goal of providing modest asset growth while protecting principal and preserving the real purchasing power of the investments. The pool utilizes a fully diversified approach to asset allocation in the following asset classes and targets:

Global Equity	16%
Private Real Estate	5%
Hedge Funds	10%
Multi-Asset Credit	9%
Core Fixed Income	33%
Treasury Inflation-Protected Security	7%
Short Duration Fixed Income	10%
Cash Equivalents	10%

(Dollars in thousands)

2. Liquidity considerations, continued

Investments, continued

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

	December 31, 2019		December 31, 2018	
Money market funds and time deposits	$ 71,542	9 %	$ 68,562	8 %
Corporate bonds	121,321	15	161,291	20
U.S. government and government agency obligations	157,799	20	110,020	13
Commercial paper and other short-term investments	125,242	16	194,746	24
Equities	139,014	17	133,863	16
Hedge funds	86,645	11	81,874	10
Mutual funds	87,009	11	64,283	8
Other	9,879	1	3,475	1
	$ 798,451	100 %	$ 818,114	100 %

Gift annuity investments

Sufficient assets are maintained to meet the annuity requirements stipulated by the various state laws. We are required to hold reserves related to our gift annuity program based on the laws in certain states in which we solicit these gifts. Such reserves totaled $25,883 and $22,383 at December 31, 2019 and 2018, respectively, and are included in gift annuity investments in the accompanying balance sheets.

Planned gifts (bequests and beneficial interest in trusts)

We are the beneficiary of planned gifts under bequests, other testamentary documents, trusts, and similar deferred contributions. The assets from a bequest or a contribution may be given directly to us or may be put in the care of a trustee, with the Society being designated as having a full or partial beneficial interest in the trust (“BIT”). Certain gifts are considered split-interest agreements whereby we receive benefits that are shared, or split, with either the donor or third-party beneficiaries. Depending on the number and mortality of any third-party beneficiaries, we may not receive cash for our interest in the BIT’s for a number of years. During the years ended December 31, 2019 and 2018, approximately 57% and 68% of our revenue from bequests was cash and 43% and 32% will be received in future years, respectively.

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

(Dollars in thousands)

2. Liquidity considerations, continued

Use of net assets

Included in net assets without donor restrictions at December 31, 2019 and 2018 is $227,552 and $185,447, respectively, that is our net investment in fixed assets and is not available to spend on current operations. Also included in net assets without donor restrictions at December 31, 2019 and 2018 is $16,879 and $24,458 designated by the Board for BrightEdge, our Philanthropic Impact Fund. Our goal is to invest in companies that accelerate access to lifesaving and therapeutic technologies for the patients and families we serve.

Net assets with donor restrictions result from contributions of assets whose use by the Society is specified by our donors through time and specific purpose restrictions. For net assets with time restrictions, the assets are not restricted for a specific purpose by the donor. Instead, the donor's restriction on our use of those assets may be met with the passage of time if the time restriction is not in perpetuity. Included in net assets with donor restrictions at December 31, 2019 and 2018 is $445,935 and $434,770, respectively, that we have not yet received in cash that will be used for our mission program services once received. The use of net assets with donor restrictions as of December 31, 2019 and 2018 has been limited by our donors for the following purposes:

	With Donor Restrictions	
	2019	**2018**
Mission programs:		
Patient Support:		
Hope Lodge facilities	$ 156,192	$ 136,817
Other	36,079	34,524
Research	137,688	131,463
Prevention	9,541	8,707
Detection/treatment	11,501	14,260
Across mission programs:		
Time restrictions (primarily planned giving including perpetual trusts and endowments)	267,764	247,565
Specific geographic locations	44,229	45,609
Fixed asset acquisitions / building fund	104	204
Other mission program and mission support services	21,823	21,175
Total	$ 684,921	$ 640,324

Financial assets available for use

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

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

(Dollars in thousands)

2. Liquidity considerations, continued

Financial assets available for use, continued

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

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

Financial assets without donor restrictions	
Investments, cash, and cash equivalents	$ 630,307
Current receivables, net	10,292
Current bequests receivable	71,205
Total financial assets without donor restrictions	711,804
Less deferred compensation, custodial, and other illiquid investments	(106,804)
Less amounts unavailable to management without Board approval	
Amount remaining in cash and investments designated for BrightEdge	(16,879)
Total amounts unavailable to management without Board approval	(123,683)
Total financial assets available to management for general expenditures	588,121
Add funds with donor restrictions expected to be spent within 12 months December 31, 2020	32,203
Total financial assets managed for liquidity	$ 620,324

