



THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Financial Statements

June 30, 2021

(with summarized comparative information as of June 30, 2020)

(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.:

We have audited the accompanying consolidated financial statements of The Leukemia & Lymphoma Society, Inc. (LLS), which comprise the consolidated balance sheet as of June 30, 2021, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Leukemia & Lymphoma Society, Inc. as of June 30, 2021, 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.



Report on Summarized Comparative Information

We have previously audited The Leukemia & Lymphoma Society, Inc. 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

October 25, 2021

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Balance Sheet

June 30, 2021

(with summarized comparative information at June 30, 2020)

(In thousands)

Assets	2021	2020
Cash and cash equivalents	\$ 19,473	32,345
Prepaid expenses and other assets	3,891	3,933
Contributions and other receivable, net (note 7)	18,786	24,493
Investments (note 4)	708,071	520,898
Fixed assets, net (note 10)	<u>11,128</u>	<u>9,510</u>
Total assets	<u>\$ 761,350</u>	<u>591,179</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 29,938	19,672
Deferred revenue (note 8)	13,134	13,076
Awards and grants payable (note 2)	36,704	35,490
Co-Pay assistance payable (note 3)	152,050	145,390
Other long-term liabilities (note 11)	<u>4,534</u>	<u>4,020</u>
Total liabilities	<u>236,361</u>	<u>217,648</u>
Commitments and contingencies (notes 2, 3, 12 and 14)		
Net assets:		
Without donor restrictions	339,806	255,343
With donor restrictions (notes 3 and 6)	<u>185,183</u>	<u>118,188</u>
Total net assets	<u>524,989</u>	<u>373,531</u>
Total liabilities and net assets	<u>\$ 761,350</u>	<u>591,179</u>

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Statement of Activities

Year ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

(In thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	
			<u>2021</u>	<u>2020</u>
Operating revenue:				
Contributions	\$ 230,728	30,194	260,922	268,455
Less direct donor benefit costs	<u>(5,868)</u>	<u>—</u>	<u>(5,868)</u>	<u>(19,931)</u>
Net campaign contributions	224,860	30,194	255,054	248,524
Co-pay contributions (note 3)	—	184,417	184,417	176,100
Therapy Acceleration Program contractual returns and royalties	12,544	—	12,544	21,565
Service revenue	12,281	—	12,281	15,997
Donated services, goods and media (note 9)	4,435	—	4,435	8,926
Legacies and other revenue	9,722	1,326	11,048	8,380
Net interest and dividend income	3,701	464	4,165	7,359
Net assets released from restrictions:				
Co-pay assistance (note 3)	119,665	(119,665)	—	—
Satisfaction of other donor restrictions	<u>31,366</u>	<u>(31,366)</u>	<u>—</u>	<u>—</u>
Total operating revenue	<u>418,574</u>	<u>65,370</u>	<u>483,944</u>	<u>486,851</u>
Operating expenses:				
Program services:				
Research	65,402	—	65,402	50,440
Patient and community service (note 3)	171,939	—	171,939	203,547
Public health education	26,994	—	26,994	48,089
Professional education	<u>10,366</u>	<u>—</u>	<u>10,366</u>	<u>16,011</u>
Total program services	<u>274,701</u>	<u>—</u>	<u>274,701</u>	<u>318,087</u>
Supporting services:				
Management and general	46,495	—	46,495	43,757
Fund raising	<u>50,399</u>	<u>—</u>	<u>50,399</u>	<u>46,643</u>
Total supporting services	<u>96,894</u>	<u>—</u>	<u>96,894</u>	<u>90,400</u>
Total operating expenses	<u>371,595</u>	<u>—</u>	<u>371,595</u>	<u>408,487</u>
Change in net assets from operating activities	46,979	65,370	112,349	78,364
Foreign currency translation adjustment and other	681	220	901	(304)
Net increase in fair value of investments	<u>36,803</u>	<u>1,405</u>	<u>38,208</u>	<u>21,402</u>
Change in net assets	84,463	66,995	151,458	99,462
Net assets:				
Beginning of period	<u>255,343</u>	<u>118,188</u>	<u>373,531</u>	<u>274,069</u>
End of period	<u>\$ 339,806</u>	<u>185,183</u>	<u>524,989</u>	<u>373,531</u>

