

American Cancer Society, Inc.

**Consolidated Financial Statements and Supplementary Information;
and Reports and Schedules Related to Title 2 U.S. Code of Federal
Regulations Part 200, Uniform Administrative Requirements, Cost
Principles, and Audit Requirements for Federal Awards (Uniform
Guidance)**

As of and for the Years Ended December 31, 2022 and 2021

American Cancer Society, Inc.
Contents
December 31, 2022 and 2021

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the American Cancer Society, Inc. (“ACS”), which comprise the consolidated balance sheets 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 (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ACS at December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government 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 ACS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ACS’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 GAAS and *Government 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACS's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a



required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2023 on our consideration of ACS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ACS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACS's internal control over financial reporting and compliance.

Ernst + Young LLP

May 23, 2023

AMERICAN CANCER SOCIETY, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 and 2021
(In Thousands)

| Assets | | 2022 | 2021 |
|---|-----------|------------------|---------------------|
| Current assets: | | | |
| Cash and cash equivalents | \$ | 43,652 | \$ 44,845 |
| Investments | | 81,799 | 138,488 |
| Receivables, net | | 51,617 | 35,087 |
| Prepaid expenses | | 17,456 | 10,356 |
| Bequests receivable | | 121,971 | 114,255 |
| Total current assets | | 316,495 | 343,031 |
| Receivables, net | | 42,526 | 38,782 |
| Gift annuity investments | | 32,429 | 41,716 |
| Investments | | 796,676 | 810,712 |
| Beneficial interests in trusts | | 333,481 | 406,638 |
| Fixed assets, net | | 258,401 | 270,575 |
| Operating lease right-of-use assets, net | | 30,119 | - |
| Other assets | | 6,986 | 7,389 |
| Total assets | \$ | 1,817,113 | \$ 1,918,843 |
| Liabilities and Net Assets | | | |
| Current liabilities: | | | |
| Accounts payable and other accrued expenses | \$ | 72,101 | \$ 54,547 |
| Research and other program grants payable | | 94,410 | 84,432 |
| Employee retirement benefits | | 2,813 | 2,793 |
| Debt | | 2,011 | 2,036 |
| Operating leases | | 8,271 | - |
| Other liabilities | | 3,271 | 3,084 |
| Total current liabilities | | 182,877 | 146,892 |
| Research and other program grants payable | | 133,138 | 114,241 |
| Employee retirement benefits | | 127,713 | 167,853 |
| Debt | | 33,210 | 35,479 |
| Operating leases | | 23,452 | - |
| Gift annuity obligations | | 9,303 | 13,614 |
| Other liabilities | | 1,989 | 3,009 |
| Total liabilities | | 511,682 | 481,088 |
| Net assets: | | | |
| Without donor restrictions: | | 608,446 | 665,930 |
| With donor restrictions: | | 696,985 | 771,825 |
| Total net assets | | 1,305,431 | 1,437,755 |
| Total liabilities and net assets | \$ | 1,817,113 | \$ 1,918,843 |

The notes beginning on page 10 are an integral part of the consolidated financial statements.

AMERICAN CANCER SOCIETY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Our mission program and mission support expenses were: | | | |
| Mission program services: | | | |
| Patient support | \$ 354,407 | \$ - | \$ 354,407 |
| Discovery | 165,813 | - | 165,813 |
| Advocacy | 46,428 | - | 46,428 |
| Total mission program services | <u>566,648</u> | <u>-</u> | <u>566,648</u> |
| Mission support services: | | | |
| Management and general | 26,338 | - | 26,338 |
| Fundraising | 106,557 | - | 106,557 |
| Total mission support services | <u>132,895</u> | <u>-</u> | <u>132,895</u> |
| Total mission program and mission support services expenses | <u>699,543</u> | <u>-</u> | <u>699,543</u> |
| Our mission program and mission support expenses were funded by: | | | |
| Support from the public: | | | |
| Special events | 104,783 | 66,060 | 170,843 |
| Contributions | 141,799 | 114,591 | 256,390 |
| Bequests | 134,628 | 47,404 | 182,032 |
| Contributed services, merchandise and other in-kind contributions | 25,591 | 37,101 | 62,692 |
| Other | 14,404 | 1,140 | 15,544 |
| Total support from the public | <u>421,205</u> | <u>266,296</u> | <u>687,501</u> |
| Investment income (loss) | (44,607) | (20,487) | (65,094) |
| Change in value of split-interest agreements | (1,494) | (66,986) | (68,480) |
| Grants and contracts from government agencies | - | 5,674 | 5,674 |
| Other gains (losses) | (11,744) | 2,442 | (9,302) |
| Total revenues, gains and other support | <u>363,360</u> | <u>186,939</u> | <u>550,299</u> |
| Use of amounts restricted by donors for specified purpose or time | 261,779 | (261,779) | - |
| Change in net assets prior to impact of retirement plan liability | <u>(74,404)</u> | <u>(74,840)</u> | <u>(149,244)</u> |
| Net (decrease) in retirement plan liability | (16,920) | - | (16,920) |
| Change in net assets | <u>(57,484)</u> | <u>(74,840)</u> | <u>(132,324)</u> |
| Net assets, beginning of period | <u>665,930</u> | <u>771,825</u> | <u>1,437,755</u> |
| Net assets, end of period | <u>\$ 608,446</u> | <u>\$ 696,985</u> | <u>\$ 1,305,431</u> |

The notes beginning on page 10 are an integral part of the consolidated financial statements.

AMERICAN CANCER SOCIETY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Our mission program and mission support expenses were: | | | |
| Mission program services: | | | |
| Patient support | \$ 294,894 | \$ - | \$ 294,894 |
| Discovery | 151,160 | - | 151,160 |
| Advocacy | 35,477 | - | 35,477 |
| Total mission program services | <u>481,531</u> | <u>-</u> | <u>481,531</u> |
| Mission support services: | | | |
| Management and general | 24,997 | - | 24,997 |
| Fundraising | 95,420 | - | 95,420 |
| Total mission support services | <u>120,417</u> | <u>-</u> | <u>120,417</u> |
| Total mission program and mission support services expenses | <u>601,948</u> | <u>-</u> | <u>601,948</u> |
| Our mission program and mission support expenses were funded by: | | | |
| Support from the public: | | | |
| Special events | 97,535 | 56,243 | 153,778 |
| Contributions | 158,813 | 106,811 | 265,624 |
| Bequests | 154,177 | 45,466 | 199,643 |
| Contributed services, merchandise and other in-kind contributions | 25,565 | 22,578 | 48,143 |
| Other | 14,045 | 1,903 | 15,948 |
| Total support from the public | <u>450,135</u> | <u>233,001</u> | <u>683,136</u> |
| Investment income | 22,587 | 16,162 | 38,749 |
| Change in value of split-interest agreements | 4,329 | 39,164 | 43,493 |
| Grants and contracts from government agencies | 5,671 | 442 | 6,113 |
| Other (losses) | (2,454) | (980) | (3,434) |
| Total revenues, gains and other support | <u>480,268</u> | <u>287,789</u> | <u>768,057</u> |
| Use of amounts restricted by donors for specified purpose or time | 237,026 | (237,026) | - |
| Change in net assets prior to impact of retirement plan liability | <u>115,346</u> | <u>50,763</u> | <u>166,109</u> |
| Net (decrease) in retirement plan liability | <u>(43,611)</u> | <u>-</u> | <u>(43,611)</u> |
| Change in net assets | <u>158,957</u> | <u>50,763</u> | <u>209,720</u> |
| Net assets, beginning of period | <u>506,973</u> | <u>721,062</u> | <u>1,228,035</u> |
| Net assets, end of period | <u>\$ 665,930</u> | <u>\$ 771,825</u> | <u>\$ 1,437,755</u> |

The notes beginning on page 10 are an integral part of the consolidated financial statements.

