AMERICAN HEART ASSOCIATION, INC.

Consolidated Financial Statements

June 30, 2021

(With Independent Auditors' Report Thereon)

AMERICAN HEART ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Audit Committee
The American Heart Association, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the American Heart Association (the "Association"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the American Heart Association as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements of the Association as of and for the year ended June 30, 2020 (not presented herein) were audited by other auditors whose report, dated October 30, 2020, expressed an unmodified opinion on those statements.

Deloitte & Touche LLP

Dallas, Texas
October 27, 2021

AMERICAN HEART ASSOCIATION, INC.

Balance Sheet

Year ended June 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

(In thousands)

Assets		2021		2020
Cash and cash equivalents	$	193,872	$	125,074
Investments		813,602		657,756
Receivables:				
Pledges, net		226,410		204,000
Exchange transactions		19,077		14,888
Other		27,260		27,642
Bequests		8,498		10,154
Split-interest agreements, net of discount		82,461		67,066
Prepaid expenses and other assets		22,131		18,051
Beneficial interest in perpetual trusts		173,869		143,536
Land, buildings, and equipment, net		84,668		77,361
Total assets	$	1,651,848	$	1,345,528
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$	94,584	$	70,402
Deferred revenue		43,544		30,865
Research awards payable		308,899		310,074
Other liabilities		59,356		56,226
Total liabilities		506,383		467,567
Net assets:				
Without donor restrictions		513,719		347,659
With donor restrictions		631,745		530,302
Total net assets		1,145,464		877,961
Total liabilities and net assets	$	1,651,848	$	1,345,528

See accompanying notes to consolidated financial statements.

AMERICAN HEART ASSOCIATION, INC.

Statement of Activities

Year ended June 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

(In thousands)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenue:				
Public support:				
Contributions	$ 87,101	$ 123,949	$ 211,050	$ 164,490
Contributed services and materials	39,442	—	39,442	49,198
Special events	172,274	70,251	242,525	274,061
Less: direct donor benefits	(7,687)	—	(7,687)	(27,148)
Bequests	77,384	13,601	90,985	80,183
Split-interest agreements	120	343	463	981
Grants from government agencies	7,067	—	7,067	4,285
Federated and nonfederated fund-raising organizations	1,383	632	2,015	2,660
Total public support	377,084	208,776	585,860	548,710
Other revenue:				
Program fees	81,120	—	81,120	77,289
Sales of educational materials	201,311	—	201,311	138,139
Membership dues	4,886	—	4,886	4,888
Investment return, net	127,105	18,240	145,345	14,831
Perpetual trust distributions	5,271	1,597	6,868	7,127
Net unrealized (losses) gains on beneficial interest in perpetual trusts	—	30,047	30,047	(5,307)
Change in value of split-interest agreements	494	18,937	19,431	797
Royalty revenue	22,799	15	22,814	20,782
Miscellaneous revenue (losses), net	8,190	(2,934)	5,256	(12,002)
Total other revenue (loss)	451,176	65,902	517,078	246,544
Net assets released from restrictions:				
Satisfaction of purpose restrictions	103,479	(103,479)	—	—
Expiration of time restrictions	69,756	(69,756)	—	—
Total net assets released from restrictions	173,235	(173,235)	—	—
Total revenue (loss)	$ 1,001,495	$ 101,443	$ 1,102,938	$ 795,254

(Continued)

AMERICAN HEART ASSOCIATION, INC.

