

**AMERICAN HEART ASSOCIATION, INC.**  
Consolidated Financial Statements  
June 30, 2024 and 2023  
(With Independent Auditor's Report Thereon)

# AMERICAN HEART ASSOCIATION, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

The Audit Committee  
The American Heart Association

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of the American Heart Association Inc. (the "Association"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2024 and 2023, and the results of its operations 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 the Association 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 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 from 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 the Association's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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 the Association'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 the Association'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.

*Deloitte & Touche LLP*

October 23, 2024

**AMERICAN HEART ASSOCIATION, INC.**  
Consolidated Statement of Financial Position  
(In thousands)

|  | <b>June 30,</b> |              |
|--|-----------------|--------------|
|  | <b>2024</b>     | <b>2023</b>  |
| <b>Assets</b>                              |                 |              |
| Cash and cash equivalents                  | \$ 231,256      | \$ 303,301   |
| Investments                                | 1,007,823       | 851,167      |
| Receivables:                               |                 |              |
| Pledges, net                               | 297,871         | 259,139      |
| Split-interest agreements, net of discount | 72,215          | 66,787       |
| Exchange transactions                      | 56,494          | 48,526       |
| Bequests                                   | 6,432           | 9,609        |
| Other                                      | 17,963          | 27,319       |
| Beneficial interest in perpetual trusts    | 170,226         | 158,277      |
| Operating lease right-of-use assets        | 25,383          | 25,081       |
| Prepaid expenses and other assets          | 28,172          | 24,013       |
| Property and equipment, net                | 82,273          | 80,727       |
| Total assets                               | \$ 1,996,108    | \$ 1,853,946 |
| <b>Liabilities and Net Assets</b>          |                 |              |
| Liabilities:                               |                 |              |
| Accounts payable and accrued expenses      | \$ 108,569      | \$ 109,236   |
| Research awards payable                    | 400,978         | 347,922      |
| Deferred revenue                           | 59,962          | 68,270       |
| Operating lease liabilities                | 27,608          | 27,379       |
| Other liabilities                          | 52,689          | 53,294       |
| Total liabilities                          | 649,806         | 606,101      |
| Net assets:                                |                 |              |
| Without donor restrictions                 | 603,364         | 551,905      |
| With donor restrictions                    | 742,938         | 695,940      |
| Total net assets                           | 1,346,302       | 1,247,845    |
| Total liabilities and net assets           | \$ 1,996,108    | \$ 1,853,946 |

See accompanying notes to financial statements.

**AMERICAN HEART ASSOCIATION, INC.**  
Consolidated Statement of Activities  
Year Ended June 30, 2024  
(In thousands)

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>2024<br/>Total</b> |
|---|---------------------------------------|------------------------------------|-----------------------|
| Revenue:  |                                       |                                    |                       |
| Public support:   |                                       |                                    |                       |
| Contributions of cash and other financial assets                | \$ 92,851                             | \$ 167,803                         | \$ 260,654            |
| Contributions of nonfinancial assets                            | 86,509                                | -                                  | 86,509                |
| Special events  | 242,247                               | 71,369                             | 313,616               |
| Less: direct donor benefits                                     | (40,746)                              | -                                  | (40,746)              |
| Bequests and split-interest agreements                          | 79,293                                | 29,663                             | 108,956               |
| Grants from government agencies                                 | 13,549                                | -                                  | 13,549                |
| Total public support  | <u>473,703</u>                        | <u>268,835</u>                     | <u>742,538</u>        |
| Other revenue:  |                                       |                                    |                       |
| Program fees  | 160,706                               | -                                  | 160,706               |
| Sales of educational materials                                  | 229,044                               | -                                  | 229,044               |
| Membership dues   | 6,767                                 | -                                  | 6,767                 |
| Investment return, net  | 104,057                               | 8,389                              | 112,446               |
| Perpetual trust distributions                                   | 6,721                                 | 1,577                              | 8,298                 |
| Net unrealized gains on beneficial interest in perpetual trusts | -                                     | 11,102                             | 11,102                |
| Change in value of split-interest agreements                    | (648)                                 | 8,808                              | 8,160                 |
| Royalty revenue   | 22,831                                | -                                  | 22,831                |
| Miscellaneous revenue (losses), net                             | 6,152                                 | (2,114)                            | 4,038                 |
| Total other revenue   | <u>535,630</u>                        | <u>27,762</u>                      | <u>563,392</u>        |
| Net assets released from restrictions:                          |                                       |                                    |                       |
| Satisfaction of purpose restrictions                            | 170,119                               | (170,119)                          | -                     |
| Expiration of time restrictions                                 | 79,480                                | (79,480)                           | -                     |
| Total net assets released from restrictions                     | <u>249,599</u>                        | <u>(249,599)</u>                   | <u>-</u>              |
| Total revenue   | <u>1,258,932</u>                      | <u>46,998</u>                      | <u>1,305,930</u>      |
| Expenses:   |                                       |                                    |                       |
| Program services:   |                                       |                                    |                       |
| Research  | 235,335                               | -                                  | 235,335               |
| Public health education   | 377,016                               | -                                  | 377,016               |
| Professional education and training                             | 333,488                               | -                                  | 333,488               |
| Community services  | 62,857                                | -                                  | 62,857                |
| Total program services  | <u>1,008,696</u>                      | <u>-</u>                           | <u>1,008,696</u>      |
| Supporting services:  |                                       |                                    |                       |
| Management and general  | 87,221                                | -                                  | 87,221                |
| Fundraising   | 106,416                               | -                                  | 106,416               |
| Total supporting services                                       | <u>193,637</u>                        | <u>-</u>                           | <u>193,637</u>        |
| Total program and supporting services expenses                  | <u>1,202,333</u>                      | <u>-</u>                           | <u>1,202,333</u>      |
| Change in net assets before non-controlling interest            | 56,599                                | 46,998                             | 103,597               |
| Non-controlling interest  | (5,140)                               | -                                  | (5,140)               |
| Change in net assets  | 51,459                                | 46,998                             | 98,457                |
| Net assets, beginning of year                                   | 551,905                               | 695,940                            | 1,247,845             |
| Net assets, end of year   | <u>\$ 603,364</u>                     | <u>\$ 742,938</u>                  | <u>\$ 1,346,302</u>   |

See accompanying notes to consolidated financial statements.

**AMERICAN HEART ASSOCIATION, INC.**  
Consolidated Statement of Activities  
Year Ended June 30, 2023  
(In thousands)

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>2023<br/>Total</b> |
|---|---------------------------------------|------------------------------------|-----------------------|
| Revenue:  |                                       |                                    |                       |
| Public support:   |                                       |                                    |                       |
| Contributions of cash and other financial assets                | \$ 90,826                             | \$ 150,285                         | \$ 241,111            |
| Contributions of nonfinancial assets                            | 68,181                                | -                                  | 68,181                |
| Special events  | 235,338                               | 60,919                             | 296,257               |
| Less: direct donor benefits                                     | (36,099)                              | -                                  | (36,099)              |
| Bequests and split-interest agreements                          | 86,302                                | 21,072                             | 107,374               |
| Grants from government agencies                                 | 20,726                                | -                                  | 20,726                |
| Total public support  | <u>465,274</u>                        | <u>232,276</u>                     | <u>697,550</u>        |
| Other revenue:  |                                       |                                    |                       |
| Program fees  | 138,484                               | -                                  | 138,484               |
| Sales of educational materials                                  | 227,621                               | -                                  | 227,621               |
| Membership dues   | 6,312                                 | -                                  | 6,312                 |
| Investment return, net  | 76,119                                | 7,186                              | 83,305                |
| Perpetual trust distributions                                   | 6,277                                 | 1,683                              | 7,960                 |
| Net unrealized gains on beneficial interest in perpetual trusts | -                                     | 9,853                              | 9,853                 |
| Change in value of split-interest agreements                    | (1,248)                               | 6,361                              | 5,113                 |
| Royalty revenue   | 23,712                                | -                                  | 23,712                |
| Miscellaneous revenue (losses), net                             | 13,661                                | (2,083)                            | 11,578                |
| Total other revenue   | <u>490,938</u>                        | <u>23,000</u>                      | <u>513,938</u>        |
| Net assets released from restrictions:                          |                                       |                                    |                       |
| Satisfaction of purpose restrictions                            | 106,085                               | (106,085)                          | -                     |
| Expiration of time restrictions                                 | 73,717                                | (73,717)                           | -                     |
| Total net assets released from restrictions                     | <u>179,802</u>                        | <u>(179,802)</u>                   | <u>-</u>              |
| Total revenue   | <u>1,136,014</u>                      | <u>75,474</u>                      | <u>1,211,488</u>      |
| Expenses:   |                                       |                                    |                       |
| Program services:   |                                       |                                    |                       |
| Research  | 189,532                               | -                                  | 189,532               |
| Public health education   | 335,709                               | -                                  | 335,709               |
| Professional education and training                             | 300,827                               | -                                  | 300,827               |
| Community services  | 57,747                                | -                                  | 57,747                |
| Total program services  | <u>883,815</u>                        | <u>-</u>                           | <u>883,815</u>        |
| Supporting services:  |                                       |                                    |                       |
| Management and general  | 88,864                                | -                                  | 88,864                |
| Fundraising   | 98,483                                | -                                  | 98,483                |
| Total supporting services                                       | <u>187,347</u>                        | <u>-</u>                           | <u>187,347</u>        |
| Total program and supporting services expenses                  | <u>1,071,162</u>                      | <u>-</u>                           | <u>1,071,162</u>      |
| Change in net assets before non-controlling interest            | 64,852                                | 75,474                             | 140,326               |
| Non-controlling interest  | (4,688)                               | -                                  | (4,688)               |
| Change in net assets  | 60,164                                | 75,474                             | 135,638               |
| Net assets, beginning of year                                   | 491,741                               | 620,466                            | 1,112,207             |
| Net assets, end of year   | <u>\$ 551,905</u>                     | <u>\$ 695,940</u>                  | <u>\$ 1,247,845</u>   |

See accompanying notes to consolidated financial statements.