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2021
(with summarized comparative information for the year ended June 30, 2020)
(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	2021	2020	2021	2020
Awards and grants	\$ 33,392	—	—	—	33,392	—	—	—	33,392	25,108	—	—
Therapy acceleration program	1,411	—	—	—	1,411	—	—	—	1,411	2,091	—	—
Clinical trial	6,878	—	—	—	6,878	—	—	—	6,878	8,878	—	—
Financial aid to patients	—	6,995	—	—	6,995	—	—	—	6,995	11,577	—	—
Co-pay assistance (note 3)	—	111,631	—	—	111,631	—	—	—	111,631	131,211	—	—
Co-pay processing fees (note 3)	—	6,924	—	—	6,924	—	—	—	6,924	5,536	—	—
Donated services, goods, and media (note 9)	548	80	2,580	5	3,213	52	1,170	1,222	4,435	8,926	—	—
Salaries and employee benefits and taxes	12,487	28,062	11,523	6,215	58,287	29,879	29,846	59,725	118,012	130,398	—	—
Professional fees	7,699	6,171	5,306	2,410	21,586	5,411	5,340	10,751	32,337	23,741	1,526	3,583
Printing, advertising, and supplies	226	3,796	4,145	848	9,015	1,454	5,023	6,477	15,492	19,909	3,213	5,497
Occupancy, telephone, and insurance	957	3,099	921	401	5,378	2,921	3,368	6,289	11,667	12,591	—	—
Travel and meetings	29	31	(8)	(8)	44	17	19	36	80	7,310	580	9,510
Equipment and software rentals and maintenance	1,170	2,032	863	300	4,365	2,494	2,875	5,369	9,734	8,511	—	—
Postage and shipping	93	1,699	1,428	72	3,292	541	1,546	2,087	5,379	5,875	—	—
Miscellaneous	398	1,178	224	116	1,916	849	933	1,782	3,698	3,162	549	1,341
Depreciation and amortization	114	241	12	7	374	2,877	279	3,156	3,530	3,663	—	—
Total expenses	\$ 65,402	171,939	26,994	10,366	274,701	46,495	50,399	96,894	371,595	408,487	5,868	19,931

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Consolidated Statement of Cash Flows

Year ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

(In thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 151,458	99,462
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net increase in fair value of investments	(38,208)	(21,402)
Depreciation, amortization and loss on sales of fixed assets	3,529	3,663
Provision for uncollectible accounts	—	746
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	42	720
Contributions and other receivables, net	5,707	(9,750)
Accounts payable and accrued expenses	10,266	(3,815)
Other long-term liabilities	514	(695)
Deferred revenue	58	(663)
Awards and grants payable	1,214	(15,484)
Co-Pay assistance payable	6,660	50,433
Net cash provided by operating activities	<u>141,240</u>	<u>103,215</u>
Cash flows from investing activities:		
Purchases of fixed assets	(5,147)	(4,012)
Purchases of long-term investments	(580,387)	(256,159)
Sales of investments	401,474	179,354
Net cash used in investing activities	<u>(184,060)</u>	<u>(80,817)</u>
Net (decrease) increase in cash and cash equivalents	(42,820)	22,398
Cash, cash equivalents, and restricted cash at beginning of period	<u>62,385</u>	<u>39,987</u>
Cash, cash equivalents, and restricted cash at end of period	\$ <u>19,565</u>	\$ <u>62,385</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	\$ 19,473	32,345
Cash included in investments	92	30,040
Total cash, cash equivalents, and restricted cash	\$ <u>19,565</u>	\$ <u>62,385</u>

See accompanying notes to consolidated financial statements.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for the year ended June 30, 2020)

(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 that encompass the National Office of LLS and its twenty-seven regions in the United States, and LLS's not-for-profit affiliates, including The Leukemia & Lymphoma Society of Canada, Inc. (LLSC) and its five chapters in Canada, 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, 2021 and 2020.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for the year ended June 30, 2020)

(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 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 2021 and 2020 was funded by seven donors. In addition, the Beat AML Master Trial was primarily funded by eight and seven donors in 2021 and 2020, respectively.

(f) Summarized Financial Information

The consolidated financial statements are presented with 2020 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, 2020 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with LLS's 2020 consolidated financial statements from which the summarized information was derived.

(g) Covid Impact

The spread of coronavirus (COVID-19) around the world has continued to cause significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. LLS, however, does not expect any material impact to its operations.

(h) 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.

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for the year ended June 30, 2020)

(Amount in thousands)

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 there from. Expirations of restrictions are reported as net 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.

(i) 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.

(j) 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

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Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for the year ended June 30, 2020)

(Amount in thousands)

readily determinable fair value, using net asset value (NAV) per share or its equivalent, as reported by the investment managers.

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.

(k) 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.

(l) 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).

(m) 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.

(n) 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

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for the year ended June 30, 2020)

(Amount in thousands)

that possess specialized skills, and would otherwise need to be purchased. These goods and services are recognized as revenue and expense (note 9).

(o) 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).

(p) 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.

(q) 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.

(r) 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).

(s) 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.