Research and other program grants

As part of our commitment to the fight against cancer, we actively provide grants to improve both the prevention and detection of cancer. The total amount of our future payments under research and other program grants as of December 31, 2019 and 2018 is $211,196 and $211,823, respectively. The present value of our future payments as of December 31, 2019 and 2018 is $204,459 and $205,562, respectively. The discount at December 31, 2019 of $6,738 will be recognized as grants for mission program services expense in 2020 through 2024. As of December 31, 2019, our future payments are as follows:

Payable in the next:		
12 months	$	90,367
13 - 24 months		61,446
25 - 36 months		39,383
37 - 48 months		18,159
49 - 60 months		1,842
Discount		(6,738)
Total	$	204,459

(Dollars in thousands)

2. Liquidity considerations, continued

Operating leases

We maintain a physical presence in a significant number of communities we serve across the country and many of these locations are subject to operating lease agreements. Additionally, telecommunication systems related to our National Cancer Information Center are leased. Some of these leases are subject to payment escalations and expire on various dates through 2026. Our future minimum annual lease payments under leases with terms that are not cancellable are as follows as of December 31, 2019:

Payable in the next:		
12 months	$	23,810
13 - 24 months		19,575
25 - 36 months		11,082
37 - 48 months		5,192
49 - 60+ months		7,201
Total	$	66,860

Rental expense under operating leases was $29,328 and $30,095 for the years ended December 31, 2019 and 2018, respectively.

Debt

We have financed certain properties based on market conditions and cash flow needs at the time of financing. Our outstanding debt, subject to certain loan covenants, as of December 31, 2019 and 2018 is as follows:

Type	Issuer	Maturity Date	Interest rate	Balance at 12/31/2019	Balance at 12/31/2018	Collateral
Note Payable	TD Bank, N.A.	2020	Libor + 0.90%	31,190	32,832	New York City Hope Lodge facility, net book value of $26,316 and all assets constituting general revenues
Note Payable	Alliance Finance Fund	2044	1.00%	9,750	9,750	Salt Lake City Hope Lodge Facility, net book value of $13,268
Note Payable	SCC SUB-CDE 10, LLC	2047	1.00%	9,602	9,603	Jackson Hope Lodge Facility, net book value of $8,524
Notes Payable	Various	Various	2.00% - 5.75%	332	355	Not Applicable
Total				$ 50,874	$ 52,540	

(Dollars in thousands)

2. Liquidity considerations, continued

Our future principal payments are as follows:

Payable in the next:		
12 months	$	31,214
13 - 24 months		308
25 - 36 months		407
37 - 48 months		411
49 - 60 months		548
Thereafter		17,986
Total	$	50,874

Retirement funding

We have a variety of retirement benefit strategies that cover nearly all our employees. We sponsor a defined benefit pension plan (the “Plan”) through which we provide benefits that are based on years of service and certain averages of compensation. We fund the plan on a quarterly basis based on estimates of annual funding levels stated by pension requirements, which are enforced by regulatory agencies. In general, these requirements stipulate that our plan be funded at a level of 60% to continue to pay full benefits to retired individuals. As of January 1, 2020, and 2019, the plan was funded at 98% and 100%, respectively, based on regulatory funding levels. We anticipate the funding percentage to decrease as the relief provisions provided by the Moving Ahead for Progress in the 21st Century Act expire over the next few years.

We also sponsor a defined contribution plan with benefits based on individual employee salary deferrals and a related matching amount by the Society, subject to a maximum. Our matching amounts totaled $11,671 and $11,320 for the years ended December 31, 2019 and 2018, respectively. We sponsor a Supplemental Executive Retirement Plan (the SERP) for certain participants whose income exceeds the maximum income that can be considered under the defined benefit pension plan. We have segregated short-term investments sufficient for payment of benefits under this plan.

