



THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Financial Statements

June 30, 2023

(With Independent Auditors' Report Thereon)

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Table of Contents

	Page(s)
Independent Auditors' Report	1-2
Consolidated Financial Statements:	
Consolidated Balance Sheet	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-21



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
The Leukemia & Lymphoma Society, Inc.:

Opinion

We have audited the consolidated financial statements of The Leukemia & Lymphoma Society, Inc. (the Society), which comprise the consolidated balance sheet as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Society as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Society 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.

Emphasis of Matter

As discussed in Note 1(t) to the consolidated financial statements, in 2023, the Society adopted new accounting guidance Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society'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.

Report on Summarized Comparative Information

We have previously audited The Leukemia & Lymphoma Society, Inc. 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

New York, New York
November 6, 2023

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Balance Sheet

June 30, 2023

(with summarized comparative information at June 30, 2022)

(In thousands)

Assets	2023	2022
Cash and cash equivalents	\$ 2,850	10,996
Prepaid expenses and other assets	5,559	5,861
Contributions and other receivables, net (note 7)	30,240	25,382
Investments, short-term (note 4)	203,275	245,071
Investments, long-term (note 4)	183,707	157,791
Investment held for Co-Pay program (note 4)	203,623	250,026
Fixed assets, net (note 10)	13,631	10,915
Right-of-use assets, net (note 12)	12,472	—
Other long-term assets	517	—
Total assets	\$ 655,874	706,042
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 22,105	25,729
Deferred revenue (note 8)	15,923	14,134
Awards and grants payable (note 2)	62,949	50,225
Co-Pay assistance payable (note 3)	155,659	229,195
Other long-term liabilities (note 11)	3,132	4,570
Lease liability (note 12)	14,425	—
Total liabilities	274,193	323,853
Commitments and contingencies (notes 2, 3, 12 and 14)		
Net assets:		
Without donor restrictions	288,026	316,414
With donor restrictions (notes 3 and 6)	93,655	65,775
Total net assets	381,681	382,189
Total liabilities and net assets	\$ 655,874	706,042

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Statement of Activities

Year ended June 30, 2023

(with summarized totals for the year ended June, 2022)

(In thousands)

	Without donor restriction	With donor restriction	Year ended	
			June 30, 2023	June 30, 2022
Operating revenue:				
Contributions	\$ 231,757	42,522	274,279	284,823
Less direct donor benefit costs	(23,456)	—	(23,456)	(15,474)
Net campaign contributions	208,301	42,522	250,823	269,349
Co-pay contributions	—	104,150	104,150	129,256
Therapy Acceleration Program Contractual Return and Royalties	1,865	—	1,865	9,654
Service revenue	9,531	—	9,531	11,312
Donated services, goods and media	7,621	—	7,621	3,405
Legacies and other revenue	6,987	606	7,593	12,684
Net interest and dividend income	8,834	2,239	11,073	8,204
Net assets released from restrictions:				
Co-pay assistance	84,755	(84,755)	—	—
Satisfaction of other donor restrictions	40,331	(40,331)	—	—
Total operating revenue	<u>368,225</u>	<u>24,431</u>	<u>392,656</u>	<u>443,864</u>
Operating expenses:				
Program services:				
Research	114,302	—	114,302	94,190
Patient and community service	147,773	—	147,773	304,208
Public health education	25,211	—	25,211	22,899
Professional education	12,124	—	12,124	12,444
Total program services	<u>299,410</u>	<u>—</u>	<u>299,410</u>	<u>433,741</u>
Supporting services:				
Management and general	54,960	—	54,960	54,039
Fund raising	51,286	—	51,286	46,457
Total supporting services	<u>106,246</u>	<u>—</u>	<u>106,246</u>	<u>100,496</u>
Total operating expenses	<u>405,656</u>	<u>—</u>	<u>405,656</u>	<u>534,237</u>
Change in net assets from operating activities	(37,431)	24,431	(13,000)	(90,373)
Foreign currency translation adjustment and other	(240)	—	(240)	(478)
Net increase (decrease) in fair value of investments	9,283	3,449	12,732	(51,949)
Change in net assets	<u>(28,388)</u>	<u>27,880</u>	<u>(508)</u>	<u>(142,800)</u>
Net assets:				
Beginning of period	316,414	65,775	382,189	524,989
End of period	<u>\$ 288,026</u>	<u>93,655</u>	<u>381,681</u>	<u>382,189</u>