AMERICAN CANCER SOCIETY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands)

| | Mission program | | | Mission support | | | Total mission support | Total before exchange expenses | Exchange expenses (see note 6) | Total |
|---|-----------------|------------|-----------|-----------------------|------------------------|-------------|-----------------------|--------------------------------|--------------------------------|------------|
| | Patient support | Discovery | Advocacy | Total mission program | Management and general | Fundraising | | | | |
| Mission program and mission support expenses | | | | | | | | | | |
| Personnel costs | \$ 162,890 | \$ 25,513 | \$ 24,848 | \$ 213,251 | \$ 10,791 | \$ 59,571 | \$ 70,362 | \$ 283,613 | \$ 9,052 | \$ 292,665 |
| Professional fees and contractual services | 13,219 | 9,247 | 8,144 | 30,610 | 9,318 | 5,603 | 14,921 | 45,531 | 2,561 | 48,092 |
| Grants for mission program services | 23,669 | 114,383 | 256 | 138,308 | - | - | - | 138,308 | - | 138,308 |
| Education and marketing | 71,880 | 1,538 | 6,744 | 80,162 | 1,170 | 18,715 | 19,885 | 100,047 | 6,972 | 107,019 |
| Direct assistance to patients | 2,310 | - | - | 2,310 | - | - | - | 2,310 | - | 2,310 |
| Meetings and travel | 7,680 | 1,181 | 2,433 | 11,294 | 557 | 3,443 | 4,000 | 15,294 | 19,806 | 35,100 |
| Postage and shipping | 8,520 | 349 | 68 | 8,937 | 683 | 4,756 | 5,439 | 14,376 | 75 | 14,451 |
| Hope Lodge and community facilities | 27,790 | 220 | 779 | 28,789 | 25 | 6,401 | 6,426 | 35,215 | 8,154 | 43,369 |
| Technology | 20,067 | 10,978 | 2,072 | 33,117 | 1,245 | 5,860 | 7,105 | 40,222 | 87 | 40,309 |
| Depreciation and amortization | 11,162 | 1,485 | 405 | 13,052 | 270 | 880 | 1,150 | 14,202 | 71 | 14,273 |
| Miscellaneous | 5,220 | 919 | 679 | 6,818 | 2,279 | 1,328 | 3,607 | 10,425 | 3,440 | 13,865 |
| Cost of donated merchandise sold | - | - | - | - | - | - | - | - | 23,772 | 23,772 |
| Total mission program, mission support, and exchange expenses | \$ 354,407 | \$ 165,813 | \$ 46,428 | \$ 566,648 | \$ 26,338 | \$ 106,557 | \$ 132,895 | \$ 699,543 | \$ 73,990 | \$ 773,533 |

The notes beginning on page 10 are an integral part of the consolidated financial statements.

AMERICAN CANCER SOCIETY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands)

| | Mission program | | | Mission support | | | Total mission support | Total before exchange expenses | Exchange expenses (see note 6) | Total |
|---|-------------------|-------------------|------------------|-----------------------|------------------------|------------------|-----------------------|--------------------------------|--------------------------------|-------------------|
| | Patient support | Discovery | Advocacy | Total mission program | Management and general | Fundraising | | | | |
| Mission program and mission support expenses | | | | | | | | | | |
| Personnel costs | \$ 145,325 | \$ 21,177 | \$ 22,341 | \$ 188,843 | \$ 10,327 | \$ 60,994 | \$ 71,321 | \$ 260,164 | \$ 7,774 | \$ 267,938 |
| Professional fees and contractual services | 13,561 | 5,806 | 4,020 | 23,387 | 8,808 | 4,895 | 13,703 | 37,090 | 2,069 | 39,159 |
| Grants for mission program services | 13,501 | 110,372 | 132 | 124,005 | - | - | - | 124,005 | - | 124,005 |
| Education and marketing | 57,892 | 694 | 4,072 | 62,658 | 878 | 13,041 | 13,919 | 76,577 | 2,759 | 79,336 |
| Direct assistance to patients | 1,616 | - | - | 1,616 | - | - | - | 1,616 | - | 1,616 |
| Meetings and travel | 1,950 | 131 | 142 | 2,223 | 61 | 1,229 | 1,290 | 3,513 | 10,837 | 14,350 |
| Postage and shipping | 8,197 | 244 | 57 | 8,498 | 829 | 3,714 | 4,543 | 13,041 | 42 | 13,083 |
| Hope Lodge and community facilities | 22,293 | 2,925 | 2,153 | 27,371 | 403 | 3,783 | 4,186 | 31,557 | 7,666 | 39,223 |
| Technology | 15,984 | 7,106 | 1,595 | 24,685 | 1,108 | 5,239 | 6,347 | 31,032 | 148 | 31,180 |
| Depreciation and amortization | 10,521 | 2,082 | 507 | 13,110 | 343 | 1,185 | 1,528 | 14,638 | 38 | 14,676 |
| Miscellaneous | 4,054 | 623 | 458 | 5,135 | 2,240 | 1,340 | 3,580 | 8,715 | 1,991 | 10,706 |
| Cost of donated merchandise sold | - | - | - | - | - | - | - | - | 22,813 | 22,813 |
| Total mission program, mission support, and exchange expenses | <u>\$ 294,894</u> | <u>\$ 151,160</u> | <u>\$ 35,477</u> | <u>\$ 481,531</u> | <u>\$ 24,997</u> | <u>\$ 95,420</u> | <u>\$ 120,417</u> | <u>\$ 601,948</u> | <u>\$ 56,137</u> | <u>\$ 658,085</u> |

The notes beginning on page 10 are an integral part of the consolidated financial statements.

AMERICAN CANCER SOCIETY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021
(In Thousands)

| Cash flows from operating activities | 2022 | 2021 |
|--|------------------|------------------|
| Cash received from (used in): | | |
| Special events | \$ 202,146 | \$ 168,424 |
| Contributions | 231,230 | 265,001 |
| Bequests | 163,537 | 175,256 |
| Other support from the public | 16,228 | 16,867 |
| Government grants | 5,850 | 5,796 |
| Interest and dividends on investments, net | 25,697 | 19,382 |
| Other revenue | 6,938 | 4,480 |
| Program services | 29,467 | 33,351 |
| Interest on debt | (862) | (862) |
| Employees and suppliers | (543,084) | (464,030) |
| Direct assistance | (1,577) | (1,616) |
| Retirement plan contributions | (29,677) | (20,045) |
| Grants for mission program services | (109,434) | (91,022) |
| Net cash (used in) received from operating activities | <u>(3,541)</u> | <u>110,982</u> |
| Cash flows from investing activities | | |
| Purchase of fixed assets | (10,145) | (19,048) |
| Proceeds from disposal of fixed assets | 13,999 | 11,882 |
| Support from the public restricted for fixed asset acquisition | 7,288 | 4,416 |
| Purchases of investments | (417,693) | (1,595,428) |
| Proceeds from maturities or sale of investments | 407,219 | 1,491,528 |
| Net cash received from (used in) investing activities | <u>668</u> | <u>(106,650)</u> |
| Cash flows from financing activities | | |
| Payments made to annuitants | (1,446) | (1,541) |
| Proceeds from annuitants | 570 | 823 |
| Support from the public restricted for long-term investment | 4,851 | 5,455 |
| Payments on debt | (2,295) | (11,693) |
| Net cash received from (used in) financing activities | <u>1,680</u> | <u>(6,956)</u> |
| Net change in cash and cash equivalents | (1,193) | (2,624) |
| Cash and cash equivalents, beginning of year | 44,845 | 47,469 |
| Cash and cash equivalents, end of year | <u>\$ 43,652</u> | <u>\$ 44,845</u> |

The notes beginning on page 10 are an integral part of the consolidated financial statements.

AMERICAN CANCER SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021
(Dollars in Thousands)

STEWARDSHIP FOCUSED DISCLOSURES

1. Organizational Overview

Our mission

The American Cancer Society is a leading cancer-fighting organization with a vision of ending cancer as we know it, for everyone. Our mission is to improve the lives of people with cancer and their families through advocacy, research, and patient support, to ensure everyone has an opportunity to prevent, detect, treat, and survive cancer.

Here are just a few ways we are making progress to make the most impact possible in the fight against cancer:

- **Patient support** – We provide the latest, evidence-based cancer information; equip people to make healthy choices that can help reduce their cancer risk, like eating right, staying active, and avoiding alcohol and tobacco; and develop guidelines for screening that can help detect certain cancers early and save lives.

We are available 24/7 to help people find answers and resources, whether they want to understand their diagnosis and treatment options, learn how to cope with side effects, or find transportation or a place to stay when treatment is far from home. We provide information and support to cancer patients, caregivers, and survivors through online communities and one-on-one support.

- **Discovery** – The American Cancer Society launches innovative, high-impact research to find more – and better – treatments, uncover factors that may cause cancer, and improve quality of life for people facing cancer. We fund research grants and conduct cancer research studies to help accelerate the pace of progress. We conduct equity-focused research to identify and understand issues related to cancer disparities in an effort to advance health equity among all communities.
- **Advocacy** – Through our nonprofit, nonpartisan advocacy affiliate, the American Cancer Society Cancer Action NetworkSM (ACS CAN), we fight at all levels of government to demand change from our elected officials to build healthier communities, create safer workplaces, and provide greater, more equitable access to quality medical care.

For information or support, visit [cancer.org](https://www.cancer.org) or call our 24/7 helpline at 1-800-227-2345.