In addition, we have an unfunded postretirement benefit plan for post-retirement medical, dental, and life insurance coverage for certain employees hired prior to 1995, subject to deductibles, co-payment provisions, and other limitations. We paid $1,940 and $1,718 for these benefits from our general assets during the years ended December 31, 2019 and 2018, respectively.

We expect to contribute approximately $2,803, to all our defined benefit plans over the next 12 months. In 2016, the Plan and the SERP were frozen to new participants and participants are no longer earning benefits for service under the Plan. See Note 10 for additional information.

(Dollars in thousands)

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

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

Total contributed services, merchandise, and other in-kind contributions for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Media communication and production services	$ 15,797	$ 6,486
Discovery Shops	25,126	23,466
Cosmetic kits and wigs	6,657	15,352
Guestroom program	5,749	5,648
Peer review services (approximately 548 and 504 volunteers donated 17,810 and 18,144 hours, respectively)	1,609	1,624
Other in-kind contributions	4,386	3,552
Total contributed services, merchandise, and other in-kind contributions at fair value	$ 59,324	$ 56,128

OTHER REQUIRED DISCLOSURES

4. Significant accounting policies

Accounting for contributions

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

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

Advertising costs

Our advertising costs are expensed as incurred and were $31,552 and $41,226 for the years ended December 31, 2019 and 2018, respectively.

Bequests receivable

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

Beneficial interests in trusts

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

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

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

Cash and cash equivalents

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

4. Significant accounting policies, continued

Fair value of financial instruments

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

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that we can access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

Fixed assets

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

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

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

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

(Dollars in thousands)

4. Significant accounting policies, continued

Estimates

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

The following are assumptions we used to estimate certain reported amounts, which are not required to be measured at fair value on a recurring basis, as of December 31, 2019 and 2018. The assumptions used to estimate amounts, which are required to be measured at fair value on a recurring basis are included in Note 8.

Discount rates:

	December 31, 2019	December 31, 2018
Pledges receivable	1.65% to 4.20%	2.50% to 4.20%
Research and other program grants payable	0.80% to 2.84%	0.70% to 2.84%

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

Income Taxes

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

4. Significant accounting policies, continued

Adoption of new accounting pronouncements

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

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* which will supersede the guidance in former ASC 605, *Revenue Recognition*. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date,* which provided an optional one-year deferral of the effective date. Additionally, on May 20, 2019, FASB further extended the effective date by one year, providing nonpublic entities the option of adopting the standard on the current implementation date or deferring implementation by one year. ACS has chosen to defer adoption effective for fiscal years beginning after December 15, 2019. We are currently evaluating the potential impact on our financial statements and do not expect it to have a material impact to our financial results.

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

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flow: Topic 230: Restricted Cash* to provide consistency in presentation of restricted cash and cash equivalents in the Statement of Cash Flow for both public and non-public entities and to inform the user of the availability and uses of amounts generally described as restricted cash and restricted cash equivalents on the statement of financial position. The guidance is effective for non-public entities for fiscal years beginning after December 15, 2018 with an option for early adoption. We have adopted the standard effective for fiscal year ending December 31, 2019, which has no material impact to our financial statements.

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

In August 2018, the FASB issued ASU 2018-15, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a cloud Computing Arrangement That is a Service Contract*, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standars Codification 350-40 to determine which implementation costs to defer and recognize as an asset. The guidance is effective for the year ended December 31, 2021 with an option for early adoption. We have early adopted the standard effective December 31, 2018.

(Dollars in thousands)

5. Activities with joint costs

For the years ended December 31, 2019 and 2018, we incurred expenses to conduct activities that had both fundraising appeals, as well as mission program and management and general components (joint activities). Those joint activities included direct mail, telecommunications, and other constituent relationship activities. Our costs of conducting those joint activities were allocated as follows:

	2019	2018
Patient support	$ 61,847	$ 65,140
Prevention	27,364	24,362
Detection/treatment	7,224	9,422
Management and general	4,862	6,109
Fundraising	35,117	41,328
Total	$ 136,414	$ 146,361

6. Exchange transactions

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

Exchange transaction income and expenses are netted and included in other gains (losses) in the accompanying statements of activities and are included in their natural classifications on the statements of functional expenses. Exchange transaction income and expenses are as follows as of December 31, 2019 and 2018:

	Exchange Income		Exchange Expenses	
	2019	2018	2019	2018
Special events	$ 40,262	$ 41,117	$ 40,260	$ 41,117
Discovery Shop	25,839	24,363	40,993	37,472
Sales to third parties	5,002	5,711	0	8
Other	5,950	4,637	65	77
	$ 77,053	$ 75,828	$ 81,318	$ 78,674

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

(Dollars in thousands)

7. Fixed assets

Our fixed assets are as follows as of December 31, 2019 and 2018:

	2019	2018
Land	$ 27,471	$ 28,337
Buildings and leasehold improvements	357,152	359,499
Furniture, fixtures, equipment, and other capitalized assets	41,944	42,381
Computer software	91,689	77,892
Construction in progress	38,179	17,441
Less: accumulated depreciation and amortization	(278,009)	(270,386)
Net fixed assets	$ 278,426	$ 255,164

Depreciation expense, including expenses on assets used in exchange transactions for the years ended December 31, 2019 and 2018 was $15,398 and $14,579, respectively. In 2019, we placed a cloud computing software into service, and it will be amortized over its useful life of 10 years.

8. Fair value measurement

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

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

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

The significance of transfers between levels was evaluated based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended December 31, 2019 and 2018, there were no significant transfers in or out of Levels 1, 2, or 3.

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

8. Fair value measurement, continued

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

United States government and government agency obligations are valued based upon evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities using the income approach.

Corporate bonds, commercial paper, and other short-term investments are valued based upon evaluated prices provided by independent pricing services, when such processes are believed to reflect the fair value of such securities, using the income approach.

Equities, including securities listed on national and international exchanges, are principally valued at the regular trading session closing price on the exchange or market in which such securities are principally traded, on the last business day of each period presented, using the market approach.

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

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

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

Nonperpetual trusts, included on the balance sheets as beneficial interest in trusts, are recorded at their estimated fair value based on the present value of our estimated future cash receipts from the trust. Future cash receipts are based on an income approach (present value techniques) using internally developed models. Assumptions are made regarding the expected rate of return on the investments in the trust, the discount rate, and the expected mortality of the individual(s) if the termination of the agreement is dependent on life expectancy. An expected rate of return on the investments in the trusts is estimated using historical investment returns for various relevant market indices for the estimated asset allocation of the nonperpetual trusts. For the years ended December 31, 2019 and 2018, based on then-current financial market conditions, we estimated the present value of nonperpetual trusts using an investment return rate (net of trustee fees and other expenses) of 5.35% and 5.75% respectively, and a discount rate of 5.35% and 5.75%, respectively, commensurate with the risks involved. The expected mortality is estimated using the 2012 Individual Annuity Reserving Mortality Tables one single or two life beneficiaries. Each of these calculations is based on the fair value of the underlying assets of the trust. As trust statements are not received as of year-end for some trust, the fair value of the underlying assets is adjusted based on changes in the relevant market indices from the date of the trustee statement to year-end that correlate to the estimated asset allocation of the underlying assets. As the fair value of these trusts is derived from internal estimates of the present value of our interest in the underlying assets, incorporating market data when available, the amounts ultimately received could differ from the amounts reflected in the historical financial statements.

8. Fair value measurement, continued

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

Our gift annuity obligation is recorded at fair value based on Level 3 inputs and other relevant market data based on the present value of our estimated future cash outflows. For the years ended December 31, 2019 and 2018, the assumptions used in the valuation of the annuity liability include mortality in accordance with the 2012 Individual Annuity Reserving Mortality Tables one single or two life beneficiaries and a discount rate of 4.30% and 5.0%, respectively for all annuities, compounded annually, net of expenses. These rates are commensurate with the risks associated with the ultimate payment of the obligation. We have elected fair value accounting for our gift annuity obligations.