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.
Consolidated Statement of Functional Expenses
Year ending June 30, 2023
(with summarized totals for the Year ended June 30, 2022)
(In thousands)

	Program services				Supporting services			Year – ended		Direct donor benefit costs		
	Research	Patient and community service	Public health education	Professional education	Total	Management and general	Fund raising	Total	June 30,	June 30,	2023	2022
									2023	2022		
Awards and grants	\$ 56,722	—	—	—	56,722	—	—	—	56,722	48,151	—	—
Therapy acceleration program	2,250	—	—	—	2,250	—	—	—	2,250	3,760	—	—
Clinical trial	11,908	—	—	—	11,908	—	—	—	11,908	9,758	—	—
Financial aid to patients	—	17,253	—	—	17,253	—	—	—	17,253	13,847	—	—
Co-pay assistance	—	75,108	—	—	75,108	—	—	—	75,108	236,519	—	—
Co-pay processing fees	—	12,988	—	—	12,988	—	—	—	12,988	8,840	—	—
Donated services, goods, and media	332	224	5,059	111	5,726	126	1,768	1,894	7,620	3,406	—	—
Salaries and employee benefits and taxes	25,629	22,317	10,067	6,346	64,359	34,175	27,036	61,211	125,570	117,309	—	—
Professional fees	8,876	6,940	4,289	2,835	22,940	8,564	6,167	14,731	37,671	34,709	6,101	3,795
Printing, advertising, and supplies	2,053	4,899	2,538	1,079	10,569	2,846	5,861	8,707	19,276	18,287	2,909	2,682
Occupancy, telephone, and insurance	1,885	1,642	567	313	4,407	2,261	2,187	4,448	8,855	11,063	—	—
Travel and meetings	1,463	2,014	1,326	925	5,728	1,429	1,322	2,751	8,479	1,944	13,608	8,255
Equipment rentals and maintenance	1,119	1,534	106	82	2,841	3,358	3,424	6,782	9,623	10,641	—	—
Postage and shipping	195	1,385	649	77	2,306	211	1,798	2,009	4,315	5,324	—	—
Miscellaneous	819	468	191	96	1,574	793	851	1,644	3,218	6,680	838	742
Depreciation and amortization	1,051	1,001	419	260	2,731	1,197	872	2,069	4,800	4,000	—	—
Total expenses	\$ 114,302	147,773	25,211	12,124	299,410	54,960	51,286	106,246	405,656	534,237	23,456	15,474

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Statement of Cash Flows

Year ending June 30, 2023
(with summarized totals for the Year ended June 30, 2022)