**AMERICAN HEART ASSOCIATION, INC.**  
Consolidated Statement of Functional Expenses  
Years Ended June 30, (In thousands)

|  | <b>Research</b>   | <b>Public Health Education</b> | <b>Professional Education/ Training</b> | <b>Community Services</b> | <b>Subtotal Program Services</b> | <b>Management and General</b> | <b>Fundraising</b> | <b>Subtotal Supporting Services</b> | <b>2024 Total</b>   |
|--|-------------------|--------------------------------|---|---------------------------|----------------------------------|-------------------------------|--------------------|-------------------------------------|---------------------|
| Salaries, taxes, and benefits                          | \$ 11,702         | \$ 198,378                     | \$ 102,134                              | \$ 30,757                 | \$ 342,971                       | \$ 61,547                     | \$ 67,746          | \$ 129,293                          | \$ 472,264          |
| Awards and grants                                      | 197,116           | 13,426                         | 9,310                                   | 4,380                     | 224,232                          | -                             | -                  | -                                   | 224,232             |
| Professional fees                                      | 19,006            | 50,525                         | 47,314                                  | 11,173                    | 128,018                          | 10,875                        | 11,150             | 22,025                              | 150,043             |
| Printing, publication, and digital media               | -                 | 62,922                         | 99,173                                  | 5,215                     | 167,310                          | 1,910                         | 8,064              | 9,974                               | 177,284             |
| Occupancy  | 52                | 8,949                          | 1,169                                   | 673                       | 10,843                           | 1,409                         | 2,287              | 3,696                               | 14,539              |
| Conferences, meetings, and travel                      | 1,623             | 10,547                         | 33,018                                  | 2,470                     | 47,658                           | 6,805                         | 5,581              | 12,386                              | 60,044              |
| Other operating expenses                               | 5,250             | 25,868                         | 22,634                                  | 5,001                     | 58,753                           | 3,174                         | 9,762              | 12,936                              | 71,689              |
| Depreciation and amortization                          | 586               | 6,401                          | 18,736                                  | 3,188                     | 28,911                           | 1,501                         | 1,826              | 3,327                               | 32,238              |
| Total functional expenses before direct donor benefits | 235,335           | 377,016                        | 333,488                                 | 62,857                    | 1,008,696                        | 87,221                        | 106,416            | 193,637                             | 1,202,333           |
| Direct donor benefits                                  | -                 | -                              | -                                       | -                         | -                                | -                             | -                  | -                                   | 40,746              |
| Total functional expenses and direct donor benefits    | <u>\$ 235,335</u> | <u>\$ 377,016</u>              | <u>\$ 333,488</u>                       | <u>\$ 62,857</u>          | <u>\$ 1,008,696</u>              | <u>\$ 87,221</u>              | <u>\$ 106,416</u>  | <u>\$ 193,637</u>                   | <u>\$ 1,243,079</u> |
|  |                   |                                |   |                           |                                  |                               |                    |                                     |                     |
|  | <b>Research</b>   | <b>Public Health Education</b> | <b>Professional Education/ Training</b> | <b>Community Services</b> | <b>Subtotal Program Services</b> | <b>Management and General</b> | <b>Fundraising</b> | <b>Subtotal Supporting Services</b> | <b>2023 Total</b>   |
| Salaries, taxes, and benefits                          | \$ 10,259         | \$ 175,479                     | \$ 91,347                               | \$ 27,309                 | \$ 304,394                       | \$ 65,118                     | \$ 60,370          | \$ 125,488                          | \$ 429,882          |
| Awards and grants                                      | 157,055           | 14,068                         | 5,871                                   | 4,975                     | 181,969                          | -                             | -                  | -                                   | 181,969             |
| Professional fees                                      | 16,325            | 44,349                         | 40,774                                  | 9,610                     | 111,058                          | 9,758                         | 10,134             | 19,892                              | 130,950             |
| Printing, publication, and digital media               | -                 | 53,112                         | 92,489                                  | 6,476                     | 152,077                          | 2,327                         | 9,156              | 11,483                              | 163,560             |
| Occupancy  | 66                | 9,374                          | 1,100                                   | 798                       | 11,338                           | 1,562                         | 2,456              | 4,018                               | 15,356              |
| Conferences, meetings, and travel                      | 1,575             | 8,939                          | 30,091                                  | 1,788                     | 42,393                           | 4,459                         | 4,509              | 8,968                               | 51,361              |
| Other operating expenses                               | 3,736             | 24,497                         | 20,079                                  | 4,431                     | 52,743                           | 4,263                         | 10,242             | 14,505                              | 67,248              |
| Depreciation and amortization                          | 516               | 5,891                          | 19,076                                  | 2,360                     | 27,843                           | 1,377                         | 1,616              | 2,993                               | 30,836              |
| Total functional expenses before direct donor benefits | 189,532           | 335,709                        | 300,827                                 | 57,747                    | 883,815                          | 88,864                        | 98,483             | 187,347                             | 1,071,162           |
| Direct donor benefits                                  | -                 | -                              | -                                       | -                         | -                                | -                             | -                  | -                                   | 36,099              |
| Total functional expenses and direct donor benefits    | <u>\$ 189,532</u> | <u>\$ 335,709</u>              | <u>\$ 300,827</u>                       | <u>\$ 57,747</u>          | <u>\$ 883,815</u>                | <u>\$ 88,864</u>              | <u>\$ 98,483</u>   | <u>\$ 187,347</u>                   | <u>\$ 1,107,261</u> |

See accompanying notes to consolidated financial statements.



**AMERICAN HEART ASSOCIATION, INC.**  
Consolidated Statement of Cash Flows  
(In thousands)

|   | <b>Year Ended June 30,</b> |                   |
|---|----------------------------|-------------------|
|   | <b>2024</b>                | <b>2023</b>       |
| Cash flows from operating activities:   |                            |                   |
| Change in net assets  | \$ 98,457                  | \$ 135,638        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                            |                   |
| Depreciation and amortization   | 32,238                     | 30,836            |
| Net realized and unrealized gains on investments  | (86,944)                   | (64,692)          |
| Net unrealized gains on beneficial interest in perpetual trusts                             | (11,102)                   | (9,853)           |
| Change in value of split-interest agreements  | (8,160)                    | (5,113)           |
| Gains on sale of fixed assets   | (2,145)                    | (9,706)           |
| Losses on uncollectible accounts and settlement of receivables                              | 3,538                      | 3,225             |
| Contributions to endowment  | (894)                      | (206)             |
| Changes in operating assets and liabilities:  |                            |                   |
| Receivables   | (37,705)                   | (47,341)          |
| Prepaid expenses and other assets   | (4,159)                    | (1,816)           |
| Beneficial interest in perpetual trusts   | (847)                      | (47)              |
| Split-interest agreements   | 2,732                      | 6,248             |
| Accounts payable and accrued expenses   | (667)                      | 15,259            |
| Operating lease right-of-use assets and lease liabilities                                   | (403)                      | (604)             |
| Deferred revenue  | (8,308)                    | 10,346            |
| Research awards payable   | 53,056                     | 32,971            |
| Other liabilities   | (319)                      | 5,158             |
| Net cash provided by operating activities   | <u>28,368</u>              | <u>100,303</u>    |
| Cash flows from investing activities:   |                            |                   |
| Purchases of fixed assets   | (36,192)                   | (33,023)          |
| Proceeds from sale of fixed assets  | 4,883                      | 15,347            |
| Purchases of investments  | (92,073)                   | (106,971)         |
| Proceeds from sales/maturities of investments   | 22,361                     | 223,133           |
| Net cash (used in) provided by investing activities   | <u>(101,021)</u>           | <u>98,486</u>     |
| Cash flows from financing activities:   |                            |                   |
| Payments of finance lease obligations   | (286)                      | (242)             |
| Contributions to endowment  | 894                        | 206               |
| Net cash provided by (used in) financing activities   | <u>608</u>                 | <u>(36)</u>       |
| Net (decrease) increase in cash and cash equivalents  | <u>(72,045)</u>            | <u>198,753</u>    |
| Cash and cash equivalents, beginning of year  | 303,301                    | 104,548           |
| Cash and cash equivalents, end of year  | <u>\$ 231,256</u>          | <u>\$ 303,301</u> |
| Supplemental cash flow information:   |                            |                   |
| Taxes paid  | \$ 6                       | \$ 43             |

See accompanying notes to consolidated financial statements.