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

The following tables set forth by level, within the fair value hierarchy, our assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(Dollars in thousands)

8. Fair value measurement, continued

	Financial assets and liabilities measured at fair value as of December 31, 2019			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments, current				
Money market funds and time deposits	$ 70,940	$ -	$ -	$ 70,940
Gift annuity investments, at fair value				
Money market funds and time deposits	$ 578	$ -	$ -	$ 578
Corporate bonds	-	3,582	-	3,582
U.S. government and government agency obligations	5,560	1,037	-	6,597
Commercial paper and other short-term investments				
Mortgage backed	-	3,114	-	3,114
Equities				
Preferred stocks	-	-	-	-
Domestic	14,010	-	-	14,010
International	177	-	-	177
Mutual funds	11,056	-	-	11,056
Other	-	-	68	68
Total gift annuity investments, at fair value	$ 31,381	$ 7,733	$ 68	$ 39,182
Investments				
Money market funds and time deposits	$ 24	$ -	$ -	$ 24
Corporate bonds	-	117,739	-	117,739
U.S. government and government agency obligations	56	151,146	-	151,202
Commercial paper and other short-term investments				
Mortgage backed	-	84,925	-	84,925
Asset backed	-	16,560	-	16,560
Short-term investments	9,554	11,089	-	20,643
Equities				
Preferred stocks	31	-	443	474
Domestic	44,735	22	-	44,757
International	33,118	28	-	33,146
Mutual funds	37,086	38,867	-	75,953
Common collective trusts measured at net asset value *				9,467
Hedge Funds measured at net asset value*				86,645
Limited partnership measured at net asset value*				36,983
Other	443	1,501	7,867	9,811
Total investments	$ 125,047	$ 421,877	$ 8,310	$ 688,329
Beneficial interests in trusts	$ -	$ -	$ 355,309	$ 355,309
Liabilities				
Gift annuity obligations	$ -	$ -	$ 13,299	$ 13,299

(Dollars in thousands)

8. Fair value measurement, continued

	Financial assets and liabilities measured at fair value as of December 31, 2018			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments, current				
Money market funds and time deposits	$ 5,238	$ 60,983	$ -	$ 66,221
Gift annuity investments, at fair value				
Money market funds and time deposits	$ -	$ 870	$ -	$ 870
Corporate bonds	183	3,753	-	3,936
U.S. government and government agency obligations	5,952	3,463	-	9,415
Commercial paper and other short-term investments				
Mortgage backed	27	99	-	126
Equities				
Preferred stocks	-	-	-	-
Domestic	15,449	-	-	15,449
International	64	-	-	64
Mutual funds	6,656	-	-	6,656
Other	-	-	71	71
Total gift annuity investments, at fair value	$ 28,331	$ 8,185	$ 71	$ 36,587
Investments				
Money market funds and time deposits	$ 1,462	$ 9	$ -	$ 1,471
Corporate bonds	-	157,355	-	157,355
U.S. government and government agency obligations	64	100,541	-	100,605
Commercial paper and other short-term investments				
Mortgage backed	-	78,859	-	78,859
Asset backed	-	40,513	-	40,513
Short-term investments	49,041	26,207	-	75,248
Equities				
Preferred stocks	215	-	-	215
Domestic	36,799	15	2,188	39,002
International	26,268	41	-	26,309
Mutual funds	57,507	120	-	57,627
Common collective trusts measured at net asset value *				13,446
Hedge Funds measured at net asset value*				81,874
Limited partnership measured at net asset value*				39,378
Other	1,311	746	1,347	3,404
Total investments	$ 172,667	$ 404,406	$ 3,535	$ 715,306
Beneficial interests in trusts	$ -	$ -	$ 328,126	$ 328,126
Liabilities				
Gift annuity obligations	$ -	$ -	$ 14,204	$ 14,204

(Dollars in thousands)

8. Fair value measurement, continued

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

The table below provides a summary of changes in the fair value of our Level 3 financial assets and liabilities measured on a recurring basis for the years ended December 31, 2019 and 2018:

December 31, 2019	**Equities**	**Commercial Paper**	**Other**	**Beneficial interest in trusts**	**Gift annuity obligation**
Balance, beginning of year	$ 2,188	$ -	$ 1,418	$ 328,126	$ 14,204
Purchases (sold)	-	-	5,000	-	-
Unrealized gains (losses)	(1,745)	-	-	19,803	-
Other	-	-	1,517	7,380	(905)
Balance, end of year	$ 443	$ -	$ 7,935	$ 355,309	$ 13,299

December 31, 2018	**Equities**	**Commercial Paper**	**Other**	**Beneficial interest in trusts**	**Gift annuity obligation**
Balance, beginning of year	$ 2,236	$ 441	$ 1,239	$ 353,442	$ 16,564
Purchases (sold)	-	(435)	-	-	-
Unrealized gains (losses)	(48)	(6)	179	7,124	-
Other	-	-	-	(32,440)	(2,360)
Balance, end of year	$ 2,188	$ -	$ 1,418	$ 328,126	$ 14,204

The unrealized gains (losses) are included in change in value of split interest agreements in the accompanying statements of activities. The unrealized gains (losses) related to assets still held at December 31, 2019 and 2018 were $19,803 and $7,124, respectively.