(In thousands)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (508)	(142,800)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net (increase) decrease in fair value of investments	(12,732)	51,949
Depreciation and amortization	4,800	4,045
Right-of-use amortization	4,164	—
Deferred rent liability	1,953	—
Provision for uncollectible accounts	3,036	1,931
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	302	(1,970)
Contributions and other receivables	(7,894)	(8,527)
Accounts payable and accrued expenses	(3,624)	(4,209)
Other long-term liabilities	(1,438)	36
Operating lease liability	(4,164)	—
Other long-term assets	(517)	—
Deferred revenue	1,789	1,000
Awards and grants payable	12,724	13,521
Co-Pay assistance payable	(73,536)	77,145
Net cash used in operating activities	<u>(75,645)</u>	<u>(7,879)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(7,516)	(3,832)
Purchases of long-term investments	(168,443)	(228,615)
Sales of investments	243,458	231,879
Net cash provided by (used in) investing activities	<u>67,499</u>	<u>(568)</u>
Net decrease in cash and cash equivalents	(8,146)	(8,447)
Cash and cash equivalents at beginning of period	<u>11,118</u>	<u>19,565</u>
Cash and cash equivalents at end of period	\$ <u><u>2,972</u></u>	\$ <u><u>11,118</u></u>
Reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown above:		
Cash and cash equivalents	\$ 2,850	10,996
Cash included in investments	122	122
Total cash, cash equivalents, and restricted cash	\$ <u><u>2,972</u></u>	\$ <u><u>11,118</u></u>
Supplement disclosure of cashflow information:		
Right-of-use assets acquired and operating lease liability through adoption of ASC 842	\$ 16,636	—
Deferred rent liability included in operating lease liability	(1,960)	—

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Leukemia & Lymphoma Society, Inc. (LLS) is the world's largest voluntary health agency dedicated to finding cures for blood cancers and providing services to blood cancer patients, their families, and caregivers. LLS's mission is to cure leukemia, lymphoma, Hodgkin's disease, and myeloma and improve the quality of life of patients and their families. LLS research grants have funded many of today's most promising advances for the treatment of blood cancer patients, including targeted therapies and immunotherapies. LLS clinical trials are utilizing a collaborative approach to change the paradigm of treatment through precision medicine. LLS is a leading source of publicly available information regarding blood cancer and education and support programs. LLS influences public policies that accelerate the development and approval of new blood cancer therapies and advocates for all blood cancer patients and their families, helping patients navigate their cancer treatments and access to quality, affordable and coordinated care. LLS is dedicated to removing barriers to care by representing the healthcare and medical research interests of patients and families to policy makers at all levels of government.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of LLS and LLS's not-for-profit affiliates, including The Leukemia & Lymphoma Society of Canada, Inc. (LLSC), The Leukemia & Lymphoma Society Research Programs, Inc. (LLSRP), and The Leukemia & Lymphoma Society Research Foundation (LLSRF). Additionally, LLS is the sole member of various limited liability companies which support LLS clinical trials and research activities. All significant intercompany and intra-LLS accounts and transactions have been eliminated in consolidation.

(c) Tax-Exempt Status

LLS, LLSRP and LLSRF qualify as charitable organizations as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, are exempt from federal income taxes under Internal Revenue Code Section 501(a). LLS's limited liability companies are disregarded pass through entities and are exempt from federal income taxes under Internal Revenue Code Section 501(a). Additionally, since these organizations are publicly supported, contributions qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

LLSC is registered as a charitable organization under the Income Tax Act (Canada) and is, therefore, not subject to income taxes if certain disbursement requirements are met.

LLS and its related entities recognize the effect of income tax positions only if those tax positions are more likely than not to be sustained. Income generated from activities unrelated to exempt purposes are subject to tax under Internal Revenue Code Section 511. There were no entities that recognized any unrelated business income tax liability for the years ended June 30, 2023 and 2022.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

(d) Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires LLS's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates made in the preparation of these consolidated financial statements include collectability of contributions and other receivables, allocation of expenses, and valuation of lease liability and donated goods, services and media. Actual results could differ from those estimates.

(e) Risks and Uncertainties

LLS invests in various investment securities. Investment securities are exposed to various risks such as interest rate risks, fluctuations in market values, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

LLS's principal source of revenue is contributions by the general public. Accordingly, LLS's operations are dependent upon individual contributions, that are affected by general economic conditions, employment levels, and other factors over which LLS has little or no control. By contrast to the granularity of the general public donations, the Co-Pay program in 2023 and 2022 was funded by four and six corporate donors, respectively. In addition, the Beat AML Master Trial was primarily funded by three and four donors in 2023 and 2022, respectively. The Pediatric Acute Leukemia Clinical Trial (PedAL) was funded by one donor in 2023.