**AMERICAN HEART ASSOCIATION, INC.**  
Notes to Consolidated Financial Statements

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Organization**

The American Heart Association, Inc. (“the Association” or “AHA”) has as its mission to be a relentless force for a world of longer, healthier lives and is dedicated to ensuring equitable health for all.

The Association provides funding for innovative research, public health education, and community services programs that empower people to improve their heart health, brain health and well-being, advocates for stronger public health policies, and shares lifesaving resources and information. Professional education programs support healthcare professionals in the prevention, detection and treatment of cardiovascular diseases and stroke. The Association’s principal source of revenue is money contributed by the general public.

AMHAS, LLC (“AMHAS”) commenced operations in August 2013 and was formed for the purpose of implementing a multi-manager, marketable alternatives, and private equity investment program. The program is overseen by an investment manager and operates in accordance with the Association’s investment policy. AHA is the sole member of AMHAS, and accordingly, AMHAS is a consolidated related entity.

Aphelion Cardeation, LLC (“Cardeation”) is an investment partnership which was established in June 2017. Cardeation was formed to invest in start-up and emerging growth companies in the healthcare sector with activities that align with the mission of the Association. AHA owns 33% of the partnership for which the activities are included within the accompanying consolidated financial statements.

Aphelion Cardeation II, LLC (“Cardeation II”) is an investment partnership which was established in June 2022. Cardeation II was formed to further invest in start-up and emerging growth companies in the healthcare sector with activities that align with the mission of the Association. AHA owns 29% of the partnership for which the activities are included within the accompanying consolidated financial statements.

Heart & Stroke Foundation of India (“HSFI”) is a wholly owned consolidated subsidiary registered as a charitable organization in India. HSFI was formed in April 2018 for the purpose of implementing preventative health awareness and health promotion programs aimed at improving the health and life expectancy of children and adults in India.

RQI Partners, LLC (“RQIP”), a partnership between the Association and Laerdal Medical (“Laerdal”), was formed in June 2018. The partnership blends the Association’s leadership in science with Laerdal’s expertise in technology and implementation to deliver resuscitation quality improvement programs to healthcare systems and professionals. RQIP is a controlled subsidiary and consolidated within the accompanying financial statements.

BrightTorch Ventures, LLC (“BTV”) is a wholly owned consolidated subsidiary formed in January 2021. BTV was organized to support community-based organizations focused on reducing the social and economic barriers to health equity.

Healthcare Quality and Research Systems, Inc (“HQRS”) is a wholly owned consolidated subsidiary formed in March 2022. HQRS was organized to support expansion of hospital services in the Middle East and North Africa regions. The Association, through its subsidiary HQRS, established Healthcare Quality Systems, LLC (“HQS”) in the Kingdom of Saudi Arabia and the United Arab Emirates. The two HQS entities were organized to support hospitals, health care systems, and health care professionals in the region by providing services and professional education that strengthen the health care system and help to improve patient outcomes, especially in the areas of cardiovascular diseases, including resuscitation training and patient care quality improvement.

**(b) Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of the Association and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to current year presentation.

The financial statement presentation follows the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. The Association is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

*Net assets with donor restrictions* – net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, the net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained in perpetuity, due to donor-imposed restrictions. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specified purposes.

Net assets as of June 30, 2024 and 2023 consisted of the following (in thousands):

|  | <b>June 30, 2024</b>              |                                |                     |
|--|-----------------------------------|--------------------------------|---------------------|
|  | <b>Without Donor Restrictions</b> | <b>With Donor Restrictions</b> | <b>Total</b>        |
| Undesignated   | \$ 603,364                        | \$ -                           | \$ 603,364          |
| Beneficial interest in perpetual trusts              | -                                 | 170,226                        | 170,226             |
| Donor pledges and gifts restricted to:               |                                   |                                |                     |
| Time or geography                                    | -                                 | 144,276                        | 144,276             |
| Public/professional education and community services | -                                 | 222,240                        | 222,240             |
| Research   | -                                 | 63,119                         | 63,119              |
| Endowment funds                                      | -                                 | 86,956                         | 86,956              |
| Split interest agreements                            | -                                 | 56,121                         | 56,121              |
| Total net assets                                     | <u>\$ 603,364</u>                 | <u>\$ 742,938</u>              | <u>\$ 1,346,302</u> |

  

|  | <b>June 30, 2023</b>              |                                |                     |
|--|-----------------------------------|--------------------------------|---------------------|
|  | <b>Without Donor Restrictions</b> | <b>With Donor Restrictions</b> | <b>Total</b>        |
| Undesignated   | \$ 551,905                        | \$ -                           | \$ 551,905          |
| Beneficial interest in perpetual trusts              | -                                 | 158,277                        | 158,277             |
| Donor pledges and gifts restricted to:               |                                   |                                |                     |
| Time or geography                                    | -                                 | 141,991                        | 141,991             |
| Public/professional education and community services | -                                 | 219,668                        | 219,668             |
| Research   | -                                 | 43,473                         | 43,473              |
| Endowment funds                                      | -                                 | 80,849                         | 80,849              |
| Split interest agreements                            | -                                 | 51,682                         | 51,682              |
| Total net assets                                     | <u>\$ 551,905</u>                 | <u>\$ 695,940</u>              | <u>\$ 1,247,845</u> |

**(c) Cash Equivalents**

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The Association has classified any cash or money market accounts held by external investment managers as investments as these funds are not intended for current operations.

**(d) Investments and Related Income**

Investments primarily include assets invested for long-term capital appreciation. All investments are carried at fair value with the related gains and losses included in the statement of activities.

Interest and dividend income are presented net of investment advisory/management fees and is reflected within investment return, net, in the statement of activities. All investment income and/or appreciation/depreciation on earned investments is reported as a change in net assets without donor restrictions unless otherwise restricted by the donor or required by accounting convention.

**(e) Contributions and Bequests**

All contributions are considered available for the general programs of the Association, unless specifically restricted by the donor. The Association reports monetary gifts as support with donor restrictions if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a purpose restriction is accomplished or when a stipulated time restriction ends. Upon expiration of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Association is the beneficiary under various wills and trust agreements. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

The Association records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of gift using risk-adjusted interest rates applicable to the years in which the promises are expected to be received, with rates ranging from 4.33% to 5.09%. Accretion of the discounts is recognized as contribution revenue using the effective-interest method.

The Association recognizes conditional promises to give when the conditions stipulated by the donor are substantially met.

The work performed under each of the Association's government grant contracts are intended to benefit the general public and does not provide a benefit to the government agency that provides the resources. As such, the Association classifies revenue received from government agencies as contribution revenue and deems the revenue conditional based on being administered on a cost-reimbursement basis and subject to federal cost principles.

**(f) Research Awards and Grants**

The Association awards funds each year to support cardiovascular, stroke and related research projects. The projects generally extend over a period of one to five years. Upon issuance, the award is evaluated for conditions that could impact the timing of the recognition of the liability and related expenses. If the award is determined to be unconditional, then the liability and related expenses are recorded when the recipients are notified of their awards. The liability is reported as research awards payable in the statement of financial position.

Awards that are expected to be paid in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of the award using interest rates applicable to the years in which awards are granted, ranging from 4.33% to 5.09%. Accretion of the discounts is recognized as research – awards and grants expense, using the effective-interest method, in the statement of functional expenses.

**(g) Exchange Transactions and Deferred Revenue**

The Association records revenues from exchange transactions as increases in net assets without donor restrictions to the extent that the earnings process is complete. These transactions primarily include sales of educational materials, subscriptions, conferences, accreditations and certifications, memberships, and royalty revenues from journal publications. Resources received in exchange transactions are recognized as deferred revenue to the extent that the earnings process has not been completed. Receivables from exchange transactions are expected to be collected within one year and are recorded at net realizable value.

The Association follows ASU No. 2014-09, Revenue from Contracts with Customers (“ASU No. 2014-09” or “Topic 606”). The Association’s revenue streams from public support, perpetual trust distributions, investment returns, and valuations of split-interest agreements and perpetual trusts are not within the scope of Topic 606.

The Association considers the five-step model whereby revenue is recognized as performance obligations within a contract are satisfied in an amount that reflects the consideration the Association expects to receive in exchange for satisfaction of the performance obligations. The Association’s revenue from contracts with customers contain performance obligations that are satisfied immediately at a point-in-time or over time, in which case, revenue is recognized evenly over the service period.

Performance Obligations

A performance obligation is a contractual promise that is fulfilled when a distinct good or service is rendered to the customer and is a key element to measure under Topic 606. For many of the Association’s exchange transactions, the performance obligations are satisfied at a point-in-time and one-time revenue recognition is appropriate. Other transactions include subscription-based revenues for educational and quality improvement programs, membership dues, and accreditation and certification activities for which revenue is recognized ratably over the applicable service period.

The Association considers customers’ intent and ability to pay and expects to receive substantially all the consideration to which it is entitled from contracts with customers. In the normal course of business, the Association does not experience a material amount of bad debt expense or write-off of receivables from its exchange transactions.

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Association’s revenue based on the timing of satisfaction of performance obligations for the fiscal year ended June 30, 2024 (in thousands).

|  | <b>Point-In-Time</b> | <b>Over-Time</b>  | <b>Total</b>      |
|--|----------------------|-------------------|-------------------|
| Sales of Educational Materials             | \$ 179,912           | \$ 49,132         | \$ 229,044        |
| Subscription-based Revenues                | 2,327                | 123,362           | 125,689           |
| Royalties                                  | 22,831               | -                 | 22,831            |
| Scientific Conferences                     | 17,620               | -                 | 17,620            |
| Membership Dues                            | -                    | 6,767             | 6,767             |
| Accreditations and Certifications          | -                    | 5,823             | 5,823             |
| Miscellaneous Revenues                     | 3,568                | 9,710             | 13,278            |
| Total Revenue for Contracts from Customers | <u>\$ 226,258</u>    | <u>\$ 194,794</u> | <u>\$ 421,052</u> |

The following table disaggregates the Association's revenue based on the timing of satisfaction of performance obligations for the fiscal year ended June 30, 2023 (in thousands).

|  | <b>Point-In-Time</b> | <b>Over-Time</b>  | <b>Total</b>      |
|--|----------------------|-------------------|-------------------|
| Sales of Educational Materials             | \$ 183,025           | \$ 44,596         | \$ 227,621        |
| Subscription-based Revenues                | 3,454                | 106,374           | 109,828           |
| Royalties                                  | 23,712               | -                 | 23,712            |
| Scientific Conferences                     | 15,341               | -                 | 15,341            |
| Membership Dues                            | -                    | 6,312             | 6,312             |
| Accreditations and Certifications          | -                    | 5,915             | 5,915             |
| Miscellaneous Revenues                     | 3,810                | 5,680             | 9,490             |
| Total Revenue for Contracts from Customers | <u>\$ 229,342</u>    | <u>\$ 168,877</u> | <u>\$ 398,219</u> |

Subscription-based revenues, scientific conferences, accreditations and certifications and miscellaneous revenues are reported on the Statement of Activities within program fees and miscellaneous revenue (losses), net. Miscellaneous revenues of \$2 million and \$9 million are excluded from the revenue disaggregation tables for the fiscal year ended June 30, 2024 and 2023, respectively, as these do not represent revenues from contracts with customers.

**(h) Property and Equipment**

Donated property and equipment are recorded at fair value at date of receipt, and expenditures for property and equipment are capitalized and stated at cost. Depreciation of buildings and equipment is provided on a half-year convention basis over estimated useful lives of the assets, ranging from 2 to 40 years (land leasehold – length of the leasehold interest; building and improvements – 5 to 40 years; and equipment and furniture – 2 to 10 years).

**(i) Contributed Nonfinancial Assets**

The Association received contributions of nonfinancial assets recognized within the statement of activities for the years ended June 30, 2024 and 2023 (in thousands):

| (in thousands)                                     | <b>2024</b>      | <b>2023</b>      | <b>Utilization in Programs / Activities</b>                                  | <b>Valuation Techniques and Inputs</b>   |
|--|------------------|------------------|--|--|
| Public service announcements and other advertising | \$ 60,439        | \$ 47,377        | Utilized primarily within public health education and professional education | Announcements are valued based on current rates related to the market and timing of the related public service announcement. For other advertising, the evaluation is based on similar provided services.  |
| Services   | \$ 24,418        | \$ 20,444        | Utilized primarily within professional education and research                | Contributed services from medical and scientific professionals are valued at the estimated fair values based on weighted average salary data across all disciplines and regions of the country. Contributed services from other professionals are valued at the estimated fair value based on current rates for similar provided services. |
| Facilities and supplies                            | \$ 1,528         | \$ 240           | Utilized primarily within fundraising  | Valued on the basis of selling similar products or for rental rates of utilized facilities.  |
| Vehicles   | \$ 124           | \$ 120           | Monetized for use throughout all programs and activities                     | All vehicles were sold and valued according to the actual cash proceeds on their disposition.  |
| Total contributions of nonfinancial assets         | <u>\$ 86,509</u> | <u>\$ 68,181</u> |  |  |

The Association recognizes contributions of nonfinancial assets at their estimated fair value at date of donation. The Association recognizes contributions of services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise need to be purchased by the Association, if not contributed.

Public service announcements of \$47 million and \$38 million was included in contributed nonfinancial assets revenue on the statement of activities and printing, publication, and digital media on the statement of functional expenses for the years ended June 30, 2024 and 2023, respectively.

The Association reports gifts of property and equipment, and other nonmonetary contributions as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how and how long the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. There were no donor restrictions on any category of contributed nonfinancial assets for the years ended June 30, 2024 and 2023.

It is the Association's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the period were restricted for use. All vehicles were sold and valued according to the actual cash proceeds on their disposition.

In addition, the Association receives services from a large number of volunteers who give significant amounts of their time to the Association's programs, fundraising campaigns, and management. No amounts have been reflected for these types of contributed services, as they do not meet the criteria for recognition.

Contributed nonfinancial assets reported in the statement of activities were allocated as follows in 2024 and 2023 (in thousands):

|                                       | <b>2024</b>      | <b>2023</b>      |
|---------------------------------------|------------------|------------------|
| Public health education               | \$ 55,727        | \$ 41,324        |
| Professional education                | 19,587           | 17,846           |
| Research                              | 8,145            | 6,732            |
| Management and general                | 1,959            | 1,376            |
| Fundraising                           | 879              | 862              |
| Community services                    | 212              | 41               |
| Total contributed nonfinancial assets | <u>\$ 86,509</u> | <u>\$ 68,181</u> |

**(j) Functional Allocation of Expenses**

The consolidated statements of functional expenses present expenses by program and supporting service function and by natural classification. The expense categories are defined as the following:

*Program services includes:*

Research – to acquire new knowledge through biomedical investigation by providing financial support to academic institutions and scientists.

Public health education – to inform the public about the prevention and treatment of cardiovascular diseases and stroke and promote overall health and well-being.

Professional education and training – to improve the knowledge, skills, and techniques of health professionals.

Community services – to provide organized training in emergency aid, blood pressure screening, and other community-wide activities.

*Supporting services includes:*

Management and general – to provide executive direction, financial management, overall planning, and coordination of the Association’s activities.

Fundraising – to secure financial support from the public.

To the extent these expenses are not directly attributable to a specific functional area, they are allocated across program and supporting services. Management determines such expense allocations by reviewing the Association’s business areas for the proportional benefit to program and supporting services. These allocations are based on time and effort using detailed departmental time studies, or by activity through evaluating departmental areas of focus, or by employee headcount for activities that have an Association-wide benefit, such as technology, depreciation, and facilities costs. See note 9 for the allocation of joint costs.

**(k) Income Taxes**

The Association is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (“IRC”) of 1986, as amended, as an organization described in IRC Section 501(c)(3). Further, the Association has been classified as an organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Association qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Association’s exempt purpose is subject to tax under IRC Section 511. The Association did not have a material unrelated business income tax liability for the years ended June 30, 2024 and 2023. The Association believes that it has taken no significant uncertain tax positions.

**(l) Concentration of Credit Risk**

Financial instruments that subject the Association to potential credit risk consist of cash and cash equivalents, investments, and accounts receivable. The Association maintains its cash balances in federally insured financial institutions and has not experienced, nor does it anticipate, any losses with respect to such cash balances. Concentration of credit risk with respect to the Association’s investments is limited through adherence to its investment policy, which stipulates prudent diversification of investment balances.

