AMERICAN HEART ASSOCIATION, INC.

Financial Statements

June 30, 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1400
2323 Ross Avenue
Dallas, TX 75201-2721

Independent Auditors' Report

The Board of Directors
American Heart Association, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the American Heart Association, Inc. (the Association), which comprise the consolidated statements of activities, functional expenses, and cash flows for the year ended June 30, 2019, the related consolidated balance sheet as of June 30, 2019, and the related notes to the consolidated 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 U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Heart Association, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 13(a) to the consolidated financial statements, the Association adopted Accounting Standards Update Not-For-Profit Entities (958): "*Presentation of Financial Statements of Not-For-Profit Entities*" (ASU 2016-14) during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the American Heart Association, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU 2016-14. As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments described in Note 13(a) that were applied to adopt ASU 2016-14 retrospectively in the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

October 25, 2019

AMERICAN HEART ASSOCIATION, INC.

Statement of Activities

Year ended June 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenue:				
Public support:				
Contributions	$ 84,618	66,044	150,662	198,911
Contributed services and materials	38,437	—	38,437	41,799
Special events	278,009	94,424	372,433	371,570
Less direct donor benefits	(41,397)	—	(41,397)	(46,727)
Bequests	56,028	28,670	84,698	80,711
Split-interest agreements	156	1,678	1,834	786
Federated and nonfederated fund-raising organizations	2,164	935	3,099	3,284
Total public support	418,015	191,751	609,766	650,334
Other revenue:				
Program fees	49,727	—	49,727	38,309
Sales of educational materials	153,043	—	153,043	146,088
Membership dues	4,927	—	4,927	5,228
Grants from government agencies	3,843	—	3,843	5,068
Investment return, net	32,088	3,762	35,850	48,113
Perpetual trust distributions	5,497	1,532	7,029	6,991
Net unrealized gains on beneficial interest in perpetual trusts	—	324	324	5,668
Change in value of split-interest agreements	(412)	3,451	3,039	4,943
Royalty revenue	19,898	—	19,898	19,126
Miscellaneous revenue (losses), net	6,208	(6,234)	(26)	3,289
Total other revenue	274,819	2,835	277,654	282,823
Net assets released from restrictions:				
Satisfaction of purpose restrictions	116,647	(116,647)	—	—
Expiration of time restrictions	69,745	(69,745)	—	—
Total net assets released from restrictions	186,392	(186,392)	—	—
Total revenue	879,226	8,194	887,420	933,157

AMERICAN HEART ASSOCIATION, INC.

Statement of Activities

Year ended June 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Expenses:				
Program services:				
Research – to acquire new knowledge through biomedical investigation by providing financial support to academic institutions and scientists	$ 198,322	—	198,322	183,874
Public health education – to inform the public about the prevention and treatment of cardiovascular diseases and stroke, and promote overall health and well-being	295,084	—	295,084	303,444
Professional education and training – to improve the knowledge, skills, and techniques of health professionals	162,936	—	162,936	166,060
Community services – to provide organized training in emergency aid, blood pressure screening, and other community-wide activities	63,264	—	63,264	77,954
Total program services	719,606	—	719,606	731,332
Supporting services:				
Management and general – to provide executive direction, financial management, overall planning, and coordination of the Association's activities	72,522	—	72,522	51,229
Fundraising – to secure financial support from the public	100,120	—	100,120	107,960
Total supporting services	172,642	—	172,642	159,189
Total program and supporting services expenses	892,248	—	892,248	890,521
Change in net assets before postretirement changes other than net periodic benefit cost	(13,022)	8,194	(4,828)	42,636
Postretirement changes other than net periodic benefit cost	(1,427)	—	(1,427)	899
Change in net assets	(14,449)	8,194	(6,255)	43,535
Net assets, beginning of year	373,440	578,359	951,799	908,264
Net assets, end of year	$ 358,991	586,553	945,544	951,799

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.

Statement of Functional Expenses

Year ended June 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

(In thousands)

	Research	Public health education	Professional education/ training	Community services	Subtotal program services	Management and general	Fundraising	Subtotal supporting services	2019 Total	2018 Total
Salaries, taxes, and benefits	$ 7,001	175,422	53,366	33,202	268,991	51,316	59,817	111,133	380,124	372,069
Awards and grants	175,211	9,052	3,457	5,135	192,855	—	—	—	192,855	171,947
Occupancy	42	11,479	1,543	1,323	14,387	1,795	2,919	4,714	19,101	18,936
Printing and publication	9	30,580	36,447	5,886	72,922	2,147	10,769	12,916	85,838	113,297
Conferences, meetings, and travel	1,012	10,177	24,997	3,729	39,915	4,387	6,033	10,420	50,335	57,880
Professional fees	13,521	30,253	26,610	9,018	79,402	3,322	5,411	8,733	88,135	89,975
Other operating expenses	810	21,237	13,458	3,729	39,234	8,015	13,150	21,165	60,399	53,206
Depreciation and amortization	716	6,884	3,058	1,242	11,900	1,540	2,021	3,561	15,461	13,211
Total functional expenses before direct donor benefits	198,322	295,084	162,936	63,264	719,606	72,522	100,120	172,642	892,248	890,521
Direct donor benefits									41,397	46,727
Total functional expenses and direct donor benefits	$ 198,322	295,084	162,936	63,264	719,606	72,522	100,120	172,642	933,645	937,248

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.

Balance Sheet

June 30, 2019
(with comparative amounts for June 30, 2018)
(In thousands)

Assets		**2019**	**2018**
Cash and cash equivalents	$	64,509	64,917
Investments		746,680	732,887
Receivables:			
Pledges, net		268,611	272,894
Exchange transactions		18,546	16,176
Other		15,854	11,593
Bequests		19,132	14,083
Split-interest agreements, net of discount		71,290	70,837
Prepaid expenses and other assets		15,856	15,242
Beneficial interest in perpetual trusts		148,919	147,586
Land, buildings, and equipment, net		72,476	66,701
Total assets	$	1,441,873	1,412,916
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	71,828	76,075
Deferred revenue		23,016	10,606
Research awards payable		362,491	340,531
Other liabilities		38,994	33,905
Total liabilities		496,329	461,117
Net assets:			
Without donor restrictions		358,991	373,440
With donor restrictions		586,553	578,359
Total net assets		945,544	951,799
Total liabilities and net assets	$	1,441,873	1,412,916

See accompanying notes to financial statements.

AMERICAN HEART ASSOCIATION, INC.

Statement of Cash Flows

Year ended June 30, 2019
(with comparative amounts for the year ended June 30, 2018)

(In thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (6,255)	43,535
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,461	13,211
Net realized and unrealized gains on investments	(22,947)	(37,783)
Net unrealized gains on beneficial interest in perpetual trusts	(324)	(5,668)
Change in value of split-interest agreements	(3,039)	(4,943)
Gains on sale of fixed assets	(712)	(2,060)
Losses on uncollectible accounts and settlement of receivables	7,580	5,590
Contributions to endowment	(2,958)	(717)
Changes in operating assets and liabilities:		
Receivables	(14,978)	(39,532)
Prepaid expenses and other assets	(614)	4,682
Beneficial interest in perpetual trusts	(1,009)	—
Split-interest agreements	1,988	6,506
Accounts payable and accrued expenses	(4,247)	4,823
Deferred revenue	12,410	790
Research awards payable	21,960	549
Other liabilities	5,642	(1,331)
Net cash provided by (used in) operating activities	7,958	(12,348)
Cash flows from investing activities:		
Purchases of fixed assets	(21,632)	(13,904)
Proceeds from sale of fixed assets	1,690	4,437
Purchases of investments	(118,845)	(159,331)
Proceeds from sales/maturities of investments	127,999	200,262
Net cash (used in) provided by investing activities	(10,788)	31,464
Cash flows from financing activities:		
Payments on capital leases	(536)	(636)
Contributions to endowment	2,958	717
Net cash provided by financing activities	2,422	81
Net (decrease) increase in cash and cash equivalents	(408)	19,197
Cash and cash equivalents, beginning of year	64,917	45,720
Cash and cash equivalents, end of year	$ 64,509	64,917
Supplemental cash flow information:		
Interest paid	$ 59	55
Taxes paid	781	371
Contributed services and materials	38,437	41,799
Equipment purchased by capital lease	582	899