Statement of Activities

Year ended June 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

(In thousands)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Expenses:				
Program services:				
Research – to acquire new knowledge through biomedical investigation by providing financial support to academic institutions and scientists	$ 168,070	$ —	$ 168,070	$ 148,849
Public health education – to inform the public about the prevention and treatment of cardiovascular diseases and stroke, and promote overall health and well-being	— 241,213	— —	241,213	287,938
Professional education and training – to improve the knowledge, skills, and techniques of health professionals	— 210,937	— —	210,937	193,952
Community services – to provide organized training in emergency aid, blood pressure screening, and other community-wide activities	— 60,015	— —	60,015	63,768
Total program services	680,235	—	680,235	694,507
Supporting services:				
Management and general – to provide executive direction, financial management, overall planning, and coordination of the Association's activities	71,801	—	71,801	73,222
Fundraising – to secure financial support from the public	78,331	—	78,331	94,033
Total supporting services	150,132	—	150,132	167,255
Total program and supporting services expenses	830,367	—	830,367	861,762
Change in net assets before postretirement changes other than net periodic benefit cost	171,128	101,443	272,571	(66,508)
Postretirement changes other than net periodic benefit cost	770	—	770	(1,075)
Non Controlling Interest	(5,838)	—	(5,838)	—
Change in net assets	166,060	101,443	267,503	(67,583)
Net assets, beginning of year	347,659	530,302	877,961	945,544
Net assets, end of year	$ 513,719	$ 631,745	$ 1,145,464	$ 877,961

See accompanying notes to consolidated financial statements.

AMERICAN HEART ASSOCIATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

(In thousands)

	Research	Public Health Education	Professional Education/ Training	Community Services	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Services	2021 Total	2020 Total
Salaries, taxes, and benefits	$ 8,124	$ 151,399	$ 77,299	$ 31,022	$ 267,844	$ 55,229	$ 54,959	$ 110,188	$ 378,032	$ 392,352
Awards and grants	145,288	7,187	6,304	6,087	164,866	—	—	—	164,866	135,663
Professional fees	10,434	28,463	35,272	11,282	85,451	6,719	5,582	12,301	97,752	95,765
Printing, publication, and digital media	—	20,729	57,824	5,049	83,602	1,900	5,804	7,704	91,306	93,814
Occupancy	28	9,696	903	941	11,568	1,528	2,428	3,956	15,524	18,082
Conferences, meetings, and travel	9	719	6,194	282	7,204	244	440	684	7,888	44,866
Other operating expenses	3,170	17,276	15,447	3,838	39,731	4,843	7,417	12,260	51,991	65,647
Depreciation and amortization	1,017	5,744	11,694	1,514	19,969	1,338	1,701	3,039	23,008	15,573
Total functional expenses before direct donor benefits	168,070	241,213	210,937	60,015	680,235	71,801	78,331	150,132	830,367	861,762
Direct donor benefits	—	—	—	—	—	—	—	—	7,687	27,148
Total functional expenses and direct donor benefits	$ 168,070	$ 241,213	$ 210,937	$ 60,015	$ 680,235	$ 71,801	$ 78,331	$ 150,132	$ 838,054	$ 888,910

See accompanying notes to consolidated financial statements.

AMERICAN HEART ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2021
(with comparative amounts for the year ended June 30, 2020)

(In thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 267,503	$ (67,583)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	23,008	15,573
Net realized and unrealized gains on investments	(137,255)	(3,114)
Net unrealized losses (gains) on beneficial interest in perpetual trusts	(30,047)	5,307
Change in value of split-interest agreements	(19,431)	(797)
Gains on sale of fixed assets	(3,159)	(326)
Losses on uncollectible accounts and settlement of receivables	1,609	21,719
Contributions to endowment	(539)	(713)
Changes in operating assets and liabilities:		
Receivables	(26,170)	43,741
Prepaid expenses and other assets	(4,081)	(2,195)
Beneficial interest in perpetual trusts	(286)	76
Split-interest agreements	4,036	5,410
Accounts payable and accrued expenses	24,182	(1,426)
Deferred revenue	12,679	7,849
Research awards payable	(1,175)	(52,417)
Other liabilities	3,818	16,848
Net cash (used in) provided by operating activities	114,692	(12,048)
Cash flows from investing activities:		
Purchases of fixed assets	(32,660)	(21,958)
Proceeds from sale of fixed assets	5,506	2,547
Purchases of investments	(138,272)	(150,239)
Proceeds from sales/maturities of investments	119,681	242,277
Net cash provided by (used in) investing activities	(45,745)	72,627
Cash flows from financing activities:		
Payments on capital leases	(688)	(727)
Contributions to endowment	539	713
Net cash (used in) provided by financing activities	(149)	(14)
Net increase (decrease) in cash and cash equivalents	68,798	60,565
Cash and cash equivalents, beginning of year	125,074	64,509
Cash and cash equivalents, end of year	$ 193,872	$ 125,074
Supplemental cash flow information:		
Interest paid	$ 45	$ 77
Taxes paid	148	593
Contributed services and materials	39,442	49,198
Equipment purchased by capital lease	46	721
Non-cash contributions to endowment	—	66

(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 (Aphelion) is an investment partnership which was established in June 2017. Aphelion 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.