The Association estimates its allowance for credit losses based on historical collection trends, the age of outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due account balances are written off when the Association’s internal collection efforts have been unsuccessful in collecting the amounts due. The Association has not experienced significant credit-related losses.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326). ASU 2016-13 requires entities to use a current lifetime expected credit loss methodology to measure impairments of certain financial assets. Using this methodology will result in earlier recognition of losses than under the previous incurred loss approach, which required waiting to recognize a loss until it was probable of having been incurred. The new standard was effective for the Association on July 1, 2023 and did not have a material impact on the Association’s consolidated financial statements and related disclosures.

**(m) Fair Value of Financial Instruments**

The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Association determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the



following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels (see note 4):

Level 1 – unadjusted quoted or published prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Association's assumptions based on the best information available in the circumstances. Inputs and valuation techniques used to measure fair value of Level 3 assets include reported fair value at the time of a gift, independent appraisals, and published multiples of similar securities and the price of recent investment and recent transactions from other investors. Split-interest agreements and perpetual trusts are revalued annually based on investment statements provided by third-party trustees.

Inputs generally refer to the assumptions that market participants use to make valuation decisions. The inputs or methods used for valuing investments are not necessarily an indication of the risk associated with those investments. The valuation methodologies used may involve a significant degree of judgment. Because the Association is under no obligation to dispose of its investments, the estimated values may not reflect amounts that could be realized upon immediate sale nor amounts that may ultimately be realized.

The fair value of equity securities, debt securities, and mutual funds with readily determinable fair value approximates quoted market prices.

Investments in real estate funds are determined by using the fund manager's net asset value ("NAV"). NAV per share is published by the manager and serves as the basis for current investor transactions; therefore, the Association classifies these investments as Level 2 investments.

The fair value of real estate and other properties held as investments is estimated using private valuations of the property. These investments are classified as Level 3 investments.

As of June 30, 2024 and 2023, the Association held two joint venture capital investments that invest in private start-up and emerging growth companies in healthcare sectors focusing on a broad set of clinical areas related to cardiovascular and stroke health. The investments are illiquid, long-term investments for which no resale market, public or private, may develop. The Association has committed \$23 million to the funds, of which \$12 million remains uncalled. The fair value of these venture funds is determined by using the fund manager's provided NAV as of March 31 each respective year, adjusted for cash flows. Recent transactions from other investors to the extent they are available may also be used in determining fair value. Management relies upon the audited financial statements of the venture funds prepared by a third-party auditor. While the manager provides a NAV, it is not published or readily available; therefore, the Association classifies these as Level 3 investments.

The Association holds several financial instruments designed to support community-based organizations focused on reducing barriers to health equity. These instruments are held primarily to further the mission of the Association. The fair value of these programmatic investments is based on original cost adjusted for cash flows, accrued income, and other market adjustments based on the Association's assumptions. These investments are classified as Level 3 investments.

For certain investments with limited marketability, the Association has adopted the concept of "practical expedient", under which investments are stated at estimated fair value using NAV as provided by the general partners and fund managers and as reviewed by management. These NAV are based on underlying securities and holdings, which may be valued at quoted market prices, comparable

investments, appraised values, or discounted cash flows.

As a practical expedient to determine fair value, investments in fund of funds are reported using NAV of the underlying funds as provided by the individual fund managers. The fund of funds manager reserves the right to adjust the reported NAV if it is deemed not to be reflective of fair value. Because of the inherent uncertainty of valuations of investments in the underlying funds, the estimated values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the difference could be material. Management relies upon the audited financial statements of the fund of funds performed by a third-party auditor.

In accordance with ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share*, investments for which fair value is measured using NAV have not been categorized within the fair value hierarchy.

**(n) Split-Interest Agreements**

The Association has received various types of split-interest agreements, including charitable gift annuities, pooled income funds, charitable remainder trusts, and perpetual trusts as contributions of cash and other financial assets.

Under the charitable gift annuity arrangement, the Association has recorded the assets at fair value and the liabilities to the donor or his/her beneficiaries at the present value of the estimated future payments to be distributed by the Association to such individuals. The amount of the contribution is the difference between the asset and the liability and is recorded as revenue without donor restrictions, unless otherwise restricted by the donor.

Under the pooled income fund and charitable remainder trust arrangements, the Association has recorded the contribution as contributions of cash and other financial assets revenue with donor restrictions at the present value of the estimated future benefits to be received. Subsequent changes in fair value for charitable remainder trusts are recorded as changes in value of split-interest agreements in net assets with donor restrictions and are reported as changes in value of split-interest agreements in the statement of activities. The discount rates used for split-interest agreements as of June 30, 2024 and 2023 were 4.93% and 4.51%, respectively.

Under the perpetual trust arrangement, the Association has recorded the asset and has recognized contributions of cash and other financial assets revenue with donor restrictions at the fair value of the Association's beneficial interest in the trust assets. Distributions received on the trust assets are recorded as revenue without donor restrictions in the statement of activities, unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as net unrealized gains or losses on beneficial interest in perpetual trusts in net assets with donor restrictions.

**(o) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the discounts for long-term receivables, research awards payables, split-interest agreements, the useful lives of fixed assets, the collectability of receivables, the valuation of split-interest agreements, investments and perpetual trusts, the postretirement benefits liability, the allocation of joint costs, contributed nonfinancial assets, and the functionalization of expenses.

## (2) Liquidity and Availability of Resources

The Association's financial assets available for general expenditure within one year of the statement of financial position date are as follows (in thousands):

|  | <u>2024</u>         | <u>2023</u>         |
|--|---------------------|---------------------|
| Total Assets as of June 30,  | \$ 1,996,108        | \$ 1,853,946        |
| Less:  |                     |                     |
| Receivables not collectible within one year  | 209,343             | 193,713             |
| Beneficial interests in perpetual trusts   | 170,226             | 158,277             |
| Property and equipment, net  | 82,273              | 80,727              |
| Endowment funds subject to appropriation and satisfaction of donor restrictions        | 68,005              | 63,398              |
| Endowment funds subject to appropriation for general use                               | 16,113              | 14,833              |
| Investments held in annuity trusts and other illiquid investments                      | 63,421              | 52,458              |
| Prepaid expenses and other assets  | 28,172              | 24,013              |
| Operating lease right-of-use assets  | 25,383              | 25,081              |
| Self insurance funding arrangements and other employee related designations            | 21,629              | 20,139              |
| Unfunded commitments to venture capital and private investments                        | 22,723              | 21,277              |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,288,820</u> | <u>\$ 1,200,030</u> |

As part of the Association's liquidity management, it structures its financial assets to be available to satisfy its general expenditures, current liabilities, and other obligations as they come due. The Association evaluates its net assets without donor restrictions position annually and ensures availability of cash and investments through a tiered portfolio structure. Tier I includes cash, cash equivalents and short-term investments available for operations. Tier II serves as a contingency source consisting of short-duration bonds and is available to replenish Tier I in the event cash from operations is insufficient to fund expenditures. Tier III is the long-term investment pool and is designed to provide moderate growth through a diversified allocation to equity, fixed income and alternative investments. Tiers II and III are governed by the Association's investment policy statement and overseen by Association senior leadership, an external investment advisor, and the Association's volunteer Investment Committee. Tiers II and III are important components of the Association's liquidity management program and are intended to provide cash proceeds from investment returns to supplement the annual operating and capital budgets, provide a contingency layer of reserves that may be accessed in a prolonged market crisis, provide financial stability during short-term periods of reduced revenues, and provide flexibility to invest additional resources toward mission initiatives, future revenue generation capabilities and operational efficiencies.

### (3) Investments

Investments as of June 30, 2024 and 2023 and related returns for the years then ended consisted of the following (in thousands):

|   | <b>June 30, 2024</b>                     |   |                     |
|---|--|---|---------------------|
|   | <b>Interest and Dividends (Expenses)</b> | <b>Realized and Unrealized Gains (Losses)</b> | <b>Fair Value</b>   |
| Equity securities                           | \$ 10,099                                | \$ 76,677                                     | \$ 605,525          |
| Governmental securities                     | 7,362                                    | 314   | 63,631              |
| Corporate bonds                             | 2,148                                    | 456   | 58,925              |
| Mortgage-backed securities                  | 401                                      | 255   | 8,438               |
| Other asset-backed securities               | 969                                      | 444   | 22,461              |
| Fixed income mutual/commingled funds        | 1,748                                    | 5,040   | 77,981              |
| Fund of funds                               | -  | 6,803   | 118,304             |
| Real estate and other                       | 1,152                                    | (2,845)                                       | 30,946              |
| Short-term investments                      | 5,669                                    | (57)  | 2,748               |
| Unsettled trades and other receivables, net | 26                                       | 6   | 5,675               |
| Venture capital                             | -  | (187)   | 7,631               |
| Programmatic equity investments             | -  | 38  | 3,220               |
| Programmatic receivables, net               | -  | -   | 2,338               |
| Investment expenses                         | (4,072)                                  | -   | -                   |
| Total                                       | <u>\$ 25,502</u>                         | <u>\$ 86,944</u>                              | <u>\$ 1,007,823</u> |

  

|   | <b>June 30, 2023</b>                     |   |                   |
|---|--|---|-------------------|
|   | <b>Interest and Dividends (Expenses)</b> | <b>Realized and Unrealized Gains (Losses)</b> | <b>Fair Value</b> |
| Equity securities                           | \$ 8,948                                 | \$ 56,003                                     | \$ 494,925        |
| Governmental securities                     | 3,938                                    | (588)   | 35,227            |
| Corporate bonds                             | 1,305                                    | 97  | 32,295            |
| Mortgage-backed securities                  | 412                                      | (77)  | 10,160            |
| Other asset-backed securities               | 770                                      | (115)   | 25,200            |
| Fixed income mutual/commingled funds        | 2,238                                    | 3,875   | 104,113           |
| Fund of funds                               | -  | 8,377   | 104,501           |
| Real estate and other                       | 1,095                                    | (3,108)                                       | 26,049            |
| Short-term investments                      | 3,256                                    | (111)   | 1,688             |
| Unsettled trades and other receivables, net | 45                                       | 4   | 9,215             |
| Venture capital                             | -  | 335   | 5,904             |
| Programmatic equity investments             | -  | -   | 1,600             |
| Programmatic receivables, net               | -  | -   | 290               |
| Investment expenses                         | (3,394)                                  | -   | -                 |
| Total                                       | <u>\$ 18,613</u>                         | <u>\$ 64,692</u>                              | <u>\$ 851,167</u> |

#### (4) Fair Value Measurements

The following tables present information about the Association's assets that are measured at fair value on a recurring basis as of June 30, 2024 and 2023, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value (in thousands):

| Assets  | Balance<br>June 30, 2024 | Fair value measurements at reporting date using |                   |                   |
|---|--------------------------|---|-------------------|-------------------|
|   |                          | Level 1   | Level 2           | Level 3           |
| 1. Equity securities:   |                          |   |                   |                   |
| a. Domestic stocks  | \$ 435,044               | \$ 435,044                                      | \$ -              | \$ -              |
| b. International stocks   | 170,481                  | 170,481   | -                 | -                 |
| 2. Debt securities:   |                          |   |                   |                   |
| a. Government securities  | 63,631                   | -   | 63,631            | -                 |
| b. Corporate bonds  | 58,925                   | -   | 58,925            | -                 |
| c. Mortgage-backed securities                                   | 8,438                    | -   | 8,438             | -                 |
| d. Other asset-backed securities                                | 22,461                   | -   | 22,461            | -                 |
| 3. Fixed income mutual fund                                     | 6,875                    | 6,875   | -                 | -                 |
| 4. Real estate and other  | 30,946                   | -   | 28,725            | 2,221             |
| 5. Venture Capital  | 7,631                    | -   | -                 | 7,631             |
| 6. Short-term investments                                       | 2,748                    | 2,748   | -                 | -                 |
| 7. Unsettled trade and other receivables, net                   | 5,675                    | 5,675   | -                 | -                 |
| 8. Programmatic investments                                     |                          |   |                   |                   |
| a. Programmatic equity investments                              | 3,220                    | -   | -                 | 3,220             |
| b. Programmatic receivables, net                                | 2,338                    | -   | -                 | 2,338             |
| 9. Investments reported at net asset value (NAV) <sup>(1)</sup> |                          |   |                   |                   |
| a. Fund of funds  | 118,304                  | -   | -                 | -                 |
| b. Fixed income commingled fund                                 | 71,106                   | -   | -                 | -                 |
| Total Investments:  | <u>\$ 1,007,823</u>      | <u>\$ 620,823</u>                               | <u>\$ 182,180</u> | <u>\$ 15,410</u>  |
| 10 Split-interest agreements receivable, net of discount        | \$ 72,215                | \$ -  | \$ -              | \$ 72,215         |
| 11 Beneficial interest in perpetual trusts                      | 170,226                  | -   | -                 | 170,226           |
| Split-interest agreements/perpetual trusts (leveled)            | <u>\$ 242,441</u>        | <u>\$ -</u>                                     | <u>\$ -</u>       | <u>\$ 242,441</u> |
| <b>Liabilities</b>  |                          |   |                   |                   |
| 1. Gift annuity obligations                                     | <u>\$ 10,506</u>         | <u>\$ -</u>                                     | <u>\$ -</u>       | <u>\$ 10,506</u>  |

(1) Investments measured at NAV are presented in the table to allow for reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

| Assets  | Balance           | Fair value measurements at reporting date using |                   |                   |
|---|-------------------|---|-------------------|-------------------|
|   | June 30, 2023     | Level 1   | Level 2           | Level 3           |
| 1. Equity securities:   |                   |   |                   |                   |
| a. Domestic stocks  | \$ 349,515        | \$ 349,515                                      | \$ -              | \$ -              |
| b. International stocks   | 145,410           | 145,410   | -                 | -                 |
| 2. Debt securities:   |                   |   |                   |                   |
| a. Government securities  | 35,227            | -   | 35,227            | -                 |
| b. Corporate bonds  | 32,295            | -   | 32,295            | -                 |
| c. Mortgage-backed securities                                   | 10,160            | -   | 10,160            | -                 |
| d. Other asset-backed securities                                | 25,200            | -   | 25,200            | -                 |
| 3. Fixed income mutual fund                                     | 41,550            | 41,550  | -                 | -                 |
| 4. Real estate and other  | 26,049            | -   | 23,821            | 2,228             |
| 5. Venture Capital  | 5,904             | -   | -                 | 5,904             |
| 6. Short-term investments                                       | 1,688             | 1,688   | -                 | -                 |
| 7. Unsettled trade and other receivables, net                   | 9,215             | 9,215   | -                 | -                 |
| 8. Programmatic investments                                     |                   |   |                   |                   |
| a. Programmatic equity investments                              | 1,600             | -   | -                 | 1,600             |
| b. Programmatic receivables, net                                | 290               | -   | -                 | 290               |
| 9. Investments reported at net asset value (NAV) <sup>(1)</sup> |                   |   |                   |                   |
| a. Fund of funds  | 104,501           | -   | -                 | -                 |
| b. Fixed income commingled fund                                 | 62,563            | -   | -                 | -                 |
| c. Private fund   | -                 | -   | -                 | -                 |
| Total Investments:  | <u>\$ 851,167</u> | <u>\$ 547,378</u>                               | <u>\$ 126,703</u> | <u>\$ 10,022</u>  |
| 10 Split-interest agreements receivable, net of discount        | \$ 66,787         | \$ -  | \$ -              | \$ 66,787         |
| 11 Beneficial interest in perpetual trusts                      | 158,277           | -   | -                 | 158,277           |
| Split-interest agreements/perpetual trusts (levelled)           | <u>\$ 225,064</u> | <u>\$ -</u>                                     | <u>\$ -</u>       | <u>\$ 225,064</u> |
| <b>Liabilities</b>  |                   |   |                   |                   |
| 1. Gift annuity obligations                                     | <u>\$ 10,800</u>  | <u>\$ -</u>                                     | <u>\$ -</u>       | <u>\$ 10,800</u>  |

(1) Investments measured at NAV are presented in the table to allow for reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The following summarizes the nature of investments that are reported at estimated fair value using net asset value as of June 30, 2024 (in thousands):

|                              | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|------------------------------|------------|----------------------|----------------------|--------------------------|
| Fund of funds                | \$ 118,304 | \$ -                 | Various              | 30 - 90 days             |
| Fixed income commingled fund | 71,106     | -                    | Weekly               | 3 days                   |

The following summarizes the nature of investments that are reported at estimated fair value using net asset value as of June 30, 2023 (in thousands):

|                              | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|------------------------------|------------|----------------------|----------------------|--------------------------|
| Fund of funds                | \$ 104,501 | \$ -                 | Various              | 30 - 90 days             |
| Fixed income commingled fund | 62,563     | -                    | Weekly               | 3 days                   |

The fund of funds is a multi-strategy hedge and private capital investment. The hedge strategies include, but are not limited to, hedged equity, global macro, commodity trading advisor, event driven, credit, and equity market neutral. Redemptions are allowed monthly, quarterly, and annually. Included in the fund of funds are private credit and real estate strategies, which can include lock up provisions. As of June 30, 2024, there were no investments subject to lockup provisions, however, \$30 million are held in closed ended funds with no redemption rights and are therefore not liquid. These investments are commitment based and the unfunded commitments are held in cash within the fund of funds and managed by the fund of funds manager. As a result, this amount has not been reflected as an unfunded commitment in the table above for the period-ended June 30, 2024. The full commitment (total of the funded and unfunded) to the private credit and private real estate strategy investments is \$43 million as of June 30, 2024. For the fund of funds investment, there

were no gates or “side pockets” (that is, a portion of an underlying fund’s portfolio segregated for purposes of allocating gains and losses) in place as of June 30, 2024.

