



2021
Management's Statement of Responsibility
and
Audited Financial Statements

Management's Statement of Responsibility

March 4, 2022

The management of the American Chemical Society (ACS or the Society) is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States and, as such, the statements include amounts based on estimates and judgments by management.

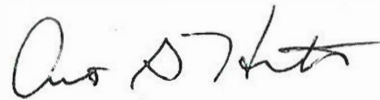
The consolidated financial statements have been audited by the independent accounting firm KPMG LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and its committees. Their report, which follows, expresses their opinion as to whether the consolidated financial statements, considered in their entirety, fairly present the Society's financial position, operating results, and cash flows in conformity with accounting principles generally accepted in the United States. Management believes that all representations made to the independent auditors during their audit were true and accurate.

The Society maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization, and accounting records are reliable for preparing financial statements. The Society's internal controls are maintained through the establishment and communication of accounting and financial policies and procedures and by the selection and training of qualified personnel. There are, however, inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of an internal control system can change with circumstances. Management believes that as of December 31, 2021 and 2020, the Society's system of internal controls was adequate to accomplish the objectives discussed herein.

The ACS Board of Directors fulfills its oversight responsibility for the consolidated financial statements through its Audit Committee, which is composed of Committee members who are independent of Society management. The Audit Committee has a charter in place that outlines its responsibilities, which include engaging the independent auditors and internal auditors, reviewing accounting, auditing, internal control, and financial reporting matters, and meeting with management and the independent auditors to ensure that each is carrying out their responsibilities. Recommendations made by the independent auditors are considered and appropriate action is taken with respect to these recommendations. The independent auditors and internal auditors have free and full access to the Audit Committee.



Thomas M. Connelly, Jr.
Executive Director & CEO



Albert G. Horvath
Treasurer & CFO



AMERICAN CHEMICAL SOCIETY
Consolidated Financial Statements
December 31, 2021 and 2020
(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Board of Directors
American Chemical Society:

Opinion

We have audited the consolidated financial statements of American Chemical Society and its subsidiary (the Society), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Society as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Washington, District of Columbia
March 4, 2022

AMERICAN CHEMICAL SOCIETY
Consolidated Statements of Financial Position
As of December 31
(in thousands)

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 89,008	\$ 77,814
Accounts Receivable, Net	60,205	51,993
Investments	1,655,659	1,478,940
Buildings, Land, and Other Property, Net	127,843	133,293
Postretirement Benefits and Other	53,520	63,150
Total Assets	<u>\$ 1,986,235</u>	<u>\$ 1,805,190</u>
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 31,279	\$ 29,366
Accrued Expenses	57,695	57,472
Deferred Revenues	145,545	148,197
Grants Payable	1,245	3,704
Long-term Debt	60,346	60,337
Postretirement Benefits and Other	71,772	76,628
Total Liabilities	<u>367,882</u>	<u>375,704</u>
Net Assets Without Donor Restrictions		
ACS Programs	716,511	588,671
Total Net Assets Without Donor Restrictions	<u>716,511</u>	<u>588,671</u>
Net Assets With Donor Restrictions		
ACS Programs	159,394	151,175
PRF	742,448	689,640
Total Net Assets With Donor Restrictions	<u>901,842</u>	<u>840,815</u>
Total Net Assets	<u>1,618,353</u>	<u>1,429,486</u>
Total Liabilities and Net Assets	<u>\$ 1,986,235</u>	<u>\$ 1,805,190</u>

See accompanying notes to consolidated financial statements.

AMERICAN CHEMICAL SOCIETY
Consolidated Statements of Activities
For the Years Ended December 31
(in thousands)