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, a partnership between the Association and Laerdal Medical (Laerdal), was formed 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.

(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.

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 at June 30, 2021 and 2020 consisted of the following (in thousands):

	June 30, 2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Undesignated	$ 512,154	$ —	$ 512,154
Board designated for research	1,565	—	1,565
Beneficial interest in perpetual trusts	-	173,869	173,869
Donor pledges and gifts restricted to:			
Time or geography	-	127,665	127,665
Public/professional education and community services	-	139,296	139,296
Research	-	45,524	45,524
Endowment funds	-	85,978	85,978
Split interest agreements	-	59,413	59,413
Total net assets	$ 513,719	$ 631,745	$ 1,145,464

	June 30, 2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Undesignated	$ 340,919	$ —	$ 340,919
Board designated for research	6,740	—	6,740
Beneficial interest in perpetual trusts	—	143,536	143,536
Donor pledges and gifts restricted to:			
Time or geography	—	97,601	97,601
Public/professional education and community services	—	108,963	108,963
Research	—	61,728	61,728
Endowment funds	—	69,497	69,497
Split interest agreements	—	48,977	48,977
Total net assets	$ 347,659	$ 530,302	$ 877,961

(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, but also include short-term investments available for operations, totaling approximately $111 million and $61 million as of June 30, 2021 and 2020, respectively. All investments are carried at fair value with the related gains and losses included in the statement of activities. The fair value of equity securities, debt securities, and mutual funds with readily determinable fair values approximates quoted market prices. Investments in real estate funds are determined by using the fund manager’s net asset value (NAV), adjusted for cash flows. NAV per share is published by the manager and serves as the basis for current investor transactions. The fair value of real estate and other properties held as investments is estimated using private valuations of the properties held by the fund manager.

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 net asset values as provided by the general partners and fund managers and as reviewed by management. These net asset values 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 net asset values of the underlying funds as provided by the individual fund managers. The fund of funds manager reserves the right to adjust the reported net asset value if it is deemed not to be reflective of fair value. Because of the inherent uncertainty of valuations of investments in the underlying funds, their 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. The fair value of investments in venture capital funds is determined by using the fund manager’s provided NAV, adjusted for cash flows. Recent transactions from other investors, to the extent they are available, may also be used in determining fair value.

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 0.18%-1.95%. 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 Association adopted Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, effective July 1, 2019. ASU No. 2018-08 clarifies the accounting guidance for contributions received and contributions made to assist entities in distinguishing between contributions (non-reciprocal) and exchange transactions (reciprocal). The distinction is important because contributions are accounted for under ASC 958-605, Not-For-Profit Entities – Revenue Recognition, while exchange transactions are accounted for under other guidance such as ASC 606, Revenue Recognition. The guidance also clarifies how entities determine whether a contribution is conditional. The timing of revenue and expense recognition is dependent upon whether a contribution is conditional or unconditional. The Association's revenues that are subject to ASU No. 2018-08 are contributions, special events, bequests, and grants from government agencies. Prior to the adoption of ASU No. 2018-08, grants from government agencies were classified as Other Revenue within the Statement of Activities. ASU No. 2018-08 clarified that commensurate value received in return for resources transferred in an exchange transaction must be received by the resource provider. 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, management concluded that revenue received from government agencies should be classified as contribution revenue and should be deemed conditional based on being administered on a cost-reimbursement basis and being subject to federal cost principles. Amendments under ASU 2018-08 should be applied on a modified prospective basis; however, retrospective application is permitted as well. The Association elected to adopt ASU 2018-08 on a modified prospective basis. Accordingly, ASU 2018-08 is being applied to agreements that were not completed as of the effective date or entered into after the effective date. The adoption of ASU No. 2018-08 did not have a material impact on the Association's consolidated financial statements and related disclosures.

(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 balance sheet.

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 award using interest rates applicable to the years in which awards are granted, ranging from 0.07% to 1.21%. 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.