AMERICAN CANCER SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021
(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 three areas above, and second, mission support services – expenses incurred to support our mission activities – which include: our finance function organization, which processes enterprise-wide financial and constituent transactions; our internal audit function, which assesses and monitors our accounting, internal control and technology processes; our technology processes; 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, 2022 and 2021, our mission expenses were allocated to these two areas as follows:

| | 2022 | | 2021 | |
|--------------------------|-------------------|--------------|-------------------|--------------|
| Mission program expenses | \$ 566,648 | 81 % | \$ 481,531 | 80 % |
| Mission support expenses | 132,895 | 19 | 120,417 | 20 |
| Total | <u>\$ 699,543</u> | <u>100 %</u> | <u>\$ 601,948</u> | <u>100 %</u> |

COVID-19 impact

To help fight the pandemic, in March of 2020 we closed Hope Lodges, suspended patient assistance programs, reduced research grant spending, closed Discovery Shops and cancelled in person fundraising events. Most of these measures remained in effect during the first half of 2021 as COVID-19 continued its damaging impact. Upon the second half of 2021, we began to re-emerge operations by reopening our Hope Lodges and Discovery Shops, increasing patient support services and research grants, as well as hosting in-person fundraising events. As a result, our public support revenue and expenses increased in 2022 compared to 2021 as a reflection of having resumed a full year of mission and fundraising activities.

AMERICAN CANCER SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021
(Dollars in Thousands)

2. Liquidity considerations

Investments

To ensure consistency with our mission objectives, we do not invest in securities of any tobacco companies. We are a proud supporter and signatory of the United Nations Environment Programme Finance Initiative's Tobacco-Free Finance Pledge, which highlights the leadership of financial institutions that have implemented tobacco-free finance policies.

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

We also maintain an investment pool with a long-term investment horizon to preserve the real (inflation-adjusted) purchasing power while providing a relatively predictable, constant and stable stream of earnings. The pool utilizes a diversified approach to asset allocation comprised of target ranges for the various asset classes. Together, all our investment pools, at fair value, were as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------------------|--------------------------|--------------------------|
| Global equity | \$ 165,734 | \$ 214,234 |
| Impact venture capital | 30,118 | 20,588 |
| Real estate | 55,203 | 43,314 |
| Liquid alternatives | 99,294 | 72,362 |
| Multi-asset credit | 81,264 | 81,827 |
| Core fixed income | 139,301 | 167,840 |
| Treasury inflation-protected security | 73,081 | 80,117 |
| Short duration fixed income | 229,621 | 231,514 |
| Cash and cash equivalents | 37,288 | 79,120 |
| | <u>\$ 910,904</u> | <u>\$ 990,916</u> |

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 \$23,126 and \$28,102 at December 31, 2022 and 2021, respectively, and are included in gift annuity investments in the accompanying consolidated balance sheets.

AMERICAN CANCER SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021
(Dollars in Thousands)

2. Liquidity considerations, continued

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 us 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, 2022 and 2021, approximately 31% and 30% of our revenue from bequests was cash and 69% and 70% will be received in future years, respectively.

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

Use of net assets

Included in net assets without donor restrictions at December 31, 2022 and 2021 is \$223,180 and \$233,054, respectively, that is our net investment in fixed assets and is not available to spend on current operations.

Net assets with donor restrictions result from contributions of assets whose use 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, 2022 and 2021 is \$437,723 and \$493,422, respectively, that we have not yet received in cash and which will be used for our mission program services once received. The use of net assets with donor restrictions as of December 31, 2022 and 2021 has been limited by our donors for the following purposes:

| | With Donor Restrictions | |
|--|--------------------------------|-------------------|
| | 2022 | 2021 |
| Mission programs: | | |
| Patient support: | | |
| Hope Lodge facilities | \$ 114,773 | \$ 120,265 |
| Other | 82,756 | 79,629 |
| Discovery | 177,726 | 167,830 |
| Advocacy | 9,802 | 5,747 |
| Across mission programs: | | |
| Time restrictions (primarily planned giving including perpetual trusts and endowments) | 261,612 | 345,000 |
| Specific geographic locations | 47,046 | 46,901 |
| Other mission program and mission support services | 3,270 | 6,453 |
| Total | <u>\$ 696,985</u> | <u>\$ 771,825</u> |

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

Financial assets available for use

We structure our financial assets to be available as our general expenditures, liabilities, and other obligations come due. Additionally, we generally invest our cash in excess of weekly requirements in short-term investments. We invest our 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 our mission and reliance on donor restricted contributions to fund ongoing, annual programs, we define "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.

Our Board of Directors has implemented a liquidity policy that requires us 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.

Our financial assets available within one year of the balance sheet date for general expenditures are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Financial assets without donor restrictions | | |
| Investments, cash, and cash equivalents | \$ 662,865 | \$ 724,435 |
| Current receivables, net | 4,481 | 4,775 |
| Current bequests receivable | 92,976 | 96,792 |
| Total financial assets without donor restrictions | <u>760,322</u> | <u>826,002</u> |
| Less deferred compensation, custodial, and other illiquid investments, including impact venture investments (see Note 8) | <u>(154,641)</u> | <u>(155,565)</u> |
| Total financial assets available to management for general expenditures | 605,681 | 670,437 |
| Add funds with donor restrictions expected to be spent within 12 months December 31, 2022 | <u>51,335</u> | <u>43,748</u> |
| Total financial assets managed for liquidity | <u>\$ 657,016</u> | <u>\$ 714,185</u> |

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

Research and other grant programs

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, 2022 and 2021 is \$233,489 and \$201,385, respectively. The present value of our future payments as of December 31, 2022 and 2021 is \$227,548 and \$198,673, respectively. The discount at December 31, 2022 of \$5,941 will be recognized as grants for mission program services expense in 2023 through 2027. As of December 31, 2022, our future payments are as follows:

| | |
|----------------------|-------------------|
| Payable in the next: | |
| 12 months | \$ 94,410 |
| 13 - 24 months | 67,988 |
| 25 - 36 months | 47,680 |
| 37 - 48 months | 20,253 |
| 49 - 60 months | 3,158 |
| Discount | (5,941) |
| Total | <u>\$ 227,548</u> |

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

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, 2022 and 2021 is as follows:

| <u>Type</u> | <u>Issuer</u> | <u>Maturity Date</u> | <u>Fixed Interest Rate</u> | <u>Balance at 12/31/2022</u> | <u>Balance at 12/31/2021</u> | <u>Collateral at 12/31/2022</u> |
|---------------|---------------------|----------------------|----------------------------|------------------------------|------------------------------|--|
| Note Payable | TD Bank, N.A. | 2027 | 2.46% | 25,619 | 27,630 | New York City Hope Lodge facility, net book value of \$23,444 and all assets constituting general revenues |
| Note Payable | SCC SUB-CDE 10, LLC | 2047 | 1.00% | 9,602 | 9,602 | Jackson Hope Lodge Facility, net book value of \$7,739 |
| Notes Payable | SEFCU | 2022 | 2.00% | - | 283 | Not Applicable |
| Total | | | | <u>\$ 35,221</u> | <u>\$ 37,515</u> | |

Our future principal payments are as follows:

| | |
|----------------------|------------------|
| Payable in the next: | |
| 12 months | \$ 2,011 |
| 13 - 24 months | 2,143 |
| 25 - 36 months | 2,372 |
| 37 - 48 months | 2,376 |
| 49 - 60 months | 17,946 |
| Thereafter | 8,373 |
| Total | <u>\$ 35,221</u> |

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

Retirement funding

We have a variety of retirement benefit programs that cover nearly all our employees. We sponsor a defined benefit pension plan (the "Plan") for employees hired before 2016 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, 2022, and 2021, the plan was funded at 115% and 109%, respectively, based on regulatory funding levels.

We also sponsor a defined contribution plan with benefits based on individual employee salary deferrals and a related employer matching amount, subject to a maximum. Our matching amounts totaled \$10,317 and \$8,714 for the years ended December 31, 2022 and 2021, respectively. We sponsor a Supplemental Executive Retirement Plan (SERP) for certain participants whose income exceeds the maximum income that can be considered under the defined benefit pension plan. We have segregated short-term investments sufficient for payment of benefits under this plan.

In addition, we have an unfunded postretirement benefit plan for post-retirement medical, dental, and life insurance coverage for certain employees hired prior to 1995, subject to deductibles, co-payment provisions, and other limitations. We paid \$1,628 and \$1,559 for these benefits from our general assets during the years ended December 31, 2022 and 2021, respectively.

We expect to contribute approximately \$12,612, to all our defined benefit plans over the next 12 months. 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.