(f) Summarized Financial Information

The consolidated financial statements are presented with 2022 summarized information. With respect to the consolidated statement of activities, such prior year information is not presented by net asset class and, in the consolidated statement of functional expenses, 2022 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with LLS's 2022 consolidated financial statements from which the summarized information was derived.

(g) Net Asset Classifications

To ensure observance of limitations and restrictions placed on the use of resources available to LLS, funds that have similar characteristics have been classified into two net asset categories as follows:

Net assets without donor restrictions: Consist of funds that are fully available, at the discretion of LLS's Board of Directors, for LLS to utilize in any of its programs or supporting services.

Net assets with donor restrictions: Consist of funds that are restricted by donors for a specific time period and/or purpose. Also included in this category are net assets subject to donor imposed restrictions, which stipulate that the principal be maintained by LLS, but permits LLS to expend part or all of the income and gains derived therefrom. Expirations of restrictions are reported as net

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

assets released from restrictions when the donor stipulated purpose has been fulfilled and/or the amount has been appropriated in compliance with the Board -approved spending policy (note 6).

Revenue and gains and losses on investments and other assets and liabilities are reported as changes in net assets without restrictions unless limited by explicit donor -imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions.

LLS delineates changes in net assets without donor restrictions as operating or non-operating activities. Operating activities include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations include support for operating activities from both with donor restrictions and without donor restrictions designated for long-term investment according to LLS's spending rate policy (note 6). Non-operating activities include changes in fair value of investments and foreign currency translation adjustment and other nonrecurring items.

(h) Foreign Currency Translation

LLSC uses the Canadian dollar as its functional currency. Accordingly, the currency translation of the financial statements of LLSC to U.S. dollars is included as a translation adjustment in the consolidated statement of activities.

(i) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices or published net asset value for funds with characteristics similar to a mutual fund (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs other than quoted prices or published net asset value included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 unobservable inputs for the asset or liability.

LLS follows the provisions of Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, for its alternative investments that do not have readily determinable fair values, including hedge funds, limited partnerships, and other funds. This guidance allows, as a practical expedient, for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value, using net asset value (NAV) per share or its equivalent, as reported by the investment managers.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(j) Contributions, Grants and Deferred Revenue

Contributions are recorded as revenue, at their fair value, when received or promised unconditionally. Contributions received with donor restrictions that limit their use are reported as revenues with donor restrictions. When a donor restriction is met through the passage of time or fulfillment of a purpose restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions expected to be received after one year are discounted at a risk -adjusted rate of return. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor -imposed restrictions, if any, on the contributions.

A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional contributions are recognized as revenue when the barriers on which they depend have been met. Certain grants are accounted for as exchange transactions whereby revenue is recognized when the related expenses are incurred. Amounts received under these arrangements but not yet expended are reported as deferred revenue.

(k) Sponsorship Revenue

Sponsorship revenue is accounted for as an exchange transaction whereby revenue is recognized when the related benefit to the sponsor is delivered. Amounts received under these arrangements but for which benefits have not been delivered are reported as deferred revenue. When sponsorship agreements specify multiple benefits spread over more than one period the revenue is distributed proportionately to the estimated value of the benefit as required under Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606).

(l) Service Revenue

Service revenue is accounted for as an exchange transaction whereby revenue is recognized when the related expenses are incurred. Amounts received under these arrangements but not yet expended are reported as deferred revenue.

(m) Donated Goods and Services

LLS has determined that certain of the donated goods and services it receives meet the criteria for recognition in the consolidated financial statements. The value of contributed goods was determined based on fair market value estimates. The value of contributed services was determined for volunteers that possess specialized skills and would otherwise need to be purchased based on the fair market value of the services. These goods and services are recognized as revenue and expense (note 9).

