American Cancer Society, Inc.

Consolidated Financial Statements

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

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

Building a better working world

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Report of Independent Auditors

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

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). 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 Responsibility 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 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, 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.

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

	2022	2021
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 9 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)

	Without Donor Restrictions	With Donor Restrictions	Total
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	566,648	-	566,648
Mission support services:			
Management and general	26,338	-	26,338
Fundraising	106,557	-	106,557
Total mission support services	132,895	-	132,895
Total mission program and mission support services expenses	699,543	-	699,543
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	421,205	266,296	687,501
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	363,360	186,939	550,299
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	(74,404)	(74,840)	(149,244)
Net (decrease) in retirement plan liability	(16,920)	-	(16,920)
Change in net assets	(57,484)	(74,840)	(132,324)
Net assets, beginning of period	665,930	771,825	1,437,755
Net assets, end of period	$ 608,446	$ 696,985	$ 1,305,431

The notes beginning on page 9 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)

	Without Donor Restrictions	With Donor Restrictions	Total
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	481,531	-	481,531
Mission support services:			
Management and general	24,997	-	24,997
Fundraising	95,420	-	95,420
Total mission support services	120,417	-	120,417
Total mission program and mission support services expenses	601,948	-	601,948
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	450,135	233,001	683,136
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	480,268	287,789	768,057
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	115,346	50,763	166,109
Net (decrease) in retirement plan liability	(43,611)	-	(43,611)
Change in net assets	158,957	50,763	209,720
Net assets, beginning of period	506,973	721,062	1,228,035
Net assets, end of period	$ 665,930	$ 771,825	$ 1,437,755

The notes beginning on page 9 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					
	Patient support	Discovery	Advocacy	Total mission program	Management and general	Fundraising	Total mission support	Total before exchange expenses	Exchange expenses (see note 6)	Total
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 9 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					
	Patient support	Discovery	Advocacy	Total mission program	Management and general	Fundraising	Total mission support	Total before exchange expenses	Exchange expenses (see note 6)	Total
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	$ 294,894	$ 151,160	$ 35,477	$ 481,531	$ 24,997	$ 95,420	$ 120,417	$ 601,948	$ 56,137	$ 658,085

The notes beginning on page 9 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)

	2022	2021
Cash flows from operating activities		
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	(3,541)	110,982
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	668	(106,650)
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	1,680	(6,956)
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	$ 43,652	$ 44,845

The notes beginning on page 9 are an integral part of the consolidated financial statements.

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 Network℠ (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 or call our 24/7 helpline at 1-800-227-2345.

(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	$ 699,543	100 %	$ 601,948	100 %

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.

(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:

	December 31, 2022	December 31, 2021
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
	$ 910,904	$ 990,916

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.

(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	$ 696,985	$ 771,825

(Dollars in Thousands)

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:

	2022	2021
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	760,322	826,002
Less deferred compensation, custodial, and other illiquid investments, including impact venture investments (see Note 8)	(154,641)	(155,565)
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	51,335	43,748
Total financial assets managed for liquidity	$ 657,016	$ 714,185

(Dollars in Thousands)

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	$	227,548

(Dollars in Thousands)

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:

Type	Issuer	Maturity Date	Fixed Interest Rate	Balance at 12/31/2022	Balance at 12/31/2021	Collateral at 12/31/2022
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				$ 35,221	$ 37,515	

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	$ 35,221

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.

(Dollars in Thousands)

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				$ 62,692	$ 48,143

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 assts 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.

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.

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

(Dollars in Thousands)

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.

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.

(Dollars in Thousands)

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:

	2022	2021
Patient support	$ 68,348	$ 64,857
Management and general	1,563	2,065
Fundraising	27,738	24,294
Total	$ 97,649	$ 91,216

(Dollars in Thousands)

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	-	-
	$ 63,893	$ 52,882	$ 73,990	$ 56,136

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.

(Dollars in Thousands)

7. Fixed assets

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

	2022	2021
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	$ 258,401	$ 270,575

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.

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.

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.

(Dollars in Thousands)

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.

	Financial assets and liabilities measured at fair value as of December 31, 2022			
Assets	**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	$ 4,391	$ 77,408	$ -	$ 81,799
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	$ 26,949	$ 5,374	$ 106	$ 32,429
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	$ 104,303	$ 316,145	$ 28,487	$ 796,676
Beneficial interests in trusts	$ -	$ -	$ 333,481	$ 333,481
Liabilities				
Gift annuity obligations	$ -	$ -	$ 9,303	$ 9,303

(Dollars in Thousands)

8. Fair value measurement, continued

	Financial assets and liabilities measured at fair value as of December 31, 2021			
Assets	**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	$ 10,081	$ 128,407	$ -	$ 138,488
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	$ 34,321	$ 7,313	$ 82	$ 41,716
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	$ 168,268	$ 305,587	$ 18,980	$ 810,712
Beneficial interests in trusts	$ -	$ -	$ 406,638	$ 406,638
Liabilities				
Gift annuity obligations	$ -	$ -	$ 13,614	$ 13,614

(Dollars in Thousands)

8. Fair value measurement, continued

* In accordance with Fair Value Measurement (Topic 820), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the 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	$ 28,593	$ 333,481	$ 9,303

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	$ 19,062	$ 406,638	$ 13,614

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:

	December 31, 2022		December 31, 2021	
Investment type	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	$ 347,741	$ -	$ 317,877	$ -

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.

(Dollars in Thousands)

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	With Donor Restrictions 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

(Dollars in Thousands)

9. Endowment, continued

Spending policy

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

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

	Current 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 %	

(Dollars in Thousands)

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			
	2022	**2021**	**Target**	**+/- Bands**
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	
	100 %	100 %	100 %	

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:

(Dollars in Thousands)

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)

(Dollars in Thousands)

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	$ 153,862	$ (3,494)	$ 150,368
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	$ (4,949)	$ 1,383	$ (3,566)
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

(Dollars in Thousands)

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

(Dollars in Thousands)

10. Employee retirement benefit plans, continued

December 31, 2021	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	$ 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	$ 160,895	$ 6,393	$ 167,288
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	$ 10,457	$ 1,998	$ 12,455
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

(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			
	Level 1	Level 2	Level 3	Total
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	$ 131,282	$ 126,415	$ -	$ 367,490

	Financial assets measured at fair value on a recurring basis as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
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	$ 187,391	$ 203,816	$ -	$ 520,656

* 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.

(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	$ 16,840

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.

(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		33,033
Less amount representing interest		(1,310)
Net minimum lease payments		31,723
Less current portion		(8,271)
Noncurrent portion		23,452

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.