AMERICAN CANCER SOCIETY, INC.
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3. Contributed services, merchandise and other in-kind contributions

We recognized contributed nonfinancial assets within public support, including media communication and production services, resale merchandise for our Discovery Shops, household goods for our Hope Lodges, and scientific peer review services for our extramural research grant process. These gifts-in-kind are reported as contributions at their estimated fair value on the date of receipt and reported as expensed when utilized. They are valued based on estimates of fair market or resale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

Our volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Total contributed nonfinancial assets for the years ended December 31, 2022 and 2021 are as follows:

| Nonfinancial contributions category | Type of contributions for beneficiaries | Valuation | Donor Restriction | 2022 | 2021 |
|---|--|--|---|------------------|------------------|
| Media communication and production services | Digital, broadcast, and public service announcements | Third-party estimates using comparable billing rates | Cancer prevention and screening | \$ 28,658 | \$ 19,103 |
| Discovery Shops | Resale merchandise | Estimated selling price | No donor restrictions | 24,250 | 22,191 |
| Hope Lodge | Household goods | Wholesale prices of identical or similar products | Restricted for use within Hope Lodge facilities | 4,046 | 170 |
| Peer review services | Professional review services for our extramural research grant process | Standard industry pricing for similar services | Cancer research | 1,708 | 1,128 |
| Other nonfinancial contributions | Other goods and services | Varies by item | Other cancer programs | 4,030 | 5,551 |
| Total | | | | <u>\$ 62,692</u> | <u>\$ 48,143</u> |

AMERICAN CANCER SOCIETY, INC.
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OTHER REQUIRED DISCLOSURES

4. Significant accounting policies

Principles of consolidation

Our consolidated financial statements include the accounts of the American Cancer Society, Inc. and our other subsidiaries, which are all separately incorporated and designated as exempt from taxation by IRC Section 501(a). All significant intra-Society accounts and transactions have been eliminated.

Accounting for contributions

Contributions that are restricted by donors for a specific purpose are recorded as increases in net assets with donor restrictions. When the specific purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as use of amounts restricted by donors for specified purpose or time. Contributions restricted by donors for a stipulated period are recorded as increases in net assets without donor restrictions if the stipulated period restriction ends in the reporting period in which the revenue is recognized. When the stipulated period ends in a subsequent reporting period, the contributions are first recorded as increases in net assets with donor restrictions and are subsequently reclassified in the reporting period when the stipulated period ends.

Contributed merchandise and other in-kind contributions are reported as contributions at their estimated fair values when received or when an unconditional promise to give has been made. Gifts of long-lived assets received without stipulations about how long the donated asset must be used are reported as revenue without donor restrictions. Gifts of cash or other assets with a purpose restriction to acquire long-lived assets are reported as an increase to donor restricted net assets and released from restriction when the asset is acquired and placed in service unless the gift also is accompanied by an explicit donor time restriction, in which the asset is released over the life of the time restriction.

Advertising costs

Our advertising costs are expensed as incurred and were \$55,765 and \$44,163 for the years ended December 31, 2022 and 2021, respectively.

Bequests receivable

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

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4. Significant accounting policies, continued

Beneficial interests in trusts

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

Perpetual trusts are initially recorded as net assets with donor restrictions public support (bequest or contribution revenue, depending on the initial source of the gift) at fair value, based on our interest in the fair value of the underlying trust assets at the time of the gift. Subsequent changes to a trust's fair value are reported as a change in value of split interest agreements with donor restrictions in the consolidated statements of activities. Income received from the trusts is reported as revenues with donor restrictions or revenues 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. Cash is deposited in accounts at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash balances may exceed federally insured amounts. We mitigate risks by depositing cash with major financial institutions and do not believe there is any significant credit risk on cash and cash equivalents.

AMERICAN CANCER SOCIETY, INC.
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4. Significant accounting policies, continued

Fair value of financial instruments

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

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

Level 2 Inputs to the valuation methodology include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in inactive markets;
- c. Inputs other than quoted prices that are observable for the asset or liability; or
- d. 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, and debt. Investments, beneficial interest in trusts, gift annuity investments and the related obligations are recorded at their fair values.

Fixed assets

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

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

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

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

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4. Significant accounting policies, continued

Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the expected amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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, 2022 and 2021. 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, 2022 | December 31, 2021 |
|---|------------------------------|------------------------------|
| Pledges receivable | 1.65% to 6.26% | 1.65% to 4.20% |
| Research and other program grants payable | 0.36% to 3.53% | 0.36% to 2.84% |

Pledges receivable consist of donor promises to give and are recognized in the period received with an allowance or discounted amount provided for estimated uncollectible amounts. The total amount of the discount for pledges as of December 31, 2022 and 2021 is \$2,341 and \$910, respectively. The research and other program grants payable discount at December 31, 2022 and 2021 is \$5,941 and \$2,712 respectively.

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 consolidated 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). Further, we have been classified as an organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to us qualify for deduction as charitable contributions. However, income generated from activities unrelated to our exempt purpose is subject to tax under IRC Section 511. We did not have a material unrelated business income tax liability for the years ended December 31, 2022 and 2021. We believe that we have taken no significant uncertain tax positions.

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4. Significant accounting policies, continued

Leases

Effective on January 1, 2022, we adopted the provisions and expanded disclosure requirements described in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, Leases. We adopted the standard using the modified retrospective method. Accordingly, the results for the prior comparable periods were not adjusted to conform to the current period measurement or recognition of results. The 2021 presentation follows FASB ASC Topic 840, Leases, in effect at December 31, 2021.

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and current and noncurrent operating lease liabilities on our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and the corresponding lease liabilities represent our obligation to make lease payments arising from the lease. Lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The lease ROU asset is reduced for tenant incentives and excludes any initial direct costs incurred.

We have elected the package of practical expedients permitted in ASC Topic 842. Accordingly, we accounted for each of our existing operating leases as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. In addition, we did not elect the hindsight practical expedient to determine the reasonably certain lease term for existing leases. In addition, we do not recognize ROU assets or lease liabilities for leases with a term of 12 months or less for all of our asset classes.

Lease payments are recognized in the consolidated statement of activities on a straight-line basis over the lease term. Our lease terms may include options to extend or terminate the lease. These options are reflected in the ROU asset and lease liability when it is reasonably certain that we will exercise the option. We reassess the lease term if and when a significant event or change in circumstances occurs within our control, such as construction of significant leasehold improvements that are expected to have economic value when the option becomes exercisable.

As our leases do not provide an implicit rate, the net present value of future minimum lease payments is determined using our incremental borrowing rate. Our incremental borrowing rate is the borrowing rate on our fully amortizing term loans at the time of adoption.

On the lease commencement date, we establish assets and liabilities for the present value of estimated future costs to retire long-lived assets at the termination or expiration of a lease. Such assets are amortized over the lease term and are included in the community and hope lodge facilities expenses.

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4. Significant accounting policies, continued

Adoption of new accounting pronouncements

While there are many new accounting pronouncements issued that we have adopted or will be adopting in the near future, the following pronouncements could have a significant impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The guidance is effective for us for fiscal years beginning after December 15, 2022. We are currently evaluating the potential impact on our consolidated financial statements and do not expect it to have a material impact on our financial results.

In May 2019, the FASB issued ASU 2019-05, Financial Instruments (Topic 326), which will allow entities to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost upon adoption of the new credit losses standard. The election must be applied on an instrument-by-instrument basis for eligible instruments. The guidance is effective for us for fiscal years beginning after December 15, 2022. We are currently evaluating the potential impact on our consolidated financial statements and do not expect it to have a material impact to our financial results.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets to clarify the presentation and disclosure of contributed nonfinancial assets. Contributed nonfinancial assets must be presented as a separate line item in the statement of activities which is separate from contributions of cash and other financial assets. The standard also requires contributed nonfinancial assets recognized within the statement of activities to be disaggregated by category that depicts the type of contributed nonfinancial assets. The disclosures include qualitative information about whether the assets were monetized or utilized, the policy about monetizing rather than utilizing the contributed assets, the valuation technique for measuring fair value and the principal market used for fair value measurement. The guidance is effective for fiscal years beginning after June 15, 2021 and was adopted by us for fiscal year 2022. Adoption of this standard did not have a significant impact on the consolidated financial statements, with the exception of increased disclosure.

5. Activities with joint costs

For the years ended December 31, 2022 and 2021, 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 are allocated using a variety of methods including evaluation of the content and impact of messaging within communication materials, paid media, mailings, and digital products such as emails, websites, and social media. These costs were allocated as follows:

| | <u>2022</u> | <u>2021</u> |
|------------------------|------------------|------------------|
| Patient support | \$ 68,348 | \$ 64,857 |
| Management and general | 1,563 | 2,065 |
| Fundraising | 27,738 | 24,294 |
| Total | <u>\$ 97,649</u> | <u>\$ 91,216</u> |

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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 consolidated statements of activities and are included in their natural classifications on the consolidated statements of functional expenses. Exchange transaction income and expenses are as follows as of December 31, 2022 and 2021:

| | Exchange Income | | Exchange Expenses | |
|------------------------|--------------------|------------------|----------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Special events | \$ 31,801 | \$ 16,986 | \$ 31,801 | \$ 16,986 |
| Discovery Shop | 23,842 | 22,855 | 42,189 | 39,150 |
| Sales to third parties | 3,181 | 3,665 | - | - |
| Other | 5,069 | 9,376 | - | - |
| | <u>\$ 63,893</u> | <u>\$ 52,882</u> | <u>\$ 73,990</u> | <u>\$ 56,136</u> |

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

Our Discovery Shops sell donated merchandise at various shops around the country. The donated merchandise is included in the contributed services, merchandise, and other in-kind contributions in the accompanying consolidated statements of activities. The sales of the donated merchandise are recorded as exchange income and the cost of merchandise and expenses related to operating the Discovery Shops is included in exchange expenses.