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

(n) Donated Media

LLS has conducted national public service announcements (PSA) media campaigns and benefited from donated media time that was aired on television and radio. The value of contributed media, which is recognized in the consolidated financial statements, was estimated based on the placement, audience, and demographics of the PSA's (note 9).

(o) Cash Equivalents

Cash equivalents consist of short-term investments with an original maturity of three months or less from date of purchase, except for amounts held in investments.

(p) Investments

Investments are stated at fair value based upon quoted or published market prices, except for the fair values of alternative investments which are based on NAVs provided by the fund managers or general partners, based upon the underlying net assets of the funds consistent with the concepts of ASC 820. These values are reviewed and evaluated by management.

(q) Fixed Assets and Depreciation

Fixed assets, which consist principally of equipment, software, and leasehold improvements, are recorded at cost, and are depreciated or amortized using the straight-line method over the estimated useful lives of the assets or the terms of the leases, if shorter, ranging from 2 to 10 years (leasehold improvements 7 years; furniture, fixtures, and office equipment 7 to 10 years, and computer equipment and software 2 to 5 years).

(r) Other Long-Term Liabilities

Other long-term liabilities represent LLS's liability for the Internal Revenue Code Section 457 deferred compensation plans recorded at fair market value (note 11) and CGA Annuity Payable.

(s) Professional Fees

Professional fees included in the consolidated financial statements principally include professional fund-raising fees, contracted software development, and legal and auditing fees.

(t) Leases

ASU No. 2016-02, *Leases (Topic 842)* – This guidance, effective for LLS's fiscal year ending June 30, 2023, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments on the consolidated balance sheet and disclosing key information about leasing arrangements. LLS elected the short-term lease exemption for leases with a term of twelve months or less. LLS recognized right-of-use assets and lease liabilities based on the present value of lease payments over the lease terms at commencement date.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

(u) Functional Allocation of Expense

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly certain costs attributable to more than one program or supporting services function are allocated using cost allocation methods such as square footage and estimate of time and effort.

LLS allocates expenses relating to the operation and maintenance of plant and depreciation using building square footage based on functional use.

(v) Reclassifications

Certain reclassifications have been made to the 2022 amounts to conform with the current year presentation.

(w) Subsequent Events

LLS evaluated subsequent events after the balance sheet date of June 30, 2023 through November 6, 2023, which was the date the consolidated financial statements were available for issuance, and concluded no additional disclosures are required.

(2) Research

LLS has various activities that are utilized to carry out its mission as presented below:

Research

Awards and Grants: Awards and grants for research are approved by LLS's Board of Directors and are recognized as expense when contractual conditions have been satisfied. The budgets for multi-year grants, which are generally two to five years in length, are approved on an annual basis and may be terminated at the discretion of LLS's Board of Directors. LLS has multi-year grant commitments of \$77,462 at June 30, 2023, which are conditioned upon future events and, accordingly, are not recorded. LLS has unconditional grants payable of \$62,949 and \$50,225 at June 30, 2023 and 2022, respectively, which are anticipated to be paid in the next year. Grant refunds and cancellations of approximately \$953 and \$1,286 as of June 30, 2023 and 2022, respectively, have been netted against awards and grants expense.

Therapy Acceleration Program (TAP)

TAP is LLS's strategic initiative to speed the development of blood-cancer treatments and supportive diagnostics by creating business alliances with biotechnology and pharmaceutical companies. TAP provides funding for investigational new drug-enabling studies and clinical-stage projects thru awarding grants, purchasing private and public equity, or other funding mechanisms. TAP contracts are recognized and paid in the year program milestones are achieved. Multi-year contracts, which are generally two to three years in length, are reviewed against milestones on a quarterly basis and may be terminated at the discretion of LLS's Board of Directors. LLS has contract commitments of \$9,753 and \$11,003 at June 30, 2023 and 2022, respectively, that are conditioned upon future events and, accordingly, are not recorded. Grant refunds of approximately \$87 and \$67 as of June 30, 2023 and June 30, 2022, respectively have been netted against TAP contractual return.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

Commitments for the awards and grants and TAP programs are contingent upon the satisfactory completion of milestones and/or other conditions in the grant and contract agreements. If such conditions are satisfied, the amounts are estimated to be paid as follows:

Year ending June 30:		
2024	\$	46,315
2025		25,822
2026		11,854
2027		<u>3,224</u>
Total	\$	<u><u>87,215</u></u>

(3) Co-Pay Assistance Program

Co-Pay Assistance Program: The Co-Pay Assistance program offers financial assistance to patients in meeting their insurance Co-Pay obligations for prescription medications or private/public health insurance premiums. Revenue is recognized when donations are received while expenses are recognized as patient applications are approved for participation according to program criteria and on availability of funding. The Co-Pay Assistance payable of \$155,659 and \$229,195 has been established based on approved patient applications received through June 30, 2023 and 2022, respectively. Net assets with donor restrictions include \$48,178 and \$24,272 at June 30, 2023 and 2022, respectively, which are available for expenditure and are intended to be awarded in future periods (note 6).

The following summarizes the activities of the Co-Pay Assistance program as of June 30, 2023.

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 24,272	148,354
Contributions	104,150	129,256
Investment gain(loss)	4,511	(6,411)
Amount expended during the year:		
Direct assistance to patients	(75,108)	(236,519)
Other expenses incurred and reimbursed	<u>(9,647)</u>	<u>(10,408)</u>
Amounts available for expenditures in subsequent periods	<u>\$ 48,178</u>	<u>24,272</u>

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

(4) Investments

The following tables present LLS's fair value hierarchy of investments measured at fair value on an annual basis as of June 30, 2023 and June 30, 2022:

	June 30,			
	2023	Level 1	Level 2	Level 3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Money market funds and cash	\$ 79,970	79,970	—	—
Fixed income:				
Corporate bonds	122,011	122,011	—	—
Government securities and other	229,098	229,098	—	—
Equities:				
Large cap equity	48,862	48,862	—	—
International equity	38,958	38,958	—	—
Small/mid cap equity	38,902	38,902	—	—
Commodities	6,542	6,542	—	—
US Govt Money Market Fund	13,000	13,000	—	—
	<u>577,343</u>	<u>577,343</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value:				
Multi strategy hedge fund	<u>13,262</u>			
Total investments reported at net asset value	\$ <u>590,605</u>			

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

	<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash	\$ 35,317	35,317	—	—
Fixed income:				
Corporate bonds	122,871	122,871	—	—
Government securities and other	331,502	331,502	—	—
Equities:				
Large cap equity	45,111	45,111	—	—
International equity	38,258	38,258	—	—
Small/mid cap equity	31,392	31,392	—	—
Commodities	5,754	5,754	—	—
US Govt Money Market Fund	30,000	30,000	—	—
	<u>640,205</u>	<u>640,205</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value:				
Multi strategy hedge fund	<u>12,683</u>			
Total investments reported at net asset value	<u>\$ 652,888</u>			

Within the investment balance as of June 30, 2023 and June 30, 2022 are \$203,623 and \$250,026 restricted to Co-Pay, respectively.

LLS's alternative investments strategy:

Multi strategy hedge fund – represents an investment in a broad range of investment strategies that seek to exploit opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies and include event-driven strategies, distressed debt, merger and other arbitrage, and value investing.

This strategy creates indirect exposure to LLS through short sales of securities, trading in future and forward contracts, and other derivative products. Derivatives are investment contracts used to hedge risk. While these financial instruments may contain varying degrees of risk, LLS's risk with respect to such transactions is limited to its capital balance in each investment.

LLS's alternative investments contain various redemption restrictions with required written notice ranging from 45–95 days. By contrast, all of LLS's nonalternative investments are highly liquid and can be

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

redeemed daily without restriction. As of June 30, 2023 and 2022, the following table summarizes the redemption provisions for those investments reported at NAV:

	June 30	
	2023	2022
Redemption period:		
Monthly	\$ 7,542	7,245
Quarterly	5,720	5,438
Total	\$ 13,262	12,683

As of June 30, 2024 and 2023, LLS had no unfunded commitments on its alternative investments.

(5) Financial Assets

LLS's goal is to maintain unrestricted financial assets to meet the requirements of all outstanding commitments, both current and conditional as well as a minimum of 25-50% of annual general expenditures. LLS considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. As part of LLS liquidity plan, excess cash is invested in short-term investments, including money market accounts, fixed income and equities.

In addition to available financial assets, LLS operates with a balanced budget and anticipates collecting sufficient revenue to cover all general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of LLS's cash.

	June 30	
	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 2,850	10,996
Contributions receivable	30,240	25,382
Investments	590,605	652,888
Total financial assets	623,695	689,266
Less amounts not available to be used within one year:		
Restricted to support Co-pay patients	203,623	254,325
Contributions and other receivable with donor restrictions not to be met in less than a year	29,369	11,370

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
Equity holdings not expected to be redeemed	\$ 12,071	4,878
Endowment, net of spending	<u>7,932</u>	<u>7,516</u>
Total financial assets not available for use	<u>252,995</u>	<u>278,089</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 370,700</u>	<u>411,177</u>

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions and the income earned are available for the following purposes at June 30, 2023 and June 30, 2022:

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
Co-pay	\$ 48,178	24,272
Research	32,487	14,458
Dare to dream initiative	4,653	7,716
Professional education	2,464	3,649
Public health education	1,952	3,850
Patient and community service	1,704	3,546
Beat AML initiative	238	2,824
Clinical trials	163	3,235
Other	<u>1,816</u>	<u>2,225</u>
Total net assets with donor restriction	<u>\$ 93,655</u>	<u>65,775</u>

LLS follows the provisions of the New York Prudent Management of Institutional Funds Act, which imposes guidelines on the management and investment of endowment funds. LLS has interpreted the relevant law as allowing LLS to appropriate for expenditure or accumulate so much of an endowment fund as LLS determines is prudent considering the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

LLS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to protect the original value of the gift. The spending rate policy at June 30, 2023 and 2022 was 4%, plus any additional amounts advised by donors. Under this policy, the endowment assets are invested in a manner that is intended to produce results consistent with LLS' overall investment strategy.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

The following table presents changes in the donor-restricted endowment funds for the year ended June 30, 2023 and 2022:

	June 30	
	2023	2022
Endowment net assets at July 1	\$ 7,829	7,900
Contributions	30	1,130
Investment income (loss)	744	(968)
Foreign current translation adjustment	(51)	62
Appropriation for expenditure	(290)	(295)
Endowment net assets at June 30	<u>\$ 8,262</u>	<u>7,829</u>

(7) Contribution and Other Receivables

LLS's contribution and other receivables at June 30, 2023 and June 30, 2022 consist of unconditional promises to give, receivables associated with service revenue, and legacies for which the underlying wills have been declared valid by the probate court and no other conditions are required to be met.

Contributions and other receivables consist of the following:

	June 30	
	2023	2022
Contributions	\$ 27,219	22,558
Co-pay contributions	1,650	—
Service revenue	1,371	2,021
Legacies and bequests	—	803
Total	<u>\$ 30,240</u>	<u>25,382</u>

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

Contributions receivables are originally recorded based on discounted cash flows using a risk-adjusted discount rate. Amounts are scheduled to be received as follows:

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
Less than one year	\$ 8,744	17,867
One to five years	<u>29,369</u>	<u>11,370</u>
Subtotal	38,113	29,237
Less:		
Allowance for uncollectible accounts	(5,813)	(2,777)
Discount to present value (5.0%)	<u>(2,060)</u>	<u>(1,078)</u>
Total	<u>\$ 30,240</u>	<u>25,382</u>