	2021	2020
Change in Net Assets Without Donor Restrictions from Operations		
Operating Revenues		
Electronic and Other Information Services	\$ 614,468	\$ 577,927
Net Assets Released from Restriction	19,356	10,619
Appropriation From General Fund and Investment Income	17,062	15,788
Member Insurance Premiums, Refunds, and Fees	11,940	7,010
Dues	8,774	9,782
Registration Fees and Booth Sales	2,545	1,400
Other	11,529	9,574
Total Operating Revenues	<u>685,674</u>	<u>632,100</u>
Operating Expenses		
Program Activities		
Information Services	390,510	394,920
Membership and Society Services	25,131	31,368
Education	13,840	15,947
Member Insurance Program	13,410	13,243
External Affairs and Communication	19,894	7,205
Scientific Advancement	13,758	7,667
Supporting Activities		
Finance, Administration and Human Resources	58,537	55,521
Information Technology	41,643	23,256
Marketing and Promotion	28,421	20,512
Total Operating Expenses	<u>605,144</u>	<u>569,639</u>
Change in Net Assets Without Donor Restrictions from Operations	80,530	62,461
Non-Operating Activities		
Net Investment Gains	61,132	66,172
Change in Postretirement Benefits Obligations	<u>(13,822)</u>	<u>13,806</u>
Change in Net Assets - Non-Operating Activities	<u>47,310</u>	<u>79,978</u>
Change in Net Assets Without Donor Restrictions	<u>127,840</u>	<u>142,439</u>
Change in Net Assets With Donor Restrictions		
Contributions	4,149	6,287
Net Investment Gains and Income	76,363	115,034
Net Assets Released From Restriction	(19,356)	(10,619)
Adjustment of Pledges Receivable	<u>(129)</u>	<u>(25)</u>
Change in Net Assets With Donor Restrictions	<u>61,027</u>	<u>110,677</u>
Change in Net Assets	<u>188,867</u>	<u>253,116</u>
Beginning Net Assets	1,429,486	1,176,370
Ending Net Assets	<u>\$ 1,618,353</u>	<u>\$ 1,429,486</u>

See accompanying notes to consolidated financial statements.

AMERICAN CHEMICAL SOCIETY
Consolidated Statements of Cash Flows
For the Years Ended December 31
(in thousands)

	2021	2020
Cash Flows From Operating Activities		
Change in Net Assets	\$ 188,867	\$ 253,116
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Net Investment Gains	(125,639)	(169,521)
Change in Postretirement Benefits Obligations	13,822	(13,806)
Depreciation and Amortization	34,796	33,298
Contributions Restricted for Long-Term Investment	(728)	(637)
Net Loss on Property Dispositions	166	1,037
Amortization of Debt Issuance Cost	9	5
Changes in Operating Assets and Liabilities:		
(Increases) Decreases in Assets:		
Accounts Receivable, Net	(2,495)	(3,927)
Other Assets	7,173	(31,411)
Increases (Decreases) in Liabilities:		
Accounts Payable	1,913	3,013
Accrued Expenses	3,212	11,843
Deferred Revenues	(2,652)	2,580
Grants Payable	(2,459)	(13,914)
Other Liabilities	(16,493)	(29,170)
Net Cash Provided by Operating Activities	<u>99,492</u>	<u>42,506</u>
Cash Flows From Investing Activities		
Purchases of Investments	(287,727)	(1,853,842)
Sales and Maturities of Investments	227,950	1,758,350
Acquisitions of Buildings, Land, and Other Property	(29,249)	(35,259)
Net Cash Used in Investing Activities	<u>(89,026)</u>	<u>(130,751)</u>
Cash Flows From Financing Activities		
Debt Issuance Cost	-	(65)
Proceeds from Debt Issuance	-	60,397
Contributions Restricted for Long-Term Investment	728	637
Net Cash Provided by Financing Activities	<u>728</u>	<u>60,969</u>
Net Change in Cash and Cash Equivalents	11,194	(27,276)
Beginning Cash and Cash Equivalents	77,814	105,090
Ending Cash and Cash Equivalents	<u>\$ 89,008</u>	<u>\$ 77,814</u>

See accompanying notes to consolidated financial statements.

AMERICAN CHEMICAL SOCIETY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(1) Organization and Purpose

The American Chemical Society (ACS or the Society) was founded in 1876. It is a U.S. not-for-profit corporation whose national charter was approved by the U.S. Congress on August 25, 1937. The Society's consolidated financial statements include the operations of its wholly owned for-profit subsidiary and an insurance trust. The Society was organized for the purposes of encouraging the advancement of chemistry, promoting research in chemical science, increasing and diffusing chemical knowledge, and promoting scientific interests and inquiry through its meetings, reports, papers, and publications. The Society has more than 151,000 members.

The Society is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and accomplishes its exempt purpose through a number of educational meetings that provide forums for sharing scientific information, employment services, and public outreach. In addition, the Society provides expert testimony at the federal, state, and local government levels on topics relevant to the chemistry enterprise. The Society also provides a significant service to its members and the chemistry enterprise in the form of print and electronic scientific journals and databases pertaining to chemical and related scientific information.