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7. Fixed assets

Our fixed assets are as follows as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Land | \$ 20,649 | \$ 22,680 |
| Buildings and leasehold improvements | 344,627 | 340,836 |
| Furniture, fixtures, equipment, and other capitalized assets | 24,108 | 24,255 |
| Computer software | 33,164 | 33,164 |
| Construction in progress | 12,411 | 25,279 |
| Less: accumulated depreciation and amortization | (176,558) | (175,639) |
| Net fixed assets | <u>\$ 258,401</u> | <u>\$ 270,575</u> |

Depreciation expense, including expenses on assets used in exchange transactions for the years ended December 31, 2022 and 2021 was \$14,273 and \$14,676, respectively.

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8. Fair value measurement

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

The asset and/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, 2022 and 2021, 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.

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

Impact venture capital investments are managed by our affiliate, BrightEdge, through our impact venture fund and are generally valued using the market approach, based upon the relative interests of each participating investor (including each participant), market prices and assumptions.

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

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

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

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

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

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8. Fair value measurement, continued

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

Cash and cash equivalents 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.

Nonperpetual trusts, included on the consolidated 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, 2022 and 2021, 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 9.80% and 9.70%, respectively, and a discount rate of 9.80% and 9.70%, respectively, commensurate with the risks involved.

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

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

Our gift annuity obligation is recorded at fair value based on Level 3 inputs and other relevant market data based on the present value of our estimated future cash outflows. For the years ended December 31, 2022 and 2021, the assumptions used in the valuation of the annuity liability include mortality in accordance with the 2012 Individual Annuity Reserving Mortality Tables and a discount rate of 6.46% and 1.93%, respectively for all annuities, compounded annually, net of expenses. These rates are commensurate with the risks associated with the ultimate payment of the obligation. We have elected fair value accounting for our gift annuity obligations.

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

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8. Fair value measurement, continued

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, 2022 and 2021. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| Assets | Financial assets and liabilities measured at fair value as of December 31, 2022 | | | |
|---|---|-------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments, current | | | | |
| Cash and cash equivalents | \$ 4,391 | \$ 30,310 | \$ - | \$ 34,701 |
| Core fixed income | - | 47,098 | - | 47,098 |
| Total investments, current | <u>\$ 4,391</u> | <u>\$ 77,408</u> | <u>\$ -</u> | <u>\$ 81,799</u> |
| Gift annuity investments, at fair value | | | | |
| Cash and cash equivalents | \$ 2,587 | \$ - | \$ - | \$ 2,587 |
| Global equity | 19,424 | 1 | 106 | 19,531 |
| Core fixed income | 4,938 | 5,373 | - | 10,311 |
| Total gift annuity investments, at fair value | <u>\$ 26,949</u> | <u>\$ 5,374</u> | <u>\$ 106</u> | <u>\$ 32,429</u> |
| Investments | | | | |
| Global equity | \$ 104,275 | \$ 3,368 | \$ 409 | \$ 108,052 |
| Global equity measured at net asset value* | - | - | - | 38,151 |
| Impact venture capital | - | - | 28,078 | 28,078 |
| Impact venture capital at net asset value* | - | - | - | 2,040 |
| Real estate measured at net asset value* | - | - | - | 55,203 |
| Liquid alternatives measured at net asset value* | - | - | - | 99,294 |
| Multi-asset credit | - | 1,292 | - | 1,292 |
| Multi-asset credit measured at net asset value* | - | - | - | 79,972 |
| Core fixed income | 28 | 81,864 | - | 81,892 |
| Treasury inflation-protected security - index fund* | - | - | - | 73,081 |
| Short duration fixed Income | - | 229,621 | - | 229,621 |
| Total investments | <u>\$ 104,303</u> | <u>\$ 316,145</u> | <u>\$ 28,487</u> | <u>\$ 796,676</u> |
| Beneficial interests in trusts | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 333,481</u> | <u>\$ 333,481</u> |
| | | | | |
| Liabilities | | | | |
| Gift annuity obligations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,303</u> | <u>\$ 9,303</u> |

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8. Fair value measurement, continued

| Assets | Financial assets and liabilities measured at fair value as of December 31, 2021 | | | |
|---|---|-------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments, current | | | | |
| Cash and cash equivalents | \$ 10,081 | \$ 69,039 | \$ - | \$ 79,120 |
| Core fixed income | - | 59,368 | - | 59,368 |
| Total investments, current | <u>\$ 10,081</u> | <u>\$ 128,407</u> | <u>\$ -</u> | <u>\$ 138,488</u> |
| Gift annuity investments, at fair value | | | | |
| Global equity | \$ 28,191 | \$ - | \$ 82 | \$ 28,273 |
| Core fixed income | 6,130 | 7,313 | - | 13,443 |
| Total gift annuity investments, at fair value | <u>\$ 34,321</u> | <u>\$ 7,313</u> | <u>\$ 82</u> | <u>\$ 41,716</u> |
| Investments | | | | |
| Global equity | \$ 138,560 | \$ - | \$ 506 | \$ 139,066 |
| Global equity measured at net asset value* | - | - | - | 46,895 |
| Impact venture capital | 240 | - | 18,474 | 18,714 |
| Impact venture capital at net asset value* | - | - | - | 1,874 |
| Real estate measured at net asset value* | - | - | - | 43,314 |
| Liquid alternatives measured at net asset value* | - | - | - | 72,362 |
| Multi-asset credit | - | 8,512 | - | 8,512 |
| Multi-asset credit measured at net asset value* | - | - | - | 73,315 |
| Core fixed income | 7,635 | 87,394 | - | 95,029 |
| Treasury inflation-protected security - index fund* | - | - | - | 80,117 |
| Short duration fixed Income | 21,833 | 209,681 | - | 231,514 |
| Total investments | <u>\$ 168,268</u> | <u>\$ 305,587</u> | <u>\$ 18,980</u> | <u>\$ 810,712</u> |
| Beneficial interests in trusts | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 406,638</u> | <u>\$ 406,638</u> |
| | | | | |
| Liabilities | | | | |
| Gift annuity obligations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,614</u> | <u>\$ 13,614</u> |

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8. Fair value measurement, continued

* In accordance with Fair Value Measurement (Topic 820), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated 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, 2022 and 2021:

| December 31, 2022 | Global equity and impact venture capital | Beneficial interest in trusts | Gift annuity obligation |
|----------------------------|---|--|------------------------------------|
| Balance, beginning of year | \$ 19,062 | \$ 406,638 | \$ 13,614 |
| Purchases (sold) | 10,315 | (4,677) | - |
| Unrealized gains (losses) | (784) | (48,017) | 3,160 |
| Other | - | (20,463) | (7,471) |
| Balance, end of year | <u>\$ 28,593</u> | <u>\$ 333,481</u> | <u>\$ 9,303</u> |

| December 31, 2021 | Global equity and impact venture capital | Beneficial interest in trusts | Gift annuity obligation |
|----------------------------|---|--|------------------------------------|
| Balance, beginning of year | \$ 10,520 | \$ 371,852 | \$ 13,972 |
| Purchases (sold) | 5,822 | (10,572) | - |
| Unrealized gains (losses) | 3,803 | 31,231 | - |
| Other | (1,083) | 14,127 | (358) |
| Balance, end of year | <u>\$ 19,062</u> | <u>\$ 406,638</u> | <u>\$ 13,614</u> |

The unrealized gains (losses) related to the beneficial interest in trusts and the gift annuity obligations are included in the change in value of split interest agreements in the accompanying consolidated statements of activities. The unrealized gains (losses) related to the global equity are included in the investment income. The unrealized gains (losses) related to assets still held at December 31, 2022 and 2021 were \$(48,017) and \$31,231, 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, 2022 and 2021:

| Investment type | December 31, 2022 | | December 31, 2021 | |
|---|--------------------------|---------------------------------|--------------------------|---------------------------------|
| | Fair value | Unfunded commitments | Fair value | Unfunded commitments |
| Global equity | \$ 38,151 | \$ - | \$ 46,895 | \$ - |
| Impact venture capital | 2,040 | - | 1,874 | - |
| Real estate | 55,203 | - | 43,314 | - |
| Liquid alternatives | 99,294 | - | 72,362 | - |
| Multi-asset credit | 79,972 | - | 73,315 | - |
| Treasury inflation-protected security - index fund | 73,081 | - | 80,117 | - |
| Total | <u>\$ 347,741</u> | <u>\$ -</u> | <u>\$ 317,877</u> | <u>\$ -</u> |

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8. Fair value measurement, continued

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

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

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

The multi-asset credit holdings are primarily fixed income instruments that include, but are not limited to, plus sector fixed income such as high yield, bank loans, emerging market debts, and investment grade credit. The fair values of the investments within the holding fund are based on quoted prices in active markets for identical investments or other significant observable inputs including quoted prices for similar investments, interest rates, prepayment speeds, or credit risk. Requests for redemption may be made with a minimum of five business days advance notice. The fund's investment objective is to rotate between the various fixed income sectors for efficient risk management and exposure.