See accompanying notes to 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.

RQI Partners, LLC, a partnership between the Association and Laerdal Medical, was formed and began operations on July 1, 2018. The company 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.

(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 controlled subsidiary, RQI Partners, LLC. 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, 2019 and 2018 consisted of the following (in thousands):

	June 30, 2019		
	Without Donor restrictions	**With Donor restrictions**	**Total**
Undesignated	$ 346,178	—	346,178
Board designated for research	12,813	—	12,813
Beneficial interest in perpetual trusts	—	148,919	148,919
Donor pledges and gifts restricted to:			
Time or geography	—	134,522	134,522
Public/professional education and community services	—	100,281	100,281
Research	—	81,675	81,675
Endowment funds	—	69,768	69,768
Split interest agreements	—	51,388	51,388
Total net assets	$ 358,991	586,553	945,544

	June 30, 2018		
	Without Donor restrictions	**With Donor restrictions**	**Total**
Undesignated	$ 359,461	—	359,461
Board designated for research	13,979	—	13,979
Beneficial interest in perpetual trusts	—	147,586	147,586
Donor pledges and gifts restricted to:			
Time or geography	—	129,930	129,930
Public/professional education and community services	—	100,203	100,203
Research	—	84,884	84,884
Endowment funds	—	65,322	65,322
Split interest agreements	—	50,434	50,434
Total net assets	$ 373,440	578,359	951,799

(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 $130 million and $151 million as of June 30, 2019 and 2018, 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 or, in the case of directly held real estate, based upon periodic third-party valuations. 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. Management relies upon the audited financial statement of the venture fund performed by a third-party auditor. Interest and dividend income are presented net of investment advisory/management fees and is reflected within investment, 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 stipulated time restriction ends or when a purpose restriction is accomplished. 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 1.71% to 3.16%. 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. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

(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. The liability and related expenses are recorded when the recipients are notified of their awards, and 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 1.7% to 1.9%. 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. Resources received in exchange transactions are recognized as deferred revenue to the extent that the earnings process has not been completed. These transactions primarily include sales of educational materials, conferences, subscriptions, royalty revenues, licensing fees, and advertising fees from journal publications. Receivables from exchange transactions are expected to be collected within one year and are recorded at net realizable value.

(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 2 to 40 years (land leasehold – length of the leasehold interest; building and improvements – 5 to 40 years; and furniture and equipment – 2 to 7 years).

(i) Contributed Services and Materials

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 2019 and 2018 (in thousands):

		2019	2018
Research	$	136	266
Public health education		16,993	22,414
Professional education		1,772	2,845
Community services		35	342
Management and general		8	151
Fundraising		44	215
Total contributed materials	$	18,988	26,233

Public service announcements of approximately $13,340,000 and $19,490,000 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, 2019 and 2018, respectively.

Contributed services reported in the statement of activities were allocated as follows in 2019 and 2018 (in thousands):

		2019	2018
Research	$	5,257	4,758
Public health education		5,259	1,505
Professional education		8,814	8,878
Community services		17	—
Management and general		79	182
Fundraising		23	243
Total contributed services	$	19,449	15,566

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, 2019 and 2018. 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. At June 30, 2019, less than 1% of investment values are based upon Level 3 inputs. 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, 2019.

The Association held a venture capital investment at June 30, 2019 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 $8 million remains uncalled. Fair value is determined by using the fund manager's provided NAV as of March 31, 2019, 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 statement of the venture fund performed by a third-party auditor.

In accordance with ASU 2015-17, 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, 2019 and 2018 were 3.16% and 3.20%, 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 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, and the functionalization of expenses.

(o) Summarized Comparative Totals

The 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 financial statements for the year ended June 30, 2018, 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):

Total Assets as of June 30, 2019	$	1,441,873
Less:		
Receivables not collectible within one year		208,560
Beneficial interests in perpetual trusts		148,919
Land, buildings & equipment, net		72,476
Endowment funds subject to appropriation and satisfaction of donor restrictions		56,033
Endowment funds subject to appropriation for general use		12,112
Investments held in annuity trusts and other illiquid investments		29,511
Prepaid expenses and other assets		15,856
Self insurance funding arrangements and other employee related designations		14,519
Board designated amounts set aside for research		13,742
Unfunded commitments to venture capital and private investments		12,878
Financial assets available to meet cash needs for general expenditures within one year	$	857,267

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 asset 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 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 at June 30, 2019 and 2018 and related returns for the years then ended consisted of the following (in thousands):

		June 30, 2019		
		Interest and dividends (expenses)	Realized and unrealized gains (losses)	Fair value
Equity securities	$	7,053	16,362	323,238
Governmental securities		1,992	742	86,783
Corporate bonds		2,051	685	75,220
Mortgage-backed securities		70	39	2,335
Other asset-backed securities		1,210	616	55,138
Fixed income mutual/commingled funds		936	2,856	67,296
Private funds		—	(1,380)	15,419
Fund of funds		—	2,651	71,021
Real estate and other		765	414	18,822
Short-term investments		992	(30)	24,507
Unsettled trades and other receivables, net		28	—	5,369
Venture capital		—	(8)	1,532
Investment expenses		(2,194)	—	—
Total	$	12,903	22,947	746,680

		June 30, 2018		
		Interest and dividends (expenses)	Realized and unrealized gains (losses)	Fair value
Equity securities	$	6,738	35,519	302,844
Governmental securities		1,085	(583)	101,030
Corporate bonds		1,834	(622)	81,848
Mortgage-backed securities		95	(86)	3,649
Other asset-backed securities		790	(424)	61,377
Fixed income mutual/commingled funds		768	(666)	63,672
Private funds		—	1,799	16,799
Fund of funds		—	2,610	68,371
Real estate and other		827	410	18,455
Short-term investments		507	(227)	10,390
Unsettled trades and other receivables, net		(54)	69	4,104
Venture capital		—	(16)	348
Investment expenses		(2,260)	—	—
Total	$	10,330	37,783	732,887

(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, 2019 and 2018, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value:

Assets		Balance June 30, 2019	Fair value measurements at reporting date using Level 1	Level 2	Level 3
1. Equity securities:					
a. Domestic stocks	$	241,986	241,986	—	—
b. International stocks		81,252	81,252	—	—
2. Debt securities:					
a. Governmental securities		86,783	—	86,783	—
b. Corporate bonds		75,220	—	75,220	—
c. Mortgage-backed securities		2,335	—	2,335	—
d. Other asset-backed securities		55,138	—	55,138	—
3. Fixed income mutual fund		23,933	—	23,933	—
4. Real estate and other		18,822	—	16,638	2,184
5. Venture Capital		1,532	—	—	1,532
6. Short-term investments		24,507	4,570	19,937	—
7. Unsettled trades and other receivables, net		5,369	5,369	—	—
8. Investments reported at net asset value (NAV) (1):					
a. Fund of Funds		71,021			
b. Fixed income commingled fund		43,363			
c. Private fund		15,419			
Total Investments	$	746,680			
9. Split-interest agreements receivable, net of discount	$	71,290	—	—	71,290
10. Beneficial interest in perpetual trusts Split-interest agreements/perpetual trusts (leveled)		148,919	—	—	148,919
	$	220,209			
Liabilities					
1. Gift annuity obligations	$	11,868	—	—	11,868

(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 balance sheet.

Assets		Balance June 30, 2018	Fair value measurements at reporting date using Level 1	Level 2	Level 3
1. Equity securities:					
a. Domestic stocks	$	227,430	227,430	—	—
b. International stocks		75,414	75,414	—	—
2. Debt securities:					
a. Governmental securities		101,030	—	101,030	—
b. Corporate bonds		81,848	—	81,848	—
c. Mortgage-backed securities		3,649	—	3,649	—
d. Other asset-backed securities		61,377	—	61,377	—
3. Fixed income mutual fund		22,536	—	22,535	—
4. Real estate and other		18,455	—	16,241	2,214
5. Venture Capital		348	—	—	348
6. Short-term investments		10,390	3,112	7,278	—
7. Unsettled trades and other receivables, net		4,104	4,104	—	—
8. Investments reported at net asset value (NAV) (1):					
a. Fund of Funds		68,371			
b. Fixed income commingled fund		41,136			
c. Private fund		16,799			
Total Investments	$	732,887			
9. Split-interest agreements receivable, net of discount	$	70,837	—	—	70,837
10. Beneficial interest in perpetual trusts					
Split-interest agreements/perpetual trusts (leveled)		147,586	—	—	147,586
	$	218,423			
Liabilities					
1. Gift annuity obligations	$	12,466	—	—	12,466

(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 balance sheet.

There were no transfers between Level 1 and Level 2 during fiscal years ended June 30, 2019 or 2018.

The following summarizes the nature of investments that are reported at estimated fair value using net asset value as of June 30, 2019 (in thousands):

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds	$ 71,021	—	Various	30–90 days
Fixed income commingled fund	43,363	—	Weekly	3 days
Private fund	15,419	—	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, 2018 (in thousands):

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds	$ 68,371	—	Various	30–90 days
Fixed income commingled fund	41,136	—	Weekly	3 days
Private fund	16,799	—	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 strategies, which include lock up provisions. As of June 30, 2019, 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, 2019. The full commitment (total of the funded and unfunded) to the credit strategy investments are also deemed to be immaterial.

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, 2019, 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.

The change in the fair value of the Association's assets and liabilities valued using significant unobservable inputs (Level 3) is shown below (in thousands):

		Investments	Split-interest agreements	Perpetual trusts	Gift annuity obligations
Balance June 30, 2017	$	3,210	72,222	141,918	(12,288)
Total net gains/ (losses)		(546)	5,286	5,668	491
Acquisitions		—	—	—	(1,326)
Settlements		(302)	(6,671)	—	657
Purchases		550	—	—	—
Sales		(350)	—	—	—
Balance June 30, 2018		2,562	70,837	147,586	(12,466)
Total net gains/ (losses)		(19)	3,067	324	510
Acquisitions		—	—	1,479	(581)
Settlements		(269)	(2,614)	(470)	669
Purchases		1,442	—	—	—
Sales		—	—	—	—
Balance June 30, 2019	$	3,716	71,290	148,919	(11,868)

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 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 statement of activities. The change in unrealized gains/(losses) relating to assets still held at the reporting date is approximately $3,084,000.

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, 2019 is as follows:

Type		Fair value	Valuation technique	Significant unobservable inputs	Range (weighted average)
		(In thousands)			
Split-interest agreements	$	71,290	Discounted cash flow	Growth rate/ discount rate	2.62% - 3.53% * 3.16%
Gift annuity obligations		11,868	Discounted cash flow	Discount rate	1% - 9.6% 3.36%

* These percentages represent the low and high growth rate ranges plus a risk premium from July 1, 2018–June 30, 2019.

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 duration and preservation of the endowment fund
2. The purposes of the Association and the donor-restricted 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, 2019 and 2018 are as follows (in thousands):

		With Donor restrictions
Endowment net assets, June 2017	$	61,765
Contributions		717
Investment returns, net		5,032
Appropriation of endowment assets for expenditure		(2,192)
Endowment net assets, June 2018		65,322
Contributions		2,958
Investment returns, net		3,744
Appropriation of endowment assets for expenditure		(2,256)
Endowment net assets, June 2019	$	69,768

Endowment net asset composition by type of funds as of June 30, 2019 are as follows (in thousands):

		With Donor restrictions
Donor restricted endowment funds original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	$	48,717
Accumulated investment gains		21,051
Total Funds	$	69,768

Endowment net asset composition by type of funds as of June 30, 2018 are as follows (in thousands):

		With Donor restrictions
Donor restricted endowment funds original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	$	45,709
Accumulated investment gains		19,613
Total Funds	$	65,322

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, 2019 or 2018.

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, 2019, and 2018, 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):

	2019	2018
Less than one year	$ 165,227	143,027
One to five years	137,051	156,893
More than five years	104,608	106,033
Subtotal	406,886	405,953
Allowance for uncollectible accounts	(9,095)	(5,473)
Discount	(38,077)	(41,395)
Total	$ 359,714	359,085

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, 2019 and 2018, land, buildings, and equipment, and the related accumulated depreciation and amortization were as follows (in thousands):

		2019	2018
Land and leasehold improvements	$	14,046	14,908
Buildings and improvements		72,735	72,450
Equipment and furniture		115,586	100,534
Total		202,367	187,892
Less accumulated depreciation and amortization		(129,891)	(121,191)
Land, buildings, and equipment, net	$	72,476	66,701

(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, 2019 are as follows (in thousands):

2020	$	11,087
2021		9,608
2022		8,109
2023		6,980
2024		5,564
Thereafter		12,698
Total	$	54,046

Total operating lease expense for the years ended June 30, 2019 and 2018 was approximately $11,966,000 and $12,435,000 respectively.

(b) Capital Leases

The Association leases office equipment under capital lease agreements expiring on various dates through 2024. As of June 30, 2019, the future minimum lease payments under capital leases were as follows (in thousands):

2020	$	564
2021		456
2022		245
2023		52
2024		3
Total		1,320
Less amount representing interest, support, and maintenance		(111)
Present value of lease obligation, included in other liabilities	$	1,209

(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 2019 and 2018 (in thousands:

		2019	2018
Public health education	$	146,026	149,990
Professional education and training		2,855	2,523
Community services		3,567	1,386
Management and general		22,569	22,535
Fundraising		55,514	56,802
Total joint costs	$	230,531	233,236

(10) Research Awards Payable

The activity in research awards payable during the years ended June 30, 2019 and 2018 and the amounts payable by year are summarized below (in thousands):

		2019	2018
Beginning balance, July 1	$	340,531	339,983
Awards expense:			
New awards		197,618	175,193
Cancellations, declinations, and refunds		(22,604)	(12,840)
Research awards expense before discount		175,014	162,353
Change in discount		197	(3,200)
Total research awards expense		175,211	159,153
Payments		(153,251)	(158,605)
Ending balance, June 30	$	362,491	340,531

Payable in year ending June 30:		
2020	$	171,994
2021		111,080
2022		56,900
2023		19,212
2024		4,378
Thereafter		7,200
Total		370,764
Less unamortized discount		(8,273)
Net research awards payable	$	362,491

(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, 2019 and 2018 were approximately $24,548,000 and $23,820,000, respectively.

(12) Postretirement Benefits

The Association provides postretirement benefits to eligible past and present employees. Eligibility includes those who have retired or will retire at age 55 or thereafter, and who have been employed by the Association for at least 10 years of service prior to retirement. The Association provides eligible employees who retire prior to age 65 with medical, dental, and life insurance. Dental and life insurance terminate at age 65.