(8) Deferred Revenue

The majority of deferred revenue includes amounts received for special events that will be held subsequent to the fiscal year-end. Deferred revenue as of June 30, 2023 and June 30, 2022 consists of the following:

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
Special events	\$ 13,718	11,007
Service revenue	<u>2,205</u>	<u>3,127</u>
Total	<u>\$ 15,923</u>	<u>14,134</u>

(9) Donated Services, Goods, and Media

The value of donated goods, donated services for family support group facilitators and research grant reviewers, as well as donated media are included in both revenue and expense as shown below:

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
Donated goods	\$ 140	143
Donated services	884	973
Donated media	<u>6,597</u>	<u>2,289</u>
Total	<u>\$ 7,621</u>	<u>3,405</u>

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

(10) Fixed Assets, Net

Fixed assets at June 30, 2023 and 2022 consist of the following:

	June 30	
	2023	2022
Leasehold Improvements, net	\$ 1,285	1,464
Furnitures, fixtures, and other office equipment, net	1,868	2,028
Computer equipment and software	26,037	19,678
Computers	799	—
Total	29,989	23,170
Less accumulated depreciation and amortization	(16,358)	(12,255)
Fixed assets, net	\$ 13,631	10,915

(11) Retirement Plans

LLS has a defined contribution 403(b) plan covering all employees meeting age and service requirements. LLS contributions are based on a percentage of each eligible employee's salary and years of service. Expenses under this plan aggregated \$3,312 and \$2,603 for the years ended June 30, 2023 and 2022, respectively.

LLS has nonqualified deferred compensation plans for its executive staff subject to the provisions of the Internal Revenue Code Section 457b (the Plan). There were no expenses incurred for the years ended June 30, 2023 and 2022. The assets of the Plan included in investments in the accompanying consolidated balance sheet and amounted to approximately \$2,056 and \$1,926 at June 30, 2023 and 2022, respectively. The liabilities of the Plan are included in other long-term liabilities in the accompanying consolidated balance sheet and amounted to approximately \$2,056 and \$1,926 at June 30, 2023 and 2022, respectively.

(12) Lease Agreements

The organization has entered into operating leases for office space and equipment which expire at various dates through March 2031. In April 2016, LLS entered into an operating lease for 41,868 square feet of space for its main office in Rye Brook NY, expiring on March 31, 2031. Operating leases with lease terms greater than one year are reported as right-of-use assets, net and lease liability in the consolidated balance sheet. The rate implicit in the leases are typically not readily determinable. As a result, a risk free rate of a comparable time period is used.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2023

(with comparative information for the year ended June 30, 2022)

(Amount in thousands)

The table below represents a maturity analysis of lease liabilities and a reconciliation of the total amount of such liabilities recognized in the consolidated balance sheet at June 30, 2023

2024	\$	453
2025		1,649
2026		1,397
2027		2,430
2028		8,563
		<u>14,492</u>
Less discount for net present value		<u>67</u>
	\$	<u><u>14,425</u></u>

Lease costs and other related information for the year ended June 30, 2023 were as follows:

Lease cost:

Operating lease cost \$ 4,164

Other information:

Weighted-average remaining lease term-operating leases 5.8 years

Weighted-average discount rate – operating leases 2.8 %

(13) Joint Costs Allocation

For the years ended June 30, 2023 and 2022, LLS 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, coinboards, and media campaigns. Such costs are allocated based on applicable accounting standards and were allocated as follows:

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
Fundraising	\$ 7,914	5,198
Patient & Community Services	3,827	4,161
Public Health Education	<u>7,017</u>	<u>5,598</u>
Total	<u><u>\$ 18,758</u></u>	<u><u>14,957</u></u>

(14) Contingent Liabilities

LLS is a defendant in various lawsuits arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on LLS's financial position.