The commingled fixed income fund invests in obligations of varying maturities including corporate bonds, asset backed securities, government, and agency securities. The fund may also invest in noninvestment grade securities in addition to securities denominated in foreign currencies and foreign securities denominated in U.S. dollars. Redemptions are allowed weekly.

During the year ended June 30, 2024, purchases and issues of Level 3 assets and liabilities follow (in thousands):

|              | <u>Investments</u> | <u>Split-Interest<br/>Agreements</u> | <u>Perpetual<br/>Trusts</u> | <u>Gift Annuity<br/>Obligations</u> |
|--------------|--------------------|--------------------------------------|-----------------------------|-------------------------------------|
| Acquisitions | \$ 4,622           | \$ 41                                | \$ 917                      | \$ (303)                            |
| Purchases    | 2,501              | -                                    | -                           | -                                   |

During the year ended June 30, 2023, purchases and issues of Level 3 assets and liabilities follow (in thousands):

|              | <u>Investments</u> | <u>Split-Interest<br/>Agreements</u> | <u>Perpetual<br/>Trusts</u> | <u>Gift Annuity<br/>Obligations</u> |
|--------------|--------------------|--------------------------------------|-----------------------------|-------------------------------------|
| Acquisitions | \$ 1,841           | \$ -                                 | \$ 391                      | \$ (321)                            |
| Purchases    | 1,725              | -                                    | -                           | -                                   |

The change in value of split-interest agreements valued using significant unobservable inputs is included in the change in value of split-interest agreements financial statement caption in the accompanying consolidated statement of activities. The change in value of perpetual trusts using significant unobservable inputs is included in the net unrealized gains (losses) on beneficial interest in perpetual trusts financial statement caption in the accompanying consolidated statement of activities. The change in unrealized gains/(losses) relating to assets still held at the reporting date is a gain of \$19 million.

The Association independently assesses the valuation for assets classified as Level 3. Unobservable inputs are internally developed for certain asset categories, which include split-interest agreements. Split-interest agreements are valued on a discounted cash flow basis utilizing asset values reported by third party trustees and appropriate growth and discount factors. Gift annuity obligations are valued on a discounted cash flow basis using an applicable interest rate and life expectancy tables.

Quantitative information regarding unobservable inputs developed by the Association and assumptions used to measure the fair value of the related assets and liabilities of split-interest agreements and gift annuity obligations as of June 30, 2024 is as follows (in thousands):

| <u>Type</u>               | <u>Fair Value</u> | <u>Valuation<br/>Technique</u> | <u>Significant<br/>Unobservable<br/>Inputs</u> | <u>Range<br/>(Weighted<br/>Average)</u> |
|---------------------------|-------------------|--------------------------------|--|---|
| Split-interest agreements | \$ 72,215         | Discounted<br>Cash Flow        | Growth Rate/<br>Discount Rate                  | 4.50% -5.48%*<br>4.93%                  |
| Gift annuity obligations  | 10,506            | Discounted<br>Cash Flow        | Discount Rate                                  | 0.40% - 9.60%<br>2.85%                  |

\* These percentages represent the low and high growth rate ranges plus a risk premium from July 1, 2023 - June 30, 2024

Quantitative information regarding unobservable inputs developed by the Association and assumptions used to measure the fair value of the related assets and liabilities of split-interest agreements and gift annuity obligations as of June 30, 2023 is as follows (in thousands):

| <b>Type</b>               | <b>Fair Value</b> | <b>Valuation Technique</b> | <b>Significant Unobservable Inputs</b> | <b>Range (Weighted Average)</b> |
|---------------------------|-------------------|----------------------------|--|---------------------------------|
| Split-interest agreements | \$ 66,787         | Discounted Cash Flow       | Growth Rate/<br>Discount Rate          | 3.36% - 4.29%*<br>4.51%         |
| Gift annuity obligations  | 10,800            | Discounted Cash Flow       | Discount Rate                          | 0.40% - 9.60%<br>2.79%          |

\* These percentages represent the low and high growth rate ranges plus a risk premium from July 1, 2022 - June 30, 2023

Increases in the discount rate applied to the future anticipated cash flows from split-interest agreements would result in a lower estimated fair value. Conversely, decreases in the discount rate applied would result in a higher estimated fair value. However, the projected growth rate assumptions utilized by management are the same as the discount rate assumptions and, accordingly, the impact on the estimated fair value would be insignificant.

Increases in the discount rate applied to the future anticipated payments associated with gift annuity obligations would result in a lower estimated fair value of the liability. Conversely, decreases in the discount rate applied would result in a higher estimated fair value of the liability.

## (5) Endowments

The Association's endowment program consists of donor-restricted endowment funds and does not include any funds designated by the Board of Directors to function as endowments. The endowment program is subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

Absent explicit donor stipulations to the contrary, the Association classifies the original value of gifts donated to the permanent endowment as well as accumulations to the permanent endowment made at the direction of the donor as net assets with donor restrictions. The remaining portion of the donor-restricted endowment fund that is not subject to permanent donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The purposes of the Association and the donor-restricted endowment fund
2. The duration and preservation of the endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Association
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Association
8. The investment policy of the Association



Changes in endowment net assets exclusive of beneficial interests in perpetual and other trusts was as follows (in thousands):

|   | <b>With Donor<br/>Restrictions</b> |
|---|------------------------------------|
| Endowment net assets, June 30, 2022               | \$ 76,169                          |
| Contributions                                     | 206                                |
| Investment returns, net                           | 7,185                              |
| Appropriation of endowment assets for expenditure | <u>(2,711)</u>                     |
| Endowment net assets, June 30, 2023               | 80,849                             |
| Contributions                                     | 894                                |
| Investment returns, net                           | 8,389                              |
| Appropriation of endowment assets for expenditure | <u>(3,176)</u>                     |
| Endowment net assets, June 30, 2024               | <u>\$ 86,956</u>                   |

Net asset composition by type of endowment funds with donor restrictions are as follows (in thousands):

|   | <b>June 30,</b>  |                  |
|---|------------------|------------------|
|   | <b>2024</b>      | <b>2023</b>      |
| Original gift amount required to be maintained in perpetuity by donor | \$ 51,960        | \$ 51,159        |
| Accumulated investment gains  | <u>34,996</u>    | <u>29,690</u>    |
| Total Endowment Funds   | <u>\$ 86,956</u> | <u>\$ 80,849</u> |

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund or the amount required to be maintained by the donor or by law that extends donor restrictions. The Association's spending policy does not permit spending from underwater endowment funds unless otherwise required by donor intent or relevant laws and regulations. As of June 30, 2024, there were no underwater endowment funds.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that seeks to produce results that exceed the total return of a mix of relevant benchmarks, while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Association has a policy of appropriating for distribution each year an amount not to exceed 4% of each endowment's average fair market value over the prior five years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowments, mentioned above.

## (6) Unconditional Promises

The Association has received unconditional promises to give, consisting primarily of pledges, split-interest agreements, and bequests, which are scheduled to be received as follows (in thousands):

|                                      | June 30,   |            |
|--------------------------------------|------------|------------|
|                                      | 2024       | 2023       |
| Less than one year                   | \$ 171,123 | \$ 152,771 |
| One to five years                    | 148,734    | 128,129    |
| More than five years                 | 136,347    | 120,506    |
| Subtotal                             | 456,204    | 401,406    |
| Allowance for uncollectible accounts | (3,489)    | (4,859)    |
| Discount                             | (75,825)   | (60,651)   |
| Total                                | \$ 376,890 | \$ 335,896 |

The Association maintains an allowance for doubtful accounts for estimated credit losses resulting from collection risks, including the inability of donors to make required payments under contractual agreements. The allowance for doubtful accounts is reported as a reduction of receivables in the statement of financial position. The adequacy of this allowance is determined by evaluating historical delinquency and write-off trends, specific known collection risks, historical payment trends, as well as current economic conditions.

## (7) Property and Equipment, net

Property and equipment, net and the related accumulated depreciation and amortization were as follows (in thousands):

|   | June 30,  |           |
|---|-----------|-----------|
|   | 2024      | 2023      |
| Land and leasehold improvements                 | \$ 7,647  | \$ 8,584  |
| Buildings and improvements                      | 35,477    | 40,516    |
| Equipment and furniture                         | 202,167   | 178,584   |
| Total   | 245,291   | 227,684   |
| Less: Accumulated depreciation and amortization | (163,018) | (146,957) |
| Property and equipment, net                     | \$ 82,273 | \$ 80,727 |

## (8) Leases

The Association leases certain facilities and equipment under non-cancelable operating and finance leases, which are recorded as right-of-use assets and lease liabilities. Certain leases also contain escalation clauses and renewal option clauses calling for increased rents. Where a lease contains an escalation clause or a concession, such as a rent holiday or tenant improvement allowance, the Association includes these items in the determination of the right-of-use asset and the lease liabilities. The effects of these escalation clauses or concessions have been reflected in lease expense on a straight-line basis over the expected lease term and any variable lease payments subsequent to establishing the lease liability are expensed as incurred. The lease term commences on the date when the Association has the right to control the use of the leased property, which is typically before lease payments are due under the terms of the lease. Certain of the Association's leases have renewal periods of up to 21 years, exercisable at the Association's option, and generally require the Association to pay property taxes, insurance and maintenance costs, in addition to the lease payments. At lease inception, the Association includes all renewals or option periods that are reasonably certain to exercise when determining the expected lease term, as failure to renew the lease would impose an economic burden.