The principal sources of funding for the Society's activities include net revenues generated by the Publications Division (Publications) and CAS, collectively, Electronic and Other Information Services Revenue. Publications publishes a wide range of peer-reviewed scientific journals, periodicals, and books which are available to members and subscribers. CAS analyzes, organizes, and shares scientific information that drives discovery, providing innovative solutions that empower scientists, patent information professionals, and business leaders worldwide. Other sources of the Society's revenue include investment income, member dues, insurance premiums, registration fees, and contributions from individuals and institutions to support Society programs. Products and services are sold domestically and in overseas markets, principally in Europe and Asia. The Society's diverse clientele is composed of its members and other chemistry-related practitioners, corporations, academic institutions, and government agencies.

(2) Summary of Significant Accounting Policies

(a) Principles of Presentation and Consolidation

The accompanying consolidated financial statements include the accounts of American Chemical Society and ACS International, Ltd., a wholly owned international marketing services subsidiary. The consolidated financial statements also include the accounts of the American Chemical Society Petroleum Research Fund (PRF), an endowment fund established to advance scientific education and research in the petroleum field, and the American Chemical Society Insurance Trust, a grantor trust established to enable members of the Society to purchase insurance coverage through group insurance policies. All significant inter-entity transactions have been eliminated. The assets and liabilities in the consolidated statements of financial position are presented in order of liquidity with the exception of investments, which have certain components that are considered short-term and others that are considered long-term (See Note 4). The accounts of the Society's chapters, referred to as local sections and divisions, are not included in the Society's consolidated financial statements because the Society does not have either a financial or governing controlling interest in its chapters.

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Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(b) Net Asset Classes

Based on the existence or absence of donor-imposed restrictions, resources are classified into two categories: without donor restrictions and with donor restrictions.

- Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by the donor are included in this classification. All expenses are reported as decreases in net assets without donor restrictions.
- Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the Society or the passage of time. These net assets include donor restricted endowments and unconditional pledges. Generally, the donor-imposed restrictions of these assets permit the Society to use all or part of the income earned on the related investments for general or specific purposes.

(c) Operating Measure

Operating results (change in net assets without donor restrictions from operations) in the consolidated statements of activities reflect all transactions that change net assets without donor restrictions. Non-operating activities without donor restrictions include net investment gains and losses, change in postretirement benefits obligations, and other non-operating gains and losses, if any.

(d) Use of Estimates

The preparation of the consolidated financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Society's most significant estimates include actuarial assumptions for postretirement benefits obligations and useful lives of buildings and other property. Actual results could differ from these estimates.

(e) Cash Equivalents

Cash equivalents include money market funds which can be liquidated on a daily basis. These money market funds invest primarily in short-term U.S. Treasury securities, other short-term highly liquid investments, and certain fixed income securities. Cash equivalents that are managed as part of investments are reported within investments, as these funds are not used for daily operating needs. These are not considered cash equivalents or restricted cash equivalents for purposes of the statements of cash flow.

(f) Investments

Investments are reported at fair value in the consolidated statements of financial position. Certain commingled trust funds, hedge funds, private real estate funds, and a private credit fund are reported at net asset value (NAV) as a practical expedient for fair value unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. Fair values of certain commingled funds, similar to mutual funds, that are deemed to have a readily determinable fair value are measured at published NAV. The net asset values are provided by external investment managers and involve assumptions and estimation methods; therefore, the estimates could differ materially from actual

AMERICAN CHEMICAL SOCIETY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

results. The Society reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the net asset values. Certain investments reported at NAV are subject to withdrawal restrictions and are less liquid than the Society's other investments. As of December 31, 2021 and 2020, the Society had no plans or intentions to sell investments at amounts different from NAV.

The Society invests in various instruments including domestic and foreign equities, fixed income securities, and financial derivatives. Investments, in general, carry various risks such as interest rate, credit, currency, liquidity, and overall market risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments may occur in the near term, and such changes could materially affect the amounts reported in investments.

The Society has authorized its investment managers to utilize various derivative instruments, including financial futures, options, interest rate swaps, and credit default swaps to either hedge risk or alter the exposure to certain asset classes. The Society has established procedures to monitor and manage the use of these derivative instruments and the related market, interest, and counterparty credit risks. Derivative instruments are recognized at fair value using quoted market prices for similar instruments and are reported within investments in the consolidated statements of financial position.

The Society's investment managers may purchase and sell securities on a delayed delivery ("TBA securities"), when issued, or forward commitment basis. Settlements may take place one month or more after the date of the transaction. The underlying securities are valued at current market value with daily fluctuations in the market value included in net investment gains and losses. The Society has established procedures to monitor and manage the use of TBA securities and the related market, interest, and counterparty credit risks. Sufficient cash or liquid securities are held to cover its commitments. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract, or if the issuer does not issue the securities due to political, economic or other factors.

Changes in fair value are recognized as net investment gains or losses in the consolidated statements of activities. Investment income, net of related investment expenses, consisting of interest and dividends, is recognized when earned. Purchases and sales of investments are recorded on the trade date. Unsettled transactions, including forward purchases and sales of TBA securities or derivatives, that are managed as part of investments are reported within investments as the funds related to the settlements of such transactions stay within the investment pools and are not used for operating purposes.

(g) Foreign Currency Forward Contracts

The Society recognizes foreign currency contracts (not related to its investment portfolios) as either accounts receivable, accounts payable, or deferred revenue in the consolidated statements of financial position at their respective fair values. The fair values of foreign currency forward contracts are based on quoted market prices for similar contracts at December 31. Changes in fair value are recognized as net investment gains or losses in the consolidated statements of activities.

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Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(h) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement standard establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value. The standard requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 – Observable inputs such as quoted or published prices in active markets for identical assets or liabilities (e.g., U.S. Treasury issues, equities, and mutual funds traded on major exchanges)
- Level 2 – Inputs other than quoted or published prices in active markets for identical assets or liabilities that are observable either directly or indirectly, such as interest rates, yield curves, and quoted prices in active markets for similar assets or liabilities (e.g., U.S. government and agency issues, corporate bonds, money market funds, commingled funds with published prices, that may not trade actively, and foreign exchange forward contracts)
- Level 3 – Unobservable inputs in which there is little or no market data, requiring the reporting entity to develop its own assumptions

The Society utilizes the best information available in measuring fair value, and financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

See Note 4 for the disclosure of the fair value of applicable financial assets and liabilities measured on a recurring basis.

(i) Buildings, Land and Other Property

Buildings and other property are carried at cost less accumulated depreciation and amortization. Improvements that extend the estimated useful life of an asset are capitalized. Internally developed software is capitalized in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Subtopic 350-40, *Internal-Use Software* and ASC Subtopic 350-50, *Website Development Costs*. Software that will be included in a product or service or developed for resale purposes is recorded in accordance with ASC Subtopic 985-20, *Costs of Software to Be Sold, Leased, or Marketed*.

Assets are amortized on a straight-line basis over the useful life of the asset. One-half year's depreciation or amortization is taken in the year an asset is placed in service. Useful lives range from 3 to 7 years for software; 3 to 45 years for buildings and improvements; and 3 to 10 years for hardware, furniture, and equipment. Repairs and maintenance costs are charged to expense as incurred.

(j) Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

AMERICAN CHEMICAL SOCIETY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(k) Member Insurance Program

The Society maintains a separate Member Insurance Program, overseen by The Trustees of the Group Insurance Plans for ACS Members (the Trust), which provides members the ability to apply for insurance coverage through several group insurance plans. Ongoing insurance offerings include annual renewable term life, ten- and twenty-year level term life, accidental death and dismemberment, long term disability income, excess major medical, auto, homeowners, professional liability insurance, chemical educators legal liability coverage and pet insurance. Health insurance, supplemental medicare and long-term care are available through a brokerage service. Insurance carriers underwrite these policies while third party administrators handle the processing and administration of claims.

The Trust generates revenue from premiums received from program participants, refunds from the insurance carrier based on favorable claims experience, endorsement fees, interest and dividends earned on investments, and interest income earned on reserves held by the insurance carrier to ensure the stability of the program. The Trust's expenses include the cost of purchasing group insurance policies, as well as the cost of administering the program. The activities of the Trust are included within ACS Programs in the consolidated statements of activities.

(l) Revenue Recognition and Deferred Revenue

The Society's significant revenue streams are as follows:

(i) Electronic and Other Information Service Revenue

Electronic and other information service revenue consists primarily of CAS data and information licenses as well as Publications' subscriptions.

Revenue is measured based on the consideration specified in the contract with the customer. The Society recognizes revenue when it satisfies a performance obligation by transferring control of a product or service to a customer, which generally occurs over time. License and subscription terms are generally one year. Certain agreements with customers may include multi-year pricing however, based on the terms of such license agreements, the Society has defined the period of performance to be 12 months. The fees negotiated may be invoiced monthly, quarterly or annually.

Revenue from the sale or license of electronic services (data and information) is recognized ratably over the period of time commensurate with the license or subscription term. Payments received before the start of the term for electronic services are recognized as deferred revenues.

(ii) Government and Private Grants and Contracts

Revenue from government and private grants and contracts is recognized as either exchange transactions (if the resource provider receives commensurate benefit) or conditional contributions. Such revenue is recognized over the period of performance as qualifying allowable costs are incurred. Government grants and contracts are subject to audit by federal agencies. Grant and contract revenue is included in other revenues in the accompanying consolidated statements of activities.

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Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(iii) *Member Insurance Premiums, Refunds, and Fees*

Revenue for member insurance premiums, refunds, and fees is recognized ratably over the insurance policy period, which is generally one year ending December 31. Payments received in advance of the policy period are included in deferred revenues.

(iv) *Dues*

Revenue for membership dues is recognized ratably over the membership term. The Society renews membership agreements upon termination of the membership period. Payments received in advance of the membership period are included in deferred revenues. There were over 151,000 members at December 31, 2021.

(v) *Registration Fees and Booth Sales*

Revenue for registration fees and booth sales is recognized when the events occur. Payments received in advance of the events are included in deferred revenues.

(m) Accounts Receivable

Accounts receivable are recorded only when the Society's right to consideration is unconditional (i.e., the contract is not usually cancellable). Accounts receivable are recorded at the invoiced amount and do not bear interest. The Society maintains an allowance for doubtful accounts for estimated losses. In establishing the allowance, management considers historical losses and past-due balances. ACS records accounts receivable and related contract liabilities (deferred revenue) for non-cancellable contracts with customers when there is a right to consideration.

Deferred revenue as of December 31, 2021, is expected to be recognized in 2022 and in future years. Deferred revenue as of December 31, 2020, was recognized in 2021 and also will be in future years.

(n) Contributions

Contributions, including unconditional promises to give, are recognized when received. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities. Contributions which impose restrictions that are met in the same year they are received are reported as increases in net assets without donor restrictions.

(o) Income Taxes

The Society is generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, the Society is subject to taxation on any net unrelated business income. As of December 31, 2021, the Society had pre-2018 operating loss carryforward for income tax purposes of \$15,066,000 which expires over the years 2022 through 2037 and post-2018 net operating loss of \$13,664,000, which can be carried forward indefinitely. A deferred tax asset has not been recorded for the net operating losses because the Society has determined the losses are not recoverable as of December 31, 2021.

Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(p) Research Grants

Research grants awarded by the Society meet the definition of conditional contributions made under Accounting Standards Update 2018-08 (refer to Recently Adopted Accounting Pronouncements below) and are recognized ratably over the period of performance, as conditions are met, in accordance with the grant agreements. Research grant expense recognized but not paid is recognized as grants payable. Research grants paid in advance, if any, are recognized as prepaid expenses.

The Society awarded research grants of \$16,604,000 and \$18,039,000 in 2021 and 2020, respectively, which are conditional contributions made. Research Grant expense of \$10,021,000 and \$1,894,000 is reflected in the consolidated statement of activities for the year ended December 31, 2021 and 2020, respectively.

(q) Risks and Uncertainties

(i) Concentration of Credit Risk

The Society is subject to potential concentrations of credit risk in its cash and cash equivalents and investments. Deposits at financial institutions were insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 at December 31, 2021 and 2020. Investments at other financial institutions were insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. At December 31, 2021 and 2020, the aggregate balances were in excess of the insurance and, therefore, pose some risk since they are not collateralized. The Society has historically not experienced any losses on its cash and cash equivalents and investments in relation to FDIC and SIPC insurance limits.

(ii) Capital Market Risk

The Society invests in domestic equities, foreign equities, and fixed income securities, which are subject to market risk and may result in gains or losses due to changes in market value. In addition, the Society utilizes futures and options to hedge changes in the market value of underlying investments, and forward contracts to hedge changes in the value of revenues denominated in foreign currencies. These financial instruments are also subject to market risk and may result in gains or losses; however, they are not used to leverage market exposure, and any such gains or losses would be largely offset by changes in the market value of the underlying investments or foreign currencies.

(iii) Foreign Currency Risk

Portions of the Society's revenues and expenditures are in foreign currencies. The Society enters into foreign currency forward contracts to reduce the risk that exchange rate fluctuations will adversