



THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Financial Statements

June 30, 2022

(With Independent Auditors' Report Thereon)

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

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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, 2022, 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, 2022, 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.

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 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. 2021 consolidated financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated October 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

New York, New York
October 25, 2022

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Balance Sheet

June 30, 2022

(with summarized comparative information at June 30, 2021)

(In thousands)

Assets	2022	2021
Cash and cash equivalents	\$ 10,996	19,473
Prepaid expenses and other assets	5,861	3,891
Contributions and other receivables, net (note 7)	25,382	18,786
Investments (note 4)	402,862	409,384
Investment held for CoPay program (note 4)	250,026	298,687
Fixed assets, net (note 10)	<u>10,915</u>	<u>11,128</u>
Total assets	<u>\$ 706,042</u>	<u>761,349</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 25,729	29,938
Deferred revenue (note 8)	14,134	13,134
Awards and grants payable (note 2)	50,225	36,704
Co-Pay assistance payable (note 3)	229,195	152,050
Other long-term liabilities (note 11)	<u>4,570</u>	<u>4,534</u>
Total liabilities	<u>323,853</u>	<u>236,360</u>
Commitments and contingencies (notes 2, 3, 12 and 14)		
Net assets:		
Without donor restrictions	316,414	339,806
With donor restrictions (notes 3 and 6)	<u>65,775</u>	<u>185,183</u>
Total net assets	<u>382,189</u>	<u>524,989</u>
Total liabilities and net assets	<u>\$ 706,042</u>	<u>761,349</u>

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Statement of Activities

Year ended June 30, 2022

(with summarized comparative information for the year ended June 30, 2021)

(In thousands)

	Without donor restrictions	With donor restrictions	Total	
			2022	2021
Operating revenue:				
Contributions	\$ 242,039	42,784	284,823	260,922
Less direct donor benefit costs	<u>(15,474)</u>	—	<u>(15,474)</u>	<u>(5,868)</u>
Net campaign contributions	226,565	42,784	269,349	255,054
Co-pay contributions (note 3)	—	129,256	129,256	184,417
Therapy Acceleration Program contractual returns and royalties	9,654	—	9,654	12,544
Service revenue	11,312	—	11,312	12,281
Donated services, goods and media (note 9)	3,405	—	3,405	4,435
Legacies and other revenue	11,757	927	12,684	11,048
Net interest and dividend income	7,309	895	8,204	4,165
Net assets released from restrictions:				
Co-pay assistance (note 3)	246,927	(246,927)	—	—
Satisfaction of other donor restrictions	<u>36,927</u>	<u>(36,927)</u>	<u>—</u>	<u>—</u>
Total operating revenue	<u>553,856</u>	<u>(109,992)</u>	<u>443,864</u>	<u>483,944</u>
Operating expenses:				
Program services:				
Research	94,190	—	94,190	65,402
Patient and community service (note 3)	304,208	—	304,208	171,939
Public health education	22,899	—	22,899	26,994
Professional education	<u>12,444</u>	<u>—</u>	<u>12,444</u>	<u>10,366</u>
Total program services	<u>433,741</u>	<u>—</u>	<u>433,741</u>	<u>274,701</u>
Supporting services:				
Management and general	54,039	—	54,039	46,495
Fund raising	<u>46,457</u>	<u>—</u>	<u>46,457</u>	<u>50,399</u>
Total supporting services	<u>100,496</u>	<u>—</u>	<u>100,496</u>	<u>96,894</u>
Total operating expenses	<u>534,237</u>	<u>—</u>	<u>534,237</u>	<u>371,595</u>
Change in net assets from operating activities	19,619	(109,992)	(90,373)	112,349
Foreign currency translation adjustment and other	653	(1,131)	(478)	901
Net (decrease) increase in fair value of investments	<u>(43,664)</u>	<u>(8,285)</u>	<u>(51,949)</u>	<u>38,208</u>
Change in net assets	(23,392)	(119,408)	(142,800)	151,458
Net assets:				
Beginning of period	<u>339,806</u>	<u>185,183</u>	<u>524,989</u>	<u>373,531</u>
End of period	<u>\$ 316,414</u>	<u>65,775</u>	<u>382,189</u>	<u>524,989</u>

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Statement of Functional Expenses

Year ended June 30, 2022

(with summarized comparative information for the year ended June 30, 2021)

(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	2022	2021	2022	2021
	Awards and grants	\$ 48,151	—	—	—	48,151	—	—	—	48,151	33,392	—
Therapy acceleration program	3,760	—	—	—	3,760	—	—	—	3,760	1,411	—	—
Clinical trial	9,757	—	—	—	9,757	—	—	—	9,757	6,878	—	—
Financial aid to patients	16	13,330	—	—	13,346	501	—	501	13,847	6,995	—	—
Co-pay assistance (note 3)	—	236,519	—	—	236,519	—	—	—	236,519	111,631	—	—
Co-pay processing fees (note 3)	—	8,840	—	—	8,840	—	—	—	8,840	6,924	—	—
Donated services, goods, and media (note 9)	602	185	1,814	87	2,688	64	654	718	3,406	4,435	—	—
Salaries and employee benefits and taxes	17,761	23,957	10,081	7,063	58,862	32,625	25,822	58,447	117,309	118,012	—	—
Professional fees	7,537	6,658	4,130	2,520	20,845	8,659	5,205	13,864	34,709	32,337	3,795	1,526
Printing, advertising, and supplies	1,686	5,083	3,467	1,247	11,483	2,458	4,346	6,804	18,287	15,492	2,682	3,213
Occupancy, telephone, and insurance	1,687	2,509	883	579	5,658	2,616	2,789	5,405	11,063	11,667	—	—
Travel and meetings	322	428	199	139	1,088	419	437	856	1,944	80	8,255	580
Equipment and software rentals and maintenance	1,144	1,773	133	114	3,164	3,683	3,794	7,477	10,641	9,734	—	—
Postage and shipping	150	1,973	1,376	94	3,593	189	1,542	1,731	5,324	5,379	—	—
Miscellaneous	812	2,087	424	302	3,625	1,829	1,226	3,055	6,680	3,698	742	549
Depreciation and amortization	805	866	392	299	2,362	996	642	1,638	4,000	3,530	—	—
Total expenses	\$ 94,190	304,208	22,899	12,444	433,741	54,039	46,457	100,496	534,237	371,595	15,474	5,868

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Statement of Cash Flows

Year ended June 30, 2022

(with summarized comparative information for the year ended June 30, 2021)

(In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (142,800)	151,458
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net decrease (increase) in fair value of investments	51,949	(38,208)
Depreciation, amortization and write off of fixed assets	4,045	3,529
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,970)	42
Contributions and other receivables, net	(6,596)	5,707
Accounts payable and accrued expenses	(4,209)	10,266
Other long-term liabilities	36	514
Deferred revenue	1,000	58
Awards and grants payable	13,521	1,214
Co-Pay assistance payable	77,145	6,660
Net cash (used in) provided by operating activities	<u>(7,879)</u>	<u>141,240</u>
Cash flows from investing activities:		
Purchases of fixed assets	(3,832)	(5,147)
Purchases of long-term investments	(228,615)	(580,387)
Sales of investments	231,879	401,474
Net cash used in investing activities	<u>(568)</u>	<u>(184,060)</u>
Net decrease in cash and cash equivalents and restricted cash	(8,447)	(42,820)
Cash, cash equivalents, and restricted cash at beginning of period	<u>19,565</u>	<u>62,385</u>
Cash, cash equivalents, and restricted cash at end of period	\$ <u><u>11,118</u></u>	\$ <u><u>19,565</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	\$ 10,996	19,473
Cash included in investments	122	92
Total cash, cash equivalents, and restricted cash	\$ <u><u>11,118</u></u>	\$ <u><u>19,565</u></u>

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2022

(with comparative information for the year ended June 30, 2021)

(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, 2022 and 2021.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2022

(with comparative information for the year ended June 30, 2021)

(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 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 2022 and 2021 was funded by six and seven corporate donors, respectively. In addition, the Beat AML Master Trial was primarily funded by four and eight donors in 2022 and 2021, respectively. The Pediatric Acute Leukemia Clinical Trial (PedAL) was funded by one donor in 2022.