During fiscal year 2009, eligibility requirements for the postretirement benefit plan were amended. As of the March 1, 2009 effective date, present employees (a) who had at least 10 years of continuous service with the Association or (b) whose age and years of continuous service with the Association summed to at least 50, maintained their eligibility. As of the March 1, 2009 effective date, present employees who did not meet either of these eligibility requirements may still participate in the plan upon retirement prior to age 65 but will be responsible for 100% of the cost. New employees joining the Association after March 1, 2009 are not eligible for postretirement benefits.

As of June 30, 2019 and 2018, the accumulated postretirement benefit obligation (APBO) is calculated using a discount rate of 3.2% and 4.15%, respectively. The following table presents information with respect to the postretirement benefit plans as of and for the years ended June 30, 2019 and 2018 (in thousands):

		2019	2018
Changes in accumulated postretirement benefit obligation:			
APBO, beginning of year	$	12,076	13,112
Service cost		219	298
Interest cost		482	456
Actuarial loss (gain)		1,417	(899)
Participant contributions		312	268
Benefits paid		(1,248)	(1,159)
APBO, end of year		13,258	12,076
Changes in plan assets:			
Fair value of plan assets, beginning of year		—	—
Employer contributions		936	891
Participant contributions		312	268
Benefits paid		(1,248)	(1,159)
Fair value of plan assets, end of year		—	—
Funded status:			
Unfunded benefit obligation, June 30 – included in other liabilities	$	13,258	12,076

		2019	2018
Changes in net actuarial (gain) loss:			
Net actuarial (gain), beginning of year	$	(1,309)	(410)
Amortization credit		10	—
Actuarial (gain) loss		1,417	(899)
Unrecognized net actuarial loss (gain), end of year	$	118	(1,309)

		2019	2018
Components of net periodic benefit cost:			
Service cost	$	219	298
Interest cost		482	456
Amortization of net actuarial (gain)		(10)	—
Net periodic benefit cost	$	691	754

The amount expected to be recognized as components of net periodic benefit cost during the next fiscal year amortization of prior service credit is zero.

The assumed healthcare cost trend rates as of June 30, 2019 and 2018 are as follows:

	2019	2018
Healthcare cost trend rate assumed for next year	6.5%	6.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0	5.0
Year that the rate reaches the ultimate trend rate	2033	2032

The healthcare cost trend rate assumption has an impact on the postretirement benefit costs and obligations. The effect of a 1% change in the assumed healthcare cost trend rate at June 30, 2019 would have resulted in an increase of approximately $787,000 or a decrease of approximately $729,000 in the accumulated postretirement benefit obligation and an increase of approximately $53,000 or a decrease of approximately $49,000 in the fiscal year 2019 benefit expense.

(13) New Accounting Pronouncements

(a) ASU 2016-14, Not-for-Profit Entities

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, which improves the understandability of net asset classifications, provides information about liquidity and availability of resources, and adds consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements retrospectively to all periods presented. Those adjustments relate to the presentation of net assets previously described as temporarily and permanently restricted to net assets with donor restrictions to conform with the current year presentation required under ASU No. 2016-14.

(b) ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for the Association July 1, 2019. The Association is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

(c) ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU No. 2018-08*, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, Not-For-Profit Entities – Revenue Recognition, while exchange transactions are accounted for under other guidance such as ASC 606, Revenue from Contracts with Customers. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standard is effective for the Association July 1, 2019. The Association is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.

(d) 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. The new standard is effective for the Association July 1, 2020. The Association is evaluating the effect that ASU No. 2016-02 will have on its financial statements and related disclosures.

(14) 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.

(15) 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.

(16) Subsequent Events

The Association evaluated subsequent events after the balance sheet date of June 30, 2019 through October 25, 2019, which was the date the financial statements were issued, and concluded that no additional disclosures are required.