Operating lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the expected lease term. To determine the present value of lease payments not yet paid, the Association utilizes the risk-free rates based on the information available at lease commencement date, as rates are not implicitly stated in the Association's leases.

Components of lease expense for the years ended June 30, was as follows (in thousands):

| <u>Lease Expense</u>                  | <b>Statement of Functional Expenses Classification</b> | <b>2024</b>      | <b>2023</b>      |
|---------------------------------------|--|------------------|------------------|
| Operating lease expense               | Occupancy  | \$ 8,942         | \$ 9,240         |
| Finance lease expense:                |  |                  |                  |
| Amortization of right-of-use assets   | Depreciation and amortization                          | 300              | 286              |
| Interest on finance lease liabilities | Other operating expenses                               | 20               | 13               |
| Short-term lease expense              | Occupancy  | 1,241            | 1,060            |
| Variable lease expense                | Occupancy  | 1,962            | 1,720            |
| Total lease expense                   |  | <u>\$ 12,465</u> | <u>\$ 12,319</u> |

The components of right-of-use assets and lease liabilities on the consolidated statement of financial position is as follows (in thousands):

| <u>Lease Asset and Liabilities</u>        | <b>Statement of Financial Position Classification</b> | <b>2024</b>      | <b>2023</b>      |
|---|---|------------------|------------------|
| Operating lease right-of-use assets       | Operating lease right-of-use assets                   | \$ 25,383        | \$ 25,081        |
| Finance lease right-of-use assets         | Property and equipment, net                           | 484              | 454              |
| Total lease assets, net                   |   | <u>\$ 25,867</u> | <u>\$ 25,535</u> |
| Operating lease liabilities - current     | Operating lease liabilities                           | \$ 7,822         | \$ 8,036         |
| Finance lease liabilities - current       | Other liabilities                                     | 238              | 207              |
| Operating lease liabilities - non-current | Operating lease liabilities                           | 19,786           | 19,343           |
| Finance lease liabilities - non-current   | Other liabilities                                     | 252              | 258              |
| Total lease liabilities                   |   | <u>\$ 28,098</u> | <u>\$ 27,844</u> |

The weighted-average remaining lease terms and discount rates as of June 30, were as follows:

|  | <b>2024</b> | <b>2023</b> |
|--|-------------|-------------|
| <b><u>Operating leases</u></b>                   |             |             |
| Weighted-average remaining lease term (in years) | 4.00        | 4.10        |
| Weighted-average discount rate                   | 3.49%       | 3.03%       |
| <b><u>Finance leases</u></b>                     |             |             |
| Weighted-average remaining lease term (in years) | 2.53        | 2.62        |
| Weighted-average discount rate                   | 3.77%       | 3.29%       |

Supplemental cash flow information related to leases for the years ended June 30, were as follows (in thousands):

|  | <b>2024</b> | <b>2023</b> |
|--|-------------|-------------|
| Cash paid for amounts included in the measurement of lease liabilities       |             |             |
| Operating cash flows related to operating leases                             | \$ 9,014    | \$ 9,381    |
| Operating cash flows related to finance leases                               | 13          | 28          |
| Financing cash flows related to finance leases                               | 286         | 242         |
| Right-of-use assets obtained in exchange for new operating lease liabilities | 9,329       | 4,197       |
| Right-of-use assets obtained in exchange for new finance lease liabilities   | 372         | 205         |

The annual maturities of the Association's lease liabilities as of June 30, 2024 were as follows (in thousands):

| Fiscal year                        | Finance leases | Operating leases |
|------------------------------------|----------------|------------------|
| 2025                               | \$ 252         | \$ 8,637         |
| 2026                               | 144            | 7,364            |
| 2027                               | 88             | 5,565            |
| 2028                               | 24             | 4,438            |
| 2029                               | 6              | 2,756            |
| Thereafter                         | -              | 904              |
| Total future lease commitments     | \$ 514         | \$ 29,664        |
| Less: imputed interest             | (24)           | (2,056)          |
| Present value of lease liabilities | \$ 490         | \$ 27,608        |

### (9) Allocation of Joint Costs

The Association conducts joint activities (activities benefiting multiple programs and/or supporting services) that include fundraising appeals. Those activities primarily include special events and direct mail campaigns. The costs of conducting those joint activities were allocated as follows (in thousands):

|                                     | June 30,   |            |
|-------------------------------------|------------|------------|
|                                     | 2024       | 2023       |
| Public health education             | \$ 161,470 | \$ 142,896 |
| Fundraising                         | 57,099     | 54,911     |
| Management and general              | 19,440     | 17,749     |
| Professional education and training | 6,940      | 6,640      |
| Community services                  | 6,350      | 5,238      |
| Total joint costs                   | \$ 251,299 | \$ 227,434 |

### (10) Research Awards Payable

The activity in research awards payable during the years ended June 30, 2024 and 2023 and the amounts payable by year are summarized below (in thousands):

|  | 2024       | 2023       |
|--|------------|------------|
| Beginning balance, July 1                | \$ 347,922 | \$ 314,951 |
| Awards expense:                          |            |            |
| New awards                               | 218,977    | 182,901    |
| Cancellations, declinations, and refunds | (13,655)   | (14,241)   |
| Research awards expense before discount  | 205,322    | 168,660    |
| Change in discount                       | (8,206)    | (11,605)   |
| Total research awards expense            | 197,116    | 157,055    |
| Payments                                 | (144,060)  | (124,084)  |
| Ending balance, June 30                  | \$ 400,978 | \$ 347,922 |
| Payable in fiscal year ending June 30:   |            |            |
| 2025                                     |            | \$ 220,104 |
| 2026                                     |            | 124,021    |
| 2027                                     |            | 62,896     |
| 2028                                     |            | 18,984     |
| 2029                                     |            | 5,148      |
| Thereafter                               |            | 431        |
| Total                                    |            | 431,584    |
| Less: unamortized discount               |            | (30,606)   |
| Net research awards payable              |            | \$ 400,978 |

## **(11) Retirement Plans**

The Association has a 401(a) defined-contribution plan (the “401(a) Plan”). Employees are eligible on their date of hire when they are at least 21 years of age (“Eligible Participants”).

The Association contributes to the 401(a) Plan an amount equal to the following percentages of base salary, as defined by the 401(a) Plan, depending upon the Eligible Participant’s years of service:

| <u>Participant's years of service</u> | <u>Percentage</u> |
|---------------------------------------|-------------------|
| Zero to 2                             | 4%                |
| Greater than 2 but less than 5        | 6%                |
| Greater than 5 but less than 10       | 8%                |
| 10 or more                            | 10%               |

Eligible Participants are 100% vested in the Association’s contributions to the 401(a) Plan after two years of service. Eligible Participants are not permitted to contribute to the 401(a) Plan.

The Association also has a 403(b) defined-contribution plan (the “403(b) Plan”) sponsored by the Association. Eligible Participants can make elective contributions to the 403(b) Plan beginning on their date of hire. The Association contributes an employer matching contribution to the 403(b) Plan for each employee equal to 100% of an employee’s elective contribution up to 4% of base salary.

Total retirement plan costs for the years ended June 30, 2024 and 2023 were \$33 million and \$29 million, respectively.

## **(12) Conflict of Interest Policy and Standards**

Included among the Association’s officers, board, and committee members are volunteers from the business, medical, and scientific community who provide valuable assistance to the Association in the development of policies and programs and in the evaluation of research awards and grants and business relationships. The Association has adopted a conflict of interest policy and standards whereby volunteers are required to abstain from participating in or otherwise attempting to influence decisions in which they have a personal, professional, or business interest.

## **(13) Commitments and Contingencies**

During the normal course of business, the Association is involved in various claims and lawsuits. In the opinion of management, the potential loss on any claims and lawsuits, net of insurance proceeds, will not be significant to the Association’s financial position or changes in net assets.

## **(14) Subsequent Events**

The Association has evaluated subsequent events after the statement of financial position date of June 30, 2024 through October 23, 2024, which was the date the consolidated financial statements were available to be issued and determined that no additional subsequent events occurred that would require disclosure.