On July 1, 2020, the Association adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), for all open contracts and related amendments at the reporting date using the modified, retrospective method. ASU No. 2014-09 replaced most existing revenue recognition guidance in U.S. GAAP and provides companies with a single model for recognizing revenue from contracts with customers (exchange transactions). 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 reported results for the fiscal year ended June 30, 2021 reflect the application of the new standard while the comparative financial information from previous periods is presented under accounting standards that were in effect at the time. The adoption of the standard did not materially affect the consolidated statement of activities, balance sheet or statement of cash flows.

In accordance with 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.

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, 2021 (in thousands).

		Point-In-Time	Over-Time	Total
Sales of Educational Materials	$	173,322	27,988	201,310
Subscription- based Revenues		5,813	64,565	70,378
Royalties		22,814		22,814
Scientific Conferences		5,343		5,343
Membership Dues			4,886	4,886
Accredidations and Certifications			2,395	2,395
Miscellaneous Revenues		4,171		4,171
Total Revenue for Contracts from Customers	**$**	**211,463**	**99,834**	**311,297**

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 $4.1 million are excluded from the revenue disaggregation table as these do not represent revenues from contracts with customers.

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.

(h) Land, Buildings, and Equipment

Donated property and equipment are recorded at fair value at date of receipt, and expenditures for land, buildings, 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 3 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 Materials and Services

The Association recognizes contributions of materials at their estimated fair value at date of donation. The Association reports gifts of land, buildings, 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.

Contributed materials reported in the statement of activities were allocated as follows in 2021 and 2020 (in thousands):

	2021	2020
Research	$ 339	$ 77
Public health education	14,730	21,028
Professional education	2,152	1,984
Community services	40	6
Management and general	1,131	137
Fundraising	745	171
Total contributed materials	$ 19,137	$ 23,403

Public service announcements of approximately $12 million and $18 million were included in contributed materials revenue on the statement of activities and printing and publication on the statement of functional expenses for the years ended June 30, 2021 and 2020, respectively.

Contributed services reported in the statement of activities were allocated as follows in 2021 and 2020 (in thousands):

	2021	2020
Research	$ 4,274	$ 8,692
Public health education	2,109	3,594
Professional education	12,190	12,511
Community services	85	19
Management and general	1,566	505
Fundraising	81	474
Total contributed services	$ 20,305	$ 25,795

The Association recognizes contributions of services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

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.

(j) Functional Allocation of Expenses

The consolidated statement of functional expenses presents expenses by program and supporting service function and by natural classification. 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, 2021 and 2020. The Association believes that it has taken no significant uncertain tax positions.

(l) 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.

For the fund of funds investment, which is valued at NAV, 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 at June 30, 2021.

The Association held a venture capital investment at June 30, 2021 that invests 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 investment is an illiquid, long-term investment for which no resale market, public or private, may develop. The Association has committed $10 million of which $5.5 million remains uncalled. Fair value is determined by using the fund manager’s provided NAV as of March 31, 2021, 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 fund prepared by a third-party auditor. While the manager provides a NAV, it is not published or readily available; therefore, the Association classifies this as a Level 3 investment.

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 net asset value have not been categorized within the fair value hierarchy.

(m) Split-Interest Agreements

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

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 contribution 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 at June 30, 2021 and 2020 were 1.84% and 2.15%, respectively.

Under the perpetual trust arrangement, the Association has recorded the asset and has recognized contribution 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.

(n) 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, and 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 materials and services, and the functionalization of expenses.

(o) Summarized Comparative Totals

The consolidated financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association’s consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

(2) Liquidity and Availability of Resources

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

		2021		2020
Total Assets as of June 30,	$	1,651,848	$	1,345,528
Less:				
Receivables not collectible within one year		212,289		162,693
Beneficial interests in perpetual trusts		173,869		143,536
Land, buildings & equipment, net		84,668		77,361
Endowment funds subject to appropriation and satisfaction of donor restrictions		68,911		55,483
Endowment funds subject to appropriation for general use		15,535		12,573
Investments held in annuity trusts and other illiquid investments		37,236		32,313
Prepaid expenses and other assets		22,131		18,051
Self insurance funding arrangements and other employee related designations		14,177		14,688
Board designated amounts set aside for research		2,105		7,289
Unfunded commitments to venture capital and private investments		25,371		19,441
Financial assets available to meet cash needs for general expenditures within one year	$	995,556	$	802,100

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 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.