The following tables set forth additional disclosures for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2019 and 2018:

	December 31, 2019		**December 31, 2018**	
Investment type	**Fair value**	**Unfunded commitments**	**Fair value**	**Unfunded commitments**
Index non-lending common / collective trust fund	$ 9,467	$ -	$ 13,446	$ -
Limited Partnerships	36,983	-	39,378	-
Hedge Funds	86,645	-	81,874	-
Total	$ 133,095	$ -	$ 134,698	$ -

8. Fair value measurement, continued

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

The limited partnership (also refer to Note 10) was mainly comprised of private real estate holdings. The private real estate holdings are recorded at net asset value, which approximates fair value as determined by independently conducted appraisals of the properties. The appraisals of the private real estate holdings have been prepared with consideration to the income, cost and sales comparison approaches of estimating property value. Requests for redemption may be made by delivering a redemption notice at least 45 days in advance. The partnerships investment objective is to give investors a robust core real estate portfolio that provides a diversified portfolio of the highest quality assets, both durable and growing income with highly liquid assets and a conservative risk profile. There are no unfunded commitments.

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

9. Endowment

Interpretation of relevant law

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

Endowment assets are included in investments on the balance sheets. Net assets with donor restrictions of $325,894 and $307,036 at December 31, 2019 and 2018 are to be held in perpetuity such as endowments, which are included in the table below, as well as perpetual trusts.

(Dollars in thousands)

9. Endowment, continued

Endowment net asset composition by type and changes in endowments	**With Donor Restrictions**
Endowment net assets at December 31, 2018	$ 95,773
Investment return, net	14,365
Contributions	1,402
Appropriation of endowment assets for expenditure	(4,550)
Endowment net assets at December 31, 2019	$ 106,990

Endowment net asset composition by type and changes in endowments	**With Donor Restrictions**
Endowment net assets at December 31, 2017	$ 101,153
Investment return, net	(1,725)
Contributions	1,224
Appropriation of endowment assets for expenditure	(4,879)
Endowment net assets at December 31, 2018	$ 95,773

Funds with deficiencies

From time to time, due to adverse market conditions, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires us to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions, to the extent there are accumulated gains available to absorb such loss, or otherwise in net assets without donor restrictions. Deficiencies of this nature that are reported in net assets without donor restrictions were $0 and $57 as of December 31, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions and continued appropriation for certain programs that we deemed prudent.

Return objectives and risk parameters

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

(Dollars in thousands)

9. Endowment, continued

Spending policy

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

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

	Current Allcoation		Target Allocation
	2019	2018	
Global equity	51 %	48 %	50%
Multi-asset credit	10	10	10%
Hedge funds	11	11	10%
Private real estate	10	11	10%
Treasury inflated protected securities	5	5	5%
Core fixed income	13	14	15%
Cash and cash equivalents	0	1	0%
	100 %	100 %	

10. Employee retirement benefit plans

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

	Current Allocation		Target Allocation
	2019	2018	
Global equity	30 %	27 %	32%
Multi-asset credit	8	9	9%
Hedge funds	10	11	9%
Private real estate	6	7	5%
Liability hedging	44	44	45%
Cash and cash equivalents	2	2	0%
	100 %	100 %	

10. Employee retirement benefit plans, continued

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

We also maintain a nonqualified and unfunded Supplemental Executive Retirement Plan for certain participants whose income exceeds the maximum income that can be considered under the Plan.

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

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

At the beginning of 2017, we moved from utilizing a weighted average discount rate, which was derived from the yield curve used to measure the obligation at the beginning of the period, to a spot rate yield curve to estimate the pension benefit obligation and net periodic benefit costs. The change in accounting provides a more accurate measurement of interest costs by applying the spot rate that could be used to settle each projected cash flow individually. The change in accounting did not to have a material impact on net periodic benefit costs for the years ended December 31, 2019 and 2018, respectively.

Information related to our Plan, SERP, and postretirement benefit plan at December 31, 2019 and 2018 and the related changes during the years then ended are as follows:

(Dollars in thousands)

10. Employee retirement benefit plans, continued

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

(Dollars in thousands)

10. Employee retirement benefit plans, continued

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

(Dollars in thousands)

10. Employee retirement benefit plans, continued

December 31, 2018	Retirement Benefits	Supplemental Retirement Benefits	Total Retirement Benefits	Postretirement Nonpension Benefits
Change in benefit obligation				
Benefit obligation at beginning of year	$ 724,541	$ 2,772	$ 727,313	$ 42,230
Service cost	-	-	-	167
Interest cost	23,345	215	23,560	1,333
Actuarial gain	(57,644)	(808)	(58,452)	(3,793)
Plan participant contributions	-	-	-	696
Benefits paid	(51,675)	(1,495)	(53,170)	(2,414)
Retiree drug subsidy reimbursement	-	-	-	-
Benefit obligation at end of year	$ 638,567	$ 684	$ 639,251	$ 38,219
Change in plan assets				
Fair value of plan assets at beginning of year	$ 561,777	$ -	$ 561,777	$ -
Actual expenses paid	(5,690)	-	(5,690)	-
Actual return on plan assets	(16,044)	-	(16,044)	-
Employer contributions	13,000	1,495	14,495	1,718
Retiree drug subsidy reimbursement	-	-	-	-
Plan participant contributions	-	-	-	696
Benefits paid	(51,675)	(1,495)	(53,170)	(2,414)
Fair value of plan assets at end of year	$ 501,368	$ -	$ 501,368	$ -
Funded status and amounts recognized in our balance sheet in employee retirement benefits	$ (137,199)	$ (684)	$(137,883)	$ (38,219)
Weighted average actuarial assumptions				
Discount rate:				
Net periodic pension service cost	N/A	N/A	N/A	3.68%
Net periodic pension interest cost	3.32%	N/A	3.32%	3.90%
Benefit obligation	3.76%	Varies	3.76%	3.26%
Expected return on plan assets	7.00%	N/A	7.00%	N/A
Rate of compensation increase	N/A	N/A	N/A	4.13%
Amounts not yet recognized in net periodic pension costs				
Unrecognized prior service costs (credit) at beginning of year	$ -	$ 215	$ 215	$ (10,565)
Change in prior service (credit) cost	-	(12)	(12)	3,809
Unrecognized prior service costs (credit) at end of year	$ -	$ 203	$ 203	$ (6,756)
Unrecognized actuarial losses at beginning of year	$ 175,072	$ 226	$ 175,298	$ 10,165
Change in actuarial gains	(12,233)	(601)	(12,834)	(4,789)
Unrecognized actuarial losses (gains) at end of year	$ 162,839	$ (375)	$ 162,464	$ 5,376

(Dollars in thousands)

10. Employee retirement benefit plans, continued

December 31, 2018	Retirement Benefits	Supplemental Retirement Benefits	Total Retirement Benefits	Postretirement Nonpension Benefits
Amounts recognized as a reduction (increase) to unrestricted net assets				
Amounts recognized as a reduction to unrestricted net assets at beginning of year	$ 175,072	$ 441	$ 175,513	$ (400)
Change in prior services (credit) cost	-	(12)	(12)	3,809
Change in actuarial gains	(12,233)	(601)	(12,834)	(4,789)
Amounts recognized as a reduction (increase) to unrestricted net assets at end of year	$ 162,839	$ (172)	$ 162,667	$ (1,380)
Components of net periodic benefit cost				
Service cost	$ -	$ -	$ -	$ 167
Interest cost	23,345	215	23,560	1,333
Expected return on plan assets	(38,311)	-	(38,311)	-
Administrative expenses	4,100	-	4,100	-
Amortization of:				
Unrecognized prior service cost (credit)	-	12	12	(3,809)
Unrecognized actuarial losses (gains)	2,896	(82)	2,814	995
Settlement expense (credit)	7,637	(124)	7,513	-
Net periodic benefit (credit) cost	$ (333)	$ 21	$ (312)	$ (1,314)
Accumulated benefit obligation	$ 638,567	$ 684	$ 639,251	$ 38,219
Estimated future benefits payable in the next:				
12 months	$ 42,390	$ 220	$ 42,610	$ 2,847
13 - 24 months	41,467	33	41,500	2,797
25 - 36 months	41,025	3	41,028	2,745
37 - 48 months	40,696	3	40,699	2,690
49 - 60 months	39,758	3	39,761	2,649
Thereafter	189,711	73	189,784	12,511

We expect to contribute $0 to the Plan over the next 12 months. We expect to contribute approximately $2,803 to our postretirement benefit plan over the next 12 months. The actuarial losses included in net assets without donor restrictions related to our Plan that we expect to recognize in net periodic pension cost over the next 12 months are $3,845. The prior service cost and actuarial losses included in net assets without donor restrictions related to our postretirement benefit plan that we expect to recognize in net periodic benefit cost over the next 12 months, are $3,006 and $966, respectively.

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

(Dollars in thousands)

10. Employee retirement benefit plans, continued

The fair value of the Plan's assets at December 31, 2019 and 2018 by asset category is as follows:

	Financial assets measured at fair value on a recurring basis as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 13,088	$ -	-	$ 13,088
Money market funds				-
Corporate bonds	-	238,752	-	238,752
U.S. government and government				-
agency obligations	358	47,701	-	48,059
Commercial paper and				-
other short-term investments				-
Mortgage backed	-	4,229	-	4,229
Short-term investments	-	4,200	-	4,200
Equity				-
Preferred Stock	42	-	-	42
Domestic	73,825	746	-	74,571
International	28,215	2	-	28,217
Mutual Funds	67	46,730	-	46,797
Real Estate	5	85	-	90
Common collective trusts measured at net asset value *				22,929
Hedge Funds measured at net asset value*				56,319
Limited partnership measured at net asset value *				31,793
Other	-	-	91	91
Total investment assets, at fair value	$ 115,600	$ 342,445	$ 91	$ 569,177

(Dollars in thousands)

10. Employee retirement benefit plans, continued

	Financial assets measured at fair value on a recurring basis as of December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 2,631	$ 8,964	$ -	$ 11,595
Corporate bonds	-	215,199	-	215,199
U.S. government and government agency obligations	276	36,075	-	36,351
Commercial paper and other short-term investments				
Mortgage backed	-	3,545	-	3,545
Short-term investments	-	12,401	-	12,401
Equity				
Preferred stock	438	-	-	438
Domestic	62,008	-	-	62,008
International	17,610	10	-	17,620
Mutual Funds	34	36,705	-	36,739
Common collective trusts measured at net asset value *				16,123
Hedge Funds measured at net asset value*				53,219
Limited partnership measured at net asset value *				36,038
Other	-	-	92	92
Total investment assets, at fair value	$ 82,997	$ 312,899	$ 92	$ 501,368

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

The table below provides a summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31, 2019 and 2018:

	2019	**2018**
Balance, beginning of period	$ 92	$ 106
Sales	(1)	(14)
Balance, end of period	$ 91	$ 92

11. Commitments and contingencies

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

12. Subsequent events

Subsequent to the balance sheet date, the outbreak and spread of the COVID -19 virus was classified as a pandemic by the World Health Organization resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. After close monitoring, responses and guidance from federal, state and local governments, the Society began taking measures to mitigate the spread of COVID-19. The measures include closing offices, Hope Lodges and Discovery Shops and canceling in person meetings and fundraising events. The Society continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate possible extensions to all or part of such closures and cancellations. As a result of canceling, delaying or virtualizing many of our in-person fundraising events we have seen a significant decline in donations. Therefore, we have taken several steps to strengthen our financial position and maintain financial liquidity and flexibility, including, reviewing and cutting operating expenses. As the COVID-19 pandemic is complex and rapidly evolving, the Society's plans as described above may change. As of August 28, 2020, the date the financial statements were issued, we cannot reasonably estimate the duration and severity of this pandemic, which could have a significant impact on our business, results of operations, financial position and cash flows.