(f) Summarized Financial Information

The consolidated financial statements are presented with 2021 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, 2021 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with LLS's 2021 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, 2022

(with comparative information for the year ended June 30, 2021)

(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, 2022

(with comparative information for the year ended June 30, 2021)

(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).

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Notes to Consolidated Financial Statements

June 30, 2022

(with comparative information for the year ended June 30, 2021)

(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), straight-line rent of office leases (note 12), and capital leases.

(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) Upcoming Accounting Standards

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. Management is evaluating the effect ASU 2016-02 will have on its consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2022

(with comparative information for the year ended June 30, 2021)

(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) Subsequent Events

LLS evaluated subsequent events after the balance sheet date of June 30, 2022 through October 25, 2022, 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 \$56,402 at June 30, 2022, which are conditioned upon future events and, accordingly, are not recorded. LLS has unconditional grants payable of \$50,225 and \$36,704 at June 30, 2022 and 2021, respectively, which are anticipated to be paid in the next year. Grant refunds and cancellations of approximately \$1,286 and \$1,623 as of June 30, 2022 and 2021, 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 \$11,003 and \$6,950 at June 30, 2022 and 2021, respectively, that are conditioned upon future events and, accordingly, are not recorded. Grant refunds of approximately \$67 and \$409 as of June 30, 2022 and June 30, 2021, respectively have been netted against TAP contractual return.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2022

(with comparative information for the year ended June 30, 2021)

(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:		
2023		34,316
2024		21,718
2025		8,542
2026		<u>2,829</u>
	Total	\$ <u><u>67,405</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 \$229,195 and \$152,050 has been established based on approved patient applications received through June 30, 2022 and 2021, respectively. Net assets with donor restrictions include \$24,272 and \$148,354 at June 30, 2022 and 2021, 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, 2022.

	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 148,354	83,830
Contributions	129,256	184,417
Investment loss	(6,411)	(228)
Amount expended during the year:		
Direct assistance to patients	(236,519)	(111,631)
Other expenses incurred and reimbursed	<u>(10,408)</u>	<u>(8,034)</u>
Amounts available for expenditures in subsequent periods	\$ <u><u>24,272</u></u>	<u><u>148,354</u></u>

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Notes to Consolidated Financial Statements

June 30, 2022

(with comparative information for the year ended June 30, 2021)

(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, 2022 and June 30, 2021:

	June 30, 2022	Level 1	Level 2	Level 3
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	—	—
	\$ 640,205	640,205	—	—
Investments reported at net asset value:				
Multi strategy hedge fund	12,683			
Total investments reported at net asset value	12,683			
	\$ 652,888			

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(Amount in thousands)

	June 30, 2021	Level 1	Level 2	Level 3
Money market funds and cash	\$ 127,508	127,508	—	—
Fixed income:				
Corporate bonds	138,075	138,075	—	—
Government securities and other	291,935	291,935	—	—
Equities:				
Large cap equity	52,679	52,679	—	—
International equity	44,350	44,350	—	—
Small/mid cap equity	38,453	38,453	—	—
Commodities	5,515	5,515	—	—
	\$ 698,515	698,515	—	—
Investments reported at net asset value:				
Multi strategy hedge fund	9,556			
Total investments reported at net asset value	9,556			
	\$ 708,071			

Within the investment balance as of June 30, 2022 and June 30, 2021 are \$250,026 and \$298,687 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

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(Amount in thousands)

redeemed daily without restriction. As of June 30, 2022 and 2021, the following table summarizes the redemption provisions for those investments reported at NAV:

	June 30	
	2022	2021
Redemption period:		
Monthly	\$ 7,245	3,663
Quarterly	5,438	5,893
Total	<u>\$ 12,683</u>	<u>9,556</u>

As of June 30, 2022 and 2021, 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.

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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	
	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 10,996	19,473
Contributions receivable	25,382	18,786
Investments	<u>652,888</u>	<u>708,071</u>
Total financial assets	<u>689,266</u>	<u>746,330</u>
Less amounts not available to be used within one year:		
Restricted to support Co-Pay Patients	254,325	301,294
Contributions and other receivable with donor restrictions not to be met in less than a year	11,370	3,673
Equity holdings not expected to be redeemed	4,878	10,639
Endowment, net of spending	<u>7,516</u>	<u>7,585</u>
Total financial assets not available for use	<u>278,089</u>	<u>323,191</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 411,177</u>	<u>423,139</u>

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(Amount in thousands)

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions and the income earned are available for the following purposes at June 30, 2022 and June 30, 2021:

	June 30	
	2022	2021
Co-Pay	\$ 24,272	148,354
Research	14,457	11,329
Patient and Community Service	3,546	3,327
Public Health Education	3,850	5,296
Professional Education	3,649	2,793
Beat AML Initiative	2,824	5,602
Children's Initiative	7,716	1,983
Clinical Trials	3,235	6,144
Other	2,226	355
Total net assets with donor restriction	\$ 65,775	185,183

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, 2022 and 2021 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.

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(Amount in thousands)

The following table presents changes in the donor-restricted endowment funds for the year ended June 30, 2022 and 2021:

	June 30	
	2022	2021
Endowment net assets at July 1	\$ 7,900	6,302
Contributions	1,130	2
Investment income/loss	(968)	1,792
Foreign current translation adjustment	62	40
Appropriation for expenditure	(295)	(236)
Endowment net assets at June 30	<u>\$ 7,829</u>	<u>7,900</u>

(7) Contribution and Other Receivables

LLS's contribution and other receivables at June 30, 2022 and June 30, 2021 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	
	2022	2021
Contributions	\$ 22,558	14,325
Service revenue	2,021	3,754
Legacies and bequests	803	707
Total	<u>\$ 25,382</u>	<u>18,786</u>

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(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:

	June 30	
	2022	2021
Less than one year	\$ 17,867	16,323
One to five years	11,370	3,673
Subtotal	29,237	19,996
Less:		
Allowance for uncollectible accounts	(2,777)	(846)
Discount to present value (1.5% to 5.0%)	(1,078)	(364)
Total	\$ 25,382	18,786

(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, 2022 and June 30, 2021 consists of the following:

	June 30	
	2022	2021
Special events	\$ 11,007	11,665
Service revenue	3,127	1,469
Total	\$ 14,134	13,134

(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:

	2022	2021
Donated goods	\$ 143	208
Donated services	973	555
Donated media	2,289	3,672
Total	\$ 3,405	4,435

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(Amount in thousands)

(10) Fixed Assets, Net

Fixed assets at June 30, 2022 and 2021 consist of the following:

	June 30	
	2022	2021
Leasehold Improvements	\$ 1,464	1,391
Furnitures, fixtures, and other office equipment	2,028	2,086
Computer equipment and software	19,678	15,969
Total	23,169	19,446
Less accumulated depreciation and amortization	(12,255)	(8,318)
Fixed assets, net	\$ 10,915	11,128

In 2022 and 2021, LLS wrote off approximately \$118 and \$30, respectively, in fully depreciated assets.

(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 \$2,603 and \$3,103 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021. The assets of the Plan included in investments in the accompanying consolidated balance sheet and amounted to approximately \$1,926 and \$2,211 at June 30, 2022 and 2021, respectively. The liabilities of the Plan are included in other long-term liabilities in the accompanying consolidated balance sheet and amounted to approximately \$1,926 and \$2,211 at June 30, 2022 and 2021, respectively.

(12) Lease Commitments

The leases for premises expire on various dates through March 31, 2031, and provide for certain payments subject to escalation and periodic rate increases relating to real estate taxes, operating expenses, and utilities.

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(Amount in thousands)

The approximate minimum aggregate future annual rental commitments are summarized as follows:

Year ending June 30:		
2023	\$	5,605
2024		3,711
2025		3,162
2026		2,479
2027		2,047
Thereafter		<u>5,003</u>
Total	\$	<u><u>22,007</u></u>

(13) Joint Costs Allocation

For the years ended June 30, 2022 and 2021, 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:

	June 30	
	2022	2021
Fundraising	\$ 5,198	5,617
Patient & Community Services	4,161	4,296
Public Health Education	<u>5,598</u>	<u>6,642</u>
Total	<u>\$ 14,957</u>	<u>16,555</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.