In July 2020, as a precautionary measure to provide more financial flexibility in response to the COVID-19 pandemic, the Association obtained an unsecured line of credit of $50 million, which includes an expansion feature of up to an additional $50 million upon the lender's consent. The line serves as an additional source of liquidity to support any potential short-term operating needs. The Association has not utilized the line of credit to date.

(3) Investments

Investments at June 30, 2021 and 2020 and related returns for the years then ended consisted of the following (in thousands):

	June 30, 2021		
	Interest and Dividends (Expenses)	Realized and Unrealized Gains (Losses)	Fair Value
Equity securities	$ 6,481	$ 122,709	$ 392,146
Governmental securities	515	(324)	76,799
Corporate bonds	898	(238)	59,413
Mortgage-backed securities	40	(10)	1,803
Other asset-backed securities	549	(58)	45,483
Fixed income mutual/commingled funds	1,034	3,804	75,214
Private funds	—	3,417	18,395
Fund of funds	—	5,932	85,459
Real estate and other	736	883	19,251
Short-term investments	175	168	26,927
Unsettled trades and other receivables, net	28	—	8,151
Venture capital	—	972	4,561
Investment expenses	(2,366)	—	—
Total	$ 8,090	$ 137,255	$ 813,602

	June 30, 2020		
	Interest and Dividends (Expenses)	Realized and Unrealized Gains (Losses)	Fair Value
Equity securities	$ 7,245	$ $ (8,003)	$ 303,282
Governmental securities	1,299	443	72,730
Corporate bonds	1,953	417	43,840
Mortgage-backed securities	50	3	1,592
Other asset-backed securities	1,047	(77)	28,405
Fixed income mutual/commingled funds	722	2,652	70,491
Private funds	—	(442)	14,977
Fund of funds	—	8,506	79,527
Real estate and other	697	(489)	18,315
Short-term investments	753	122	14,726
Unsettled trades and other receivables, net	91	—	7,432
Venture capital		(18)	2,439
Investment expenses	(2,140)	—	—
Total	$ 11,717	$ 3,114	$ 657,756

(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, 2021 and 2020, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value:

	Balance	Fair value measurements at reporting date using		
Assets	**June 30, 2021**	**Level 1**	**Level 2**	**Level 3**
1. Equity securities:				
a. Domestic stocks	$ 297,113	$ 297,113	$ —	$ —
b. International stocks	95,033	95,033	—	—
2. Debt securities:				
a. Government securities	76,799	—	76,799	—
b. Corporate bonds	59,413	—	59,413	—
c. Mortgage-backed securities	1,803	—	1,803	—
d. Other asset-backed securities	45,483	—	45,483	—
3. Fixed income mutual fund	31,168	31,168	—	
4. Real estate and other	19,251	—	17,107	2,144
5. Venture Capital	4,561	—	—	4,561
6. Short-term investments	26,927	2,172	24,755	
7. Unsettled trade and other receivables, net	8,151	8,151	—	—
8. Investments reported at net asset value (NAV) (1)				
a. Fund of funds	85,459			
b Fixed income commingled fund	44,046			
c. Private fund	18,395			
Total Investments:	$ 813,602			
9. Split-interest agreements receivable, net of discount	$ 82,461			82,461
10. Beneficial interest in perpetual trusts	173,869			173,869
Split-interest agreements/perpetual trusts (leveled)	$ 256,330			
Liabilities				
1. Gift annuiity obligations	$ 11,024			11,024

(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 balance sheet.