(t) Professional Fees

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

(u) 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, 2021

(with comparative information for the year ended June 30, 2020)

(Amount in thousands)

(v) 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.

(w) Subsequent Events

LLS evaluated subsequent events after the consolidated balance sheet date of June 30, 2021 through October 25, 2021, 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 \$33,837 at June 30, 2021, which are conditioned upon future events and, accordingly, are not recorded. LLS has unconditional grants payable of \$36,704 and \$35,490 at June 30, 2021 and 2020, respectively, which are anticipated to be paid in the next year. Grant refunds and cancellations of approximately \$1,623 and \$10,003 as of June 30, 2021 and 2020, 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 \$6,950 and \$8,700 at June 30, 2021 and 2020, respectively, that are conditioned upon future events and, accordingly, are not recorded. Grant refunds of approximately \$409 and \$0 as of June 30, 2021 and June 30, 2020, respectively have been netted against TAP contractual return.

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Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for the year ended June 30, 2020)

(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:		
2022	\$	21,263
2023		11,594
2024		4,026
2025		3,904
		40,787
Total	\$	40,787

(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 \$152,050 and \$145,390 has been established based on approved patient applications received through June 30, 2021 and 2020, respectively. Net assets with donor restrictions include \$148,354 and \$83,830 at June 30, 2021 and 2020, 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, 2021.

	June 30	
	2021	2020
Beginning balance	\$ 83,830	43,279
Contributions	184,417	176,100
Investment gains/(loss)	(228)	2,231
Amount expended during the year:		
Direct assistance to patients	(111,631)	(131,211)
Other expenses incurred and reimbursed under the contract	(8,034)	(6,569)
Amounts available for expenditures in subsequent periods	\$ 148,354	83,830

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

Notes to Consolidated Financial Statements

June 30, 2021

(with comparative information for the year ended June 30, 2020)

(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, 2021 and June 30, 2020:

	<u>June 30,</u> <u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash	\$ 127,508	127,508	—	—
Fixed income:				
Corporate bonds	430,010	430,010	—	—
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	—	—
	<u>698,515</u>	<u>\$ 698,515</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value:				
Multi strategy hedge fund	<u>9,556</u>			
Total investments reported at net asset value	<u>9,556</u>			
	<u>\$ 708,071</u>			

THE LEUKEMIA & LYMPHOMA SOCIETY, INC.

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June 30, 2021

(with comparative information for the year ended June 30, 2020)

(Amount in thousands)

	<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash	\$ 363,458	363,458	—	—
Fixed income:				
Corporate bonds	57,804	57,804	—	—
Equities:				
Large cap equity	39,957	39,957	—	—
International equity	24,121	24,121	—	—
Small/mid cap equity	23,764	23,764	—	—
Commodities	3,220	3,220	—	—
	<u>512,324</u>	<u>\$ 512,324</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value:				
Multi strategy hedge fund	<u>8,574</u>			
Total investments reported at net asset value	<u>8,574</u>			
	<u>\$ 520,898</u>			

Amounts included in the investment balance as of June 30, 2021 and June 30, 2020 are \$298,687 and \$219,261 restricted to Co-Pay Assistance, 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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redeemed daily without restriction. As of June 30, 2021 and 2020, the following table summarizes the redemption provisions for those investments reported at NAV:

	June 30	
	2021	2020
Redemption period:		
Monthly	\$ 3,663	4,410
Quarterly	5,893	4,164
Total	\$ 9,556	8,574

As of June 30, 2021 and 2020, LLS had no unfunded commitments on its alternative investments.

(5) Financial Assets

LLS' goal is to maintain financial assets to meet the requirements of all outstanding commitments, both current and conditional as well as a minimum of annual 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, excluding expenditures related to the LLS' Co-Pay Assistance Program. As part of LLS liquidity plan, excess cash is invested in short-term investments, including money market accounts, fixed income and equities.

In addition to available financial assets, LLS operates with a balanced budget and anticipates collecting sufficient revenue to cover all general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of LLS' cash and shows positive cash generated by operations for fiscal years 2021 and 2020.