The Treasury Inflation Protected Securities ("TIPS"), which are recorded at net asset value, are part of an Index Fund that seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Bloomberg U.S. TIPS Index over the long term. The fund may invest in securities and derivative instruments, equity investments, investments in registered investment companies, and fixed income investments. The fair values of the investments within the index fund are based on unadjusted quoted prices in active markets for identical assets or liabilities or on prices determined using other significant observable inputs such as quoted prices for similar assets or liabilities, interest rates, yield curves, foreign exchange rates, volatilities, prepayment speeds, credit risk, or other market corroborated inputs. Requests for redemption may be made with a minimum of one business day advance notice.

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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 net asset composition by type and changes in endowments | With Donor Restrictions | |
|--|--------------------------------|-------------------|
| | 2022 | 2021 |
| Endowment net assets, beginning | \$ 151,345 | \$ 142,587 |
| Investment return, net | (21,780) | 11,856 |
| Endowment cash additions | 4,103 | 3,251 |
| Reclassification of restrictions | (2,231) | 199 |
| Appropriation of endowment assets for expenditure | (3,549) | (6,548) |
| Endowment net assets, ending | \$ 127,888 | \$ 151,345 |

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 \$2,231 and \$0 as of December 31, 2022 and 2021, respectively.

Return objectives and risk parameters

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

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9. Endowment, continued

Spending policy

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

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

| | Current Allocation | | Target Allocation | | |
|---|--------------------|-------|-------------------|--------|---------|
| | 2022 | 2021 | Minimum | Target | Maximum |
| Global equity | 48 % | 55 % | 45 % | 55 % | 65 % |
| Real estate | 12 | 9 | 5 | 10 | 15 |
| Liquid alternatives | 14 | 10 | 5 | 10 | 15 |
| Multi-asset credit | 14 | 13 | 10 | 15 | 20 |
| Core fixed income | 5 | 8 | 0 | 5 | 10 |
| Treasury inflated protected securities | 4 | 4 | 0 | 5 | 10 |
| Cash and cash equivalents | 3 | 1 | 0 | 0 | 0 |
| | 100 % | 100 % | | 100 % | |

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10. Employee retirement benefit plans

We maintain a noncontributory defined benefit pension plan (Plan) and SERP that were frozen in 2016 to new participants and participants are no longer earning benefits for service performed under the Plan and SERP. 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 | +/- Bands |
|---------------------------|---------------------------|--------------|---------------|------------------|
| | 2022 | 2021 | | |
| Global equity | 31 % | 30 % | 33 % | 10 % |
| Multi-asset credit | 9 | 8 | 9 | 5 |
| Liquid alternatives | 13 | 10 | 9 | 5 |
| Real estate | 10 | 7 | 6 | 5 |
| Core fixed income | 34 | 43 | 43 | 5 |
| Cash and cash equivalents | 3 | 2 | 0 | |
| | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | |

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

We employ a "building block approach" in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equity 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 accrue the cost of providing postretirement benefits for medical, dental, and life insurance coverage over the active service period of employees. Medical trend rates do not apply as the plans are on fixed payment amounts.

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

Information related to our Plan, SERP, and postretirement benefit plan at December 31, 2022 and 2021 and the related changes during the years then ended are as follows:

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10. Employee retirement benefit plans, continued

| December 31, 2022 | Retirement Benefits | Postretirement Nonpension Benefits | Total Retirement & Postretirement Benefits |
|--|--------------------------------|---|---|
| Change in benefit obligation | | | |
| Benefit obligation at beginning of year | \$ 650,476 | \$ 40,419 | \$ 690,895 |
| Service cost | - | 44 | 44 |
| Interest cost | 15,147 | 867 | 16,014 |
| Actuarial gain | (166,389) | (9,415) | (175,804) |
| Plan participant contributions | - | 323 | 323 |
| Benefits paid | (31,906) | (1,951) | (33,857) |
| Benefit obligation at end of year | \$ 467,328 | \$ 30,287 | \$ 497,615 |
| Change in plan assets | | | |
| Fair value of plan assets at beginning of year | \$ 520,656 | \$ - | \$ 520,656 |
| Actual expenses paid | (4,718) | - | (4,718) |
| Actual return on plan assets | (134,542) | - | (134,542) |
| Employer contributions | 18,000 | 1,628 | 19,628 |
| Plan participant contributions | - | 323 | 323 |
| Benefits paid | (31,906) | (1,951) | (33,857) |
| Fair value of plan assets at end of year | \$ 367,490 | \$ - | \$ 367,490 |
| Funded status and amounts recognized in our balance sheet in employee retirement benefits | | | |
| | \$ (99,838) | \$ (30,287) | \$ (130,125) |
| Supplemental Retirement Benefits | | | \$ (401) |
| Weighted average actuarial assumptions | | | |
| Discount rate: | | | |
| Net periodic pension service cost | N/A | 3.24% | |
| Net periodic pension interest cost | 2.40% | 2.22% | |
| Benefit obligation | 3.01% | 2.82% | |
| Expected return on plan assets | 5.50% | 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 | \$ - | \$ - | \$ - |
| Change in prior service cost | - | - | - |
| Unrecognized prior service credit at end of year | \$ - | \$ - | \$ - |
| Unrecognized actuarial losses at beginning of year | \$ 160,895 | \$ 6,393 | \$ 167,288 |
| Change in actuarial losses | (7,033) | (9,887) | (16,920) |
| Unrecognized actuarial losses at end of year | \$ 153,862 | \$ (3,494) | \$ 150,368 |
| Supplemental Retirement Benefits | | | \$ (80) |

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10. Employee retirement benefit plans, continued

| December 31, 2022 | 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 | \$ 160,895 | \$ 6,393 | \$ 167,288 |
| Change in prior services credit | - | - | - |
| Change in actuarial losses | (7,033) | (9,887) | (16,920) |
| Amounts recognized as a reduction to unrestricted net assets at end of year | <u>\$ 153,862</u> | <u>\$ (3,494)</u> | <u>\$ 150,368</u> |
| Components of net periodic benefit cost | | | |
| Service cost | \$ - | \$ 44 | \$ 44 |
| Interest cost | 15,147 | 867 | 16,014 |
| Expected return on plan assets | (27,680) | - | (27,680) |
| Administrative expenses | 4,880 | - | 4,880 |
| Amortization of: | | | |
| Unrecognized prior service cost (credit) | - | - | - |
| Unrecognized actuarial losses (gains) | 2,704 | 472 | 3,176 |
| Settlement expense (credit) | - | - | - |
| Net periodic benefit (credit) cost | <u>\$ (4,949)</u> | <u>\$ 1,383</u> | <u>\$ (3,566)</u> |
| Accumulated benefit obligation | \$ 467,328 | \$ 30,287 | \$ 497,615 |
| Supplemental Retirement Benefits | | | \$ 401 |
| Estimated future benefits payable in the next: | | | |
| 12 months | \$ 33,680 | \$ 2,612 | \$ 36,292 |
| 13 - 24 months | 32,830 | 2,520 | 35,350 |
| 25 - 36 months | 32,267 | 2,472 | 34,739 |
| 37 - 48 months | 32,690 | 2,424 | 35,114 |
| 49 - 60 months | 31,292 | 2,376 | 33,668 |
| Thereafter | 164,265 | 11,054 | 175,319 |

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10. Employee retirement benefit plans, continued

| December 31, 2021 | Retirement Benefits | Postretirement Nonpension Benefits | Total Retirement & Postretirement Benefits |
|--|------------------------|--|---|
| Change in benefit obligation | | | |
| Benefit obligation at beginning of year | \$ 761,605 | \$ 44,806 | \$ 806,411 |
| Service cost | - | 64 | 64 |
| Interest cost | 14,110 | 752 | 14,862 |
| Actuarial gain | (10,057) | (3,644) | (13,701) |
| Plan participant contributions | - | 437 | 437 |
| Benefits paid | (115,182) | (1,996) | (117,178) |
| Benefit obligation at end of year | \$ 650,476 | \$ 40,419 | \$ 690,895 |
| Change in plan assets | | | |
| Fair value of plan assets at beginning of year | \$ 593,420 | \$ - | \$ 593,420 |
| Actual expenses paid | (4,057) | - | (4,057) |
| Actual return on plan assets | 36,475 | - | 36,475 |
| Employer contributions | 10,000 | 1,558 | 11,558 |
| Plan participant contributions | - | 438 | 438 |
| Benefits paid | (115,182) | (1,996) | (117,178) |
| Fair value of plan assets at end of year | \$ 520,656 | \$ - | \$ 520,656 |
| Funded status and amounts recognized in our balance sheet in employee retirement benefits | | | |
| | \$ (129,820) | \$ (40,419) | \$ (170,239) |
| Supplemental Retirement Benefits | | | \$ (407) |
| Weighted average actuarial assumptions | | | |
| Discount rate: | | | |
| Net periodic pension service cost | N/A | 3.05% | |
| Net periodic pension interest cost | 1.91% | 1.73% | |
| Benefit obligation | 2.70% | 2.48% | |
| Expected return on plan assets | 6.00% | 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 | \$ - | \$ - | \$ - |
| Change in prior service cost | - | - | - |
| Unrecognized prior service credit at end of year | \$ - | \$ - | \$ - |
| Unrecognized actuarial losses at beginning of year | \$ 199,717 | \$ 11,219 | \$ 210,936 |
| Change in actuarial losses | (38,822) | (4,826) | (43,648) |
| Unrecognized actuarial losses at end of year | \$ 160,895 | \$ 6,393 | \$ 167,288 |
| Supplemental Retirement Benefits | | | \$ 31 |

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10. Employee retirement benefit plans, continued

| <u>December 31, 2021</u> | <u>Retirement Benefits</u> | <u>Postretirement Nonpension Benefits</u> | <u>Total Retirement & Postretirement Benefits</u> |
|---|--------------------------------|---|---|
| Amounts recognized as a reduction (increase) to unrestricted net assets | | | |
| Amounts recognized as a reduction to unrestricted net assets at beginning of year | \$ 199,717 | \$ 11,219 | \$ 210,936 |
| Change in prior services credit | - | - | - |
| Change in actuarial losses | (38,822) | (4,826) | (43,648) |
| Amounts recognized as a reduction to unrestricted net assets at end of year | <u>\$ 160,895</u> | <u>\$ 6,393</u> | <u>\$ 167,288</u> |
| Supplemental Retirement Benefits | | | \$ 37 |
| Components of net periodic benefit cost | | | |
| Service cost | \$ - | \$ 64 | \$ 64 |
| Interest cost | 14,110 | 752 | 14,862 |
| Expected return on plan assets | (34,263) | - | (34,263) |
| Administrative expenses | 3,890 | - | 3,890 |
| Amortization of: | | | - |
| Unrecognized prior service cost (credit) | - | - | - |
| Unrecognized actuarial losses (gains) | 3,777 | 1,182 | 4,959 |
| Settlement expense (credit) | 22,943 | - | 22,943 |
| Net periodic benefit (credit) cost | <u>\$ 10,457</u> | <u>\$ 1,998</u> | <u>\$ 12,455</u> |
| Accumulated benefit obligation | \$ 650,476 | \$ 40,419 | \$ 690,895 |
| Supplemental Retirement Benefits | | | \$ 407 |
| Estimated future benefits payable in the next: | | | |
| 12 months | \$ 36,850 | \$ 2,793 | \$ 39,643 |
| 13 - 24 months | 35,670 | 2,745 | 38,415 |
| 25 - 36 months | 35,996 | 2,692 | 38,688 |
| 37 - 48 months | 34,701 | 2,632 | 37,333 |
| 49 - 60 months | 34,304 | 2,570 | 36,874 |
| Thereafter | 164,937 | 11,813 | 176,750 |

AMERICAN CANCER SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021
(Dollars in Thousands)

10. Employee retirement benefit plans, continued

We expect to contribute \$10,000 to the Plan and approximately \$2,612 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 \$3,004. The actuarial gains included in net assets without donor restrictions related to our postretirement benefit plan that we expect to recognize in net periodic benefit cost is \$122 within the same period.

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

The fair value of the Plan's assets at December 31, 2022 and 2021 by asset category is as follows:

| Financial assets measured at fair value on a recurring basis as of December 31, 2022 | | | | |
|---|-------------------|-------------------|----------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Global equity | \$ 86,823 | \$ - | \$ - | \$ 86,823 |
| Global equity measured at net asset value* | - | - | - | 25,692 |
| Multi-asset credit | 33,208 | - | - | 33,208 |
| Liquid alternatives measured at net asset value* | - | - | - | 46,267 |
| Real estate measured at net asset value* | - | - | - | 37,834 |
| Core fixed income | - | 126,415 | - | 126,415 |
| Cash and cash equivalents | 11,251 | - | - | 11,251 |
| Total investment assets, at fair value | <u>\$ 131,282</u> | <u>\$ 126,415</u> | <u>\$ -</u> | <u>\$ 367,490</u> |

| Financial assets measured at fair value on a recurring basis as of December 31, 2021 | | | | |
|---|-------------------|-------------------|----------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Global equity | \$ 119,391 | \$ - | \$ - | \$ 119,391 |
| Global equity measured at net asset value* | - | - | - | 37,621 |
| Multi-asset credit | 40,993 | 102 | - | 41,095 |
| Liquid alternatives measured at net asset value* | - | - | - | 53,809 |
| Real estate measured at net asset value* | - | - | - | 38,019 |
| Core fixed income | 18,976 | 203,714 | - | 222,690 |
| Cash and cash equivalents | 8,031 | - | - | 8,031 |
| Total investment assets, at fair value | <u>\$ 187,391</u> | <u>\$ 203,816</u> | <u>\$ -</u> | <u>\$ 520,656</u> |

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

AMERICAN CANCER SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021
(Dollars in Thousands)

11. Leases

We recorded operating lease ROU assets and corresponding lease liabilities of approximately \$24,198 and \$25,688, respectively, upon adoption of the lease standard on January 1, 2022. There was no impact on net assets.

At December 31, 2022, we had operating and finance leases for certain facilities and land with lease terms ranging from one to 34 years, with some options to extend up to 10 years or terminate within one year. Financing leases did not have a material impact on the consolidated financial statements.

Included in the community and hope lodge facilities expenses for the year ended December 31, 2022, operating lease expense consisted of the following:

| | |
|---------------------------------------|------------------|
| Operating lease expense | \$ 10,085 |
| Short-term and variable lease expense | 6,972 |
| Sublease income | (217) |
| Total lease expense | <u>\$ 16,840</u> |

Consolidated supplemental cash flow information related to operating leases for the year ended December 31, 2022, consisted of the following:

| | |
|--|-----------|
| Operating cash paid included in the measurement of operating lease liabilities | \$ 9,972 |
| Right-of-use assets obtained in the exchange for operating lease obligations | \$ 37,855 |

Consolidated lease terms and discount rate information related to operating leases as of December 31, 2022, consisted of the following:

| | |
|--|-------|
| Weighted-average remaining lease terms (in years): | 4.54 |
| Weighted-average discount rate: | 1.68% |

Finance lease assets recorded net of accumulated depreciation of \$60 as of December 31, 2022.

AMERICAN CANCER SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021
(Dollars in Thousands)

11. Leases, continued

Maturities of operating lease liabilities for the next five years and thereafter consist of the following:

| | | |
|-----------------------------------|----|----------------------|
| Years ending December 31: | | |
| 2023 | \$ | 8,730 |
| 2024 | | 7,732 |
| 2025 | | 6,046 |
| 2026 | | 4,763 |
| 2027 | | 2,534 |
| Thereafter | | 3,228 |
| Minimum lease payments | | <u>33,033</u> |
| Less amount representing interest | | (1,310) |
| Net minimum lease payments | | <u>31,723</u> |
| Less current portion | | (8,271) |
| Noncurrent portion | | <u><u>23,452</u></u> |

At December 31, 2021, we had leases for physical spaces and telecommunication systems, which were classified as operating leases. Rental expense under these operating leases totaled \$18,269 for the year ended December 31, 2021.

12. 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.

13. Subsequent events

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through May 23, 2023, the date the consolidated financial statements were issued. During this period, there were no subsequent events that required recognition or disclosure in the consolidated financial statements.

Supplementary Information and Reports
and Schedule Required by the
Uniform Guidance

American Cancer Society, Inc.
Schedule of Expenditures of Federal Awards
For the 12 Months Ending December 31, 2022

| <u>Federal Grantor/Grant Title</u> | <u>Federal Assistance Listing No.</u> | <u>Pass-through identification number</u> | <u>Federal Expenditures</u> | <u>Expenditures to Subrecipients</u> |
|--|---------------------------------------|---|-----------------------------|--------------------------------------|
| U.S. Department of Health & Human Services | | | | |
| Direct Program: | | | | |
| Provision of Technical Assistance and Training Activities to Assure Comprehensive Cancer Control Outcomes | 93.427 | - | \$ 959,827 | \$ - |
| Total Provision of Technical Assistance and Training Activities to Assure Comprehensive Cancer Control Outcomes | | | <u>959,827</u> | <u>-</u> |
| Direct Program: | | | | |
| Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nation's Health | 93.421 | - | 1,883,148 | 91,000 |
| Total Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health | | | <u>1,883,148</u> | <u>91,000</u> |
| Direct Program: | | | | |
| Immunization Cooperative Agreements | 93.268 | - | 499,137 | - |
| Total Immunizations Cooperative Agreements | | | <u>499,137</u> | <u>-</u> |
| Research and Development Cluster | | | | |
| Pass Through from University of Southern California | | | | |
| National Institutes of Health - Family Smoking Prevention and Tobacco Control Act Regulatory Research | 93.077 | 143300400 | 31,502 | - |
| Pass Through from Beckman Research Institute of the City of Hope | | | | |
| National Institutes of Health - Environmental Health | 93.113 | 64375.2011808.669302 | 2,510 | - |
| Pass Through from University of Iowa | | | | |
| Centers for Disease Control and Prevention - Centers for Research and Demonstration for Health Promotion and Disease Prevention | 93.135 | S01967-01 | 35,507 | - |
| Pass Through from Emory University | | | | |
| Centers for Disease Control and Prevention - Centers for Research and Demonstration for Health Promotion and Disease Prevention | 93.135 | A623591 (A529560) | 69,857 | - |
| Total Centers for Disease Control and Prevention - Centers for Research and Demonstration for Health Promotion and Disease Prevention | | | <u>105,364</u> | <u>-</u> |
| Pass Through from Beckman Research Institute of the City of Hope | | | | |
| National Institutes of Health - Cancer Cause and Prevention Research | 93.393 | 52454.2002720.669203 | 30,501 | - |
| Pass Through from Joan & Sanford I. Weill Medical College of Cornell University | | | | |
| National Institutes of Health - Cancer Cause and Prevention Research | 93.393 | 204253-1, 221964-1 | 42,093 | - |
| Pass Through from Fred Hutchinson University | | | | |
| National Institutes of Health - Cancer Cause and Prevention Research | 93.393 | 0001073464 | 15,159 | - |
| Pass Through from IARC | | | | |
| National Institutes of Health - Cancer Cause and Prevention Research | 93.393 | CRA/GREP/2018/2 | 8,957 | - |
| Pass Through from Emory University | | | | |
| National Institutes of Health - Cancer Cause and Prevention Research | 93.393 | A586062 | 33,857 | - |

American Cancer Society, Inc.
Schedule of Expenditures of Federal Awards
For the 12 Months Ending December 31, 2022

| <u>Federal Grantor/Grant Title</u> | <u>Federal Assistance Listing No.</u> | <u>Pass-through identification number</u> | <u>Federal Expenditures</u> | <u>Expenditures to Subrecipients</u> |
|--|---------------------------------------|---|-----------------------------|--------------------------------------|
| Pass Through from Emory University National Institutes of Health - Cancer Cause and Prevention Research | 93.393 | A747337 | 13,301 | - |
| Pass Through from John Hopkins University National Institutes of Health - Cancer Cause and Prevention Research | 93.393 | 2005696872 | 19,920 | - |
| Total National Institutes of Health - Cancer Cause and Prevention Research | | | <u>163,788</u> | - |
| Total Research and Development Cluster | | | <u>303,164</u> | - |
| Other Programs | | | | |
| Pass Through from University of South Carolina Centers for Disease Control and Prevention - Organized Approaches to Increase Colorectal Cancer Screening | 93.800 | 21-4165, 22-4518, 23-4923 | 84,695 | - |
| Pass Through from Michigan Department of Health & Human Services Centers for Disease Control and Prevention - Organized Approaches to Increase Colorectal Cancer Screening | 93.800 | E2022851-00 | 16,615 | - |
| Pass Through from Michigan Department of Health & Human Services Centers for Disease Control and Prevention - Organized Approaches to Increase Colorectal Cancer Screening | 93.800 | E20232776-00 | 4,810 | - |
| Pass Through from North Carolina Department of Health & Human Services Centers for Disease Control and Prevention - Organized Approaches to Increase Colorectal Cancer Screening | 93.800 | 42631, 44384 | 135,897 | - |
| Total Centers for Disease Control and Prevention - Organized Approaches to Increase Colorectal Cancer Screening | | | <u>242,017</u> | - |
| Pass Through from State of West Virginia Centers for Disease Control and Prevention - Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | 93.898 | G210085, G220136 | 9,903 | - |
| Pass Through from Arizona Department of Health Centers for Disease Control and Prevention - Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | 93.898 | CTR056427, CTR061310 | 17,059 | - |
| Total Centers for Disease Control and Prevention - Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | | | <u>26,962</u> | - |
| Pass Through from Texas Department of State Health Services Health Resources and Services Administration - Maternal and Child Health Services Block Grant to the States | 93.994 | HHS0005208 | 55,520 | 37,500 |
| Total Other Programs | | | <u>324,499</u> | <u>37,500</u> |
| Total US Department of Health and Human Services | | | <u>3,969,775</u> | <u>128,500</u> |

American Cancer Society, Inc.
Schedule of Expenditures of Federal Awards
For the 12 Months Ending December 31, 2022

| <u>Federal Grantor/Grant Title</u> | <u>Federal Assistance Listing No.</u> | <u>Pass-through identification number</u> | <u>Federal Expenditures</u> | <u>Expenditures to Subrecipients</u> |
|--|---------------------------------------|---|-----------------------------|--------------------------------------|
| Department of Agriculture | | | | |
| Pass Through from Fred Hutchinson Cancer Research Center | | | | |
| National Institute of Food and Agriculture - Agriculture and Food Research Initiative (AFRI) | 10.310 | 0001090682 | 13,232 | - |
| Total Department of Agriculture | | | <u>13,232</u> | <u>-</u> |
| National Aeronautics and Space Administration | | | | |
| Pass Through from Emory University | | | | |
| National Aeronautics and Space Administration - Science | 43.001 | A512896 | 9,779 | - |
| Total National Aeronautics and Space Administration | | | <u>9,779</u> | <u>-</u> |
| United States Department of the Treasury | | | | |
| Pass Through from Municipality of Alaska | | | | |
| COVID-19 - Coronavirus Relief Fund | 21.019 | | 2,977 | - |
| Pass Through from Alaska Community Foundation | | | | |
| COVID-19 - Coronavirus State and Fiscal Recovery Funds | 21.027 | 0001090682 | 60,000 | - |
| Total United States Department of the Treasury | | | <u>62,977</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 4,055,763</u> | <u>\$ 128,500</u> |

See notes to Schedule of Expenditures of Federal Awards

American Cancer Society, Inc.
Notes to the Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the American Cancer Society, Inc. ("ACS"), for the year ended December 31, 2022. The information in this schedule is also presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of operations of ACS, it is not intended to and does not present the financial position, results and activities, changes in net assets or cash flows of ACS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. ACS did not elect to use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

3. CONTINGENCIES

These Federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect ACS' continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although ACS expects such amounts, if any, to be immaterial.



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of the American Cancer Society, Inc. (“ACS”), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated May 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ACS’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACS’s internal control. Accordingly, we do not express an opinion on the effectiveness of ACS’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACS’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an



opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

May 23, 2023



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Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited the American Cancer Society, Inc.'s ('ACS') compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on ACS's major federal program for the year ended December 31,2022. ACS's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, ACS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31,2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ACS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for the major federal program. Our audit does not provide a legal determination of ACS's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to ACS's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ACS's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ACS's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 ACS's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ACS's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ACS's internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ernst + Young LLP

May 23, 2023

**American Cancer Society, Inc.
Schedule of Findings and Questioned Costs
for the Year Ended December 31, 2022**

Section I—Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ **yes** X **no**

Significant deficiency(ies) identified?

_____ **yes** X **none reported**

Noncompliance material to financial statements noted?

_____ **yes** X **no**

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?

_____ **yes** X **no**

Significant deficiency(ies) identified?

_____ **yes** X **none reported**

Type of auditor’s report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ **yes** X **no**

Identification of major federal program:

Assistance Listing number(s)

93.427

Name of federal program

Provision of Technical Assistance and Training Activities to Assure Comprehensive Cancer Control Outcomes

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X **yes** _____ **no**

American Cancer Society, Inc.
Schedule of Findings and Questioned Costs (continued)
for the Year Ended December 31, 2022

Section II—Financial Statement Findings

Findings: No matters were identified

Section III—Federal Award Findings and Questioned Costs

Findings: No matters were identified



Every cancer. Every life.™

June 1, 2023

Summary Schedule of Prior Audit Finding

The American Cancer Society, Inc. (ACS), respectively submits the following Summary Schedule of Prior Audit Finding for the year ended December 31, 2022.

Finding 2020-001 Reporting - Financial

Assistance Listing Number: 93.421

Program Name: Centers for Disease Control & Prevention (CDC)- Category C: Hospital Systems

Granting Agency: Centers for Disease Control & Prevention, Department of Health and
Human Services

Responsible Contact: Lorance Hui

Status: Corrective action was taken

No findings reported for fiscal year 2021.