Assets	Balance June 30, 2020	Level 1	Level 2	Level 3
1. Equity securities:				
a. Domestic stocks	$ 232,250	$ 232,250	$ —	$ —
b. International stocks	71,032	71,032	—	—
2. Debt securities:	—			
a. Government securities	72,730	—	72,730	—
b. Corporate bonds	43,840	—	43,840	—
c. Mortgage-backed securities	1,592	—	1,592	—
d. Other asset-backed securities	28,405	—	28,405	—
3. Fixed income mutual fund	23,600	—	23,600	—
4. Real estate and other	18,315	—	16,163	2,152
5. Venture Capital	2,439	—	—	2,439
6. Short-term investments	14,726	2,239	12,487	—
7. Unsettled trade and other receivables, net	7,432	7,432	—	—
8. Investments reported at net asset value (NAV) [1]				
a. Fund of funds	79,527			
b Fixed income commingled fund	46,891			
c. Private fund	14,977			
Total Investments:	$ 657,756			
9. Split-interest agreements receivable, net of discount	$ 67,066	—	—	67,066
10. Beneficial interest in perpetual trusts				
Split-interest agreements/perpetual trusts (leveled)	143,536	—	—	143,536
	$ 210,602			
Liabilities				
1. Gift annuiity obligations	$ 12,258	—	—	12,258

[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 balance sheet.

The following summarizes the nature of investments that are reported at estimated fair value using net asset value as of June 30, 2021 (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of funds	$ 85,459	$ —	Various	30 - 90 days
Fixed income commingled fund	44,046	—	Weekly	3 days
Private fund	18,395	—	Monthly	30 days

The following summarizes the nature of investments that are reported at estimated fair value using net asset value as of June 30, 2020 (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of funds	$ 79,527	$ —	Various	30 - 90 days
Fixed income commingled fund	46,891	—	Weekly	3 days
Private fund	14,977	—	Monthly	30 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 credit and real estate strategies, which include lock up provisions. As of June 30, 2021, the total amount subject to the lock up is deemed to be immaterial. The 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, 2021. The full commitment (total of the funded and unfunded) to the credit and real estate strategy investments is $30 million as of June 30, 2021.

The commingled fixed income fund invests in obligations of varying maturities, including corporate bonds, asset-backed securities, and 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.

As of June 30, 2021, the Association was invested in a private fund, which invests primarily in equity securities of small and mid-size companies located outside of the United States. Redemptions are allowed monthly with 30 days' notice.

During the period, purchases and issues of Level 3 assets and liabilities follow (in thousands):

	Investments	Split-Interest Agreements	Perpetual Trusts	Gift Annuity Obligations
Acquisitions	50	—	315	(375)
Purchases	1,350	—	—	—

The change in value of split-interest agreements valued using significant unobservable inputs is included in 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 approximately $49 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, 2021 is as follows:

Type		Fair Value (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Split-interest aqreements	$	82,461	Discounted Cash Flow	Growth Rate/ Discount Rate	1.27% - 2.42%* 1.84%
Gift annuity obligations		11,024	Discounted Cash Flow	Discount Rate	0.40% - 9.60% 2.96%

* These percentages represent the low and high growth rate ranges plus a risk premium from July 1, 2020 - June 30, 2021

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 for the years ended June 30, 2021 and 2020 are as follows (in thousands):

		With Donor Restrictions
Endowment net assets, June 30, 2019	$	69,768
Contributions		779
Investment returns, net		1,308
Appropriation of endowment assets for expenditure		(2,358)
Endowment net assets, June 30, 2020		69,497
Contributions		539
Investment returns, net		18,221
Appropriation of endowment assets for expenditure		(2,279)
Endowment net assets, June 30, 2021	$	85,978

Endowment net asset composition by type of funds are as follows (in thousands):

	2021	2020
Endowment funds with donor restrictions:		
Original gift amount required to be maintained in perpetuity by donor	$ 50,035	$ 49,496
Accumulated investment gains	35,943	20,001
Total Endowment Funds	$ 85,978	$ 69,497

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. There were no underwater endowments as of June 30, 2021 or 2020.