	June 30	
	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 19,473	32,345
Contributions receivable	18,786	24,493
Investments	708,071	520,898
Total financial assets	746,330	577,736

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(with comparative information for the year ended June 30, 2020)

(Amount in thousands)

	June 30	
	2021	2020
Less amounts not available to be used within one year:		
Restricted to support Co-Pay Assistance Patients	\$ 301,294	229,702
Contributions and other receivable with donor restrictions not to be met in less than a year	3,673	15,922
Equity holdings not expected to be redeemed	10,639	6,173
Endowment, net of spending	7,585	6,043
	<u>323,191</u>	<u>257,840</u>
Total financial assets not available for use		
Financial assets available to meet general expenditures over the next twelve months	\$ <u>423,139</u>	<u>319,898</u>

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions and the income earned are available for the following purposes at June 30, 2021 and June 30, 2020:

	June 30	
	2021	2020
Co-Pay Assistance Program	\$ 148,354	83,830
Research	11,329	11,642
Patient and Community Service	3,327	2,836
Public Health Education	5,296	2,799
Professional Education	2,793	2,165
Beat AML Initiative and clinical trials	11,746	14,209
Children's Initiative	1,983	357
Other	355	350
	<u>185,183</u>	<u>118,188</u>
Total net assets with donor restriction	\$ <u>185,183</u>	<u>118,188</u>

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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, 2021 and 2020 was 4%, plus any additional amounts advised by donors. Under this policy, the endowment assets are invested in a manner that is intended to produce results consistent with LLS' overall investment strategy.

The following table presents changes in the donor-restricted endowment funds for the year ended June 30, 2020 and 2019:

	June 30	
	2021	2020
Endowment net assets at July 1	\$ 6,302	6,580
Investment income/loss	1,794	(20)
Foreign current translation adjustment	40	(11)
Appropriation for expenditure	(236)	(247)
Endowment net assets at June 30	<u>\$ 7,900</u>	<u>6,302</u>

(7) Contribution and Other Receivables

LLS' contribution and other receivables at June 30, 2021 and June 30, 2020 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	
	2021	2020
Campaign contributions	\$ 9,739	8,804
Other restricted contributions	5,293	10,411
Service revenue	3,754	5,278
Total	<u>\$ 18,786</u>	<u>24,493</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	
	2021	2020
Less than one year	\$ 16,323	18,367
One to five years	3,673	7,296
Subtotal	19,996	25,663
Less:		
Allowance for uncollectible accounts	(846)	(642)
Discount to present value (1.5% to 5.0%)	(364)	(528)
Total	\$ 18,786	24,493

(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, 2021 and June 30, 2020 consists of the following:

	June 30	
	2021	2020
Special events	\$ 11,665	12,753
Service revenue	1,469	323
Total	\$ 13,134	13,076

(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:

	June 30	
	2021	2020
Donated goods	\$ 208	933
Donated services	555	2,713
Donated media	3,672	5,280
Total	\$ 4,435	8,926

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(Amount in thousands)

(10) Fixed Assets, Net

Fixed assets at June 30, 2021 and 2020 consist of the following:

	June 30	
	2021	2020
Leasehold Improvements	\$ 1,391	2,893
Furnitures, fixtures, and other office equipment	2,086	4,992
Computer equipment and software	15,969	46,420
Total	19,446	54,305
Less accumulated depreciation and amortization	(8,318)	(44,795)
Fixed assets, net	<u>\$ 11,128</u>	<u>9,510</u>

LLS wrote off approximately \$30,300 in fully depreciated assets for the year ended June 30, 2021.

(11) Retirement Plans

LLS has a defined contribution 403(b) plan covering all employees meeting age and service requirements. LLS contributions are based on a percentage of each eligible employee's salary and years of service. Expenses under this plan aggregated \$3,103 and \$2,439 for the years ended June 30, 2021 and 2020, respectively.

LLS has nonqualified deferred compensation plans for its executive staff subject to the provisions of the Internal Revenue Code Section 457(b) (the Plan). There were no expenses incurred for the years ended June 30, 2021 and 2020. The assets of the Plan included in investments in the accompanying consolidated balance sheet and amounted to approximately \$2,211 and \$1,852 at June 30, 2021 and 2020, respectively. The liabilities of the Plan are included in other long-term liabilities in the accompanying consolidated balance sheet and amounted to approximately \$2,211 and \$1,852 at June 30, 2021 and 2020, respectively.

(12) Lease Commitments

The leases for premises, which LLS's National Office and chapters occupy, 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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The approximate minimum aggregate future annual rental commitments are summarized as follows:

Year ending June 30:		
2022	\$	7,389
2023		5,599
2024		3,709
2025		3,162
2026		2,479
Thereafter		<u>7,050</u>
Total	\$	<u>29,388</u>

(13) Joint Costs Allocation

For the years ended June 30, 2021 and 2020, LLS incurred expenses to conduct activities that had both fundraising appeals as well as mission program and management and general components (joint activities). Those joint activities included direct mail, coinboards, and media campaigns. Such costs are allocated based on applicable accounting standards and were allocated as follows:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Fundraising	\$ 5,617	7,783
Patient & Community Services	4,296	4,177
Public Health Education	<u>6,642</u>	<u>5,788</u>
Total	<u>\$ 16,555</u>	<u>17,748</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.