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

As of June 30, 2021, and 2020, 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):

	2021	2020
Less than one year	$ 120,328	$ 137,810
One to five years	127,735	92,534
More than five years	103,059	86,277
Subtotal	351,122	316,621
Allowance for uncollectible accounts	(10,065)	(13,463)
Discount	(23,312)	(21,520)
Total	$ 317,745	$ 281,638

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 balance sheet. 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) Land, Buildings, and Equipment

At June 30, 2021 and 2020, land, buildings, and equipment, and the related accumulated depreciation and amortization were as follows (in thousands):

	2021	2020
Land and leasehold improvements	$ 11,254	$ 11,768
Buildings and improvements	60,640	69,680
Equipment and furniture	131,536	112,889
Total	203,430	194,337
Less: accumulated depreciation and amortization	(118,762)	(116,976)
Land, buildings and equipment, net	$ 84,668	$ 77,361

(8) Leases

(a) Operating Leases

The Association has operating lease agreements for office space and equipment. Future annual minimum lease payments due under noncancelable leases as of June 30, 2021 are as follows (in thousands):

	2021
2022	$ 9,381
2023	8,300
2024	7,074
2025	5,499
2026	4,422
Thereafter	5,937
Total	$ 40,613

Total operating lease expense for the years ended June 30, 2021 and 2020 was approximately $11 million for each year.

(b) *Capital Leases*

The Association leases office equipment under capital lease agreements expiring on various dates through 2026. As of June 30, 2021, the future minimum lease payments under capital leases were as follows (in thousands):

		2021
2022	$	465
2023		143
2024		66
2025		39
2026		—
Thereafter		—
Total		713
Less: amount representing interest, support and maintenance		(157)
Present value of lease obligation included in other liabilities	$	556

(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 2021 and 2020 (in thousands):

		2021		2020
Public health education	$	113,592	$	142,550
Professional education and training		4,413		3,016
Community services		3,968		4,093
Management and general		14,916		21,504
Fundraising		40,270		53,695
Total joint costs	$	177,159	$	224,858

(10) Research Awards Payable

The activity in research awards payable during the years ended June 30, 2021 and 2020 and the amounts payable by year are summarized below (in thousands):

		2021		2020
Beginning balance, July 1	$	310,074	$	362,491
Awards expense:				
New awards		153,237		131,343
Cancellations, declinations, and refunds		(9,775)		(15,417)
Research awards expense before discount		143,462		115,926
Change in discount		1,826		4,772
Total research awards expense		145,288		120,698
Payments		(146,463)		(173,115)
Ending balance, June 30	$	308,899	$	310,074

Payable in year ending June 30:		
2022	$	171,765
2023		77,305
2024		37,633
2025		16,675
2026		4,746
Thereafter		2,450
Total		310,574
Less: unamortized discount		(1,675)
Net research awards payable	$	308,899

(11) Retirement Plans

The Association has a 401(a) defined-contribution plan (the Plan). Eligible participants include employees who are at least 21 years of age and have at least two years of service with an accumulation of at least 1,000 hours per year. A year of service is defined as a period of 12 consecutive months beginning on an employee’s date of hire. Employees are 100% vested upon satisfaction of the eligibility period. Participants are not permitted to contribute to the Plan.

The Association contributes to the Plan an amount equal to the following percentages of base salary, as defined by the Plan, depending upon the participant's years of service:

Participant's years of service	Contribution Percentage
2 to 5	6%
Greater than 5 but less than 10	8%
10 or more	10%

In addition, the Association contributes to the Plan an employer matching contribution, equal to 100% of each participant's elective contribution up to 4% of base salary to a 403(b) plan also sponsored by the Association. These elective contributions may be made by an employee beginning the first of the month following two years of service.

Total retirement plan costs for the years ended June 30, 2021 and 2020 were approximately $22 million and $24 million, respectively.

(12) New Accounting Pronouncements

(a) ASU 2016-02, Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the balance sheet.

In June 2020, the FASB issued ASU No. 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, providing an optional one-year deferral of the effective date of ASU No. 2016-02 (ASC 842), Leases, for all private companies and certain not-for-profit entities. For private companies and private not-for-profits, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. The new standard is effective for the Association on July 1, 2022 and early adoption is permitted. The Association is evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures.

(b) ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effective for the Association on July 1, 2021 with early adoption permitted. The Association is evaluating the effect that ASU No. 2020-07 will have on its consolidated financial statements and related disclosures.

(13) 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.

(14) 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.

(15) Subsequent Events

The Association has evaluated subsequent events after the balance sheet date of June 30, 2021 through October 27, 2021, which was the date the consolidated financial statements were issued, and determined that no additional subsequent events occurred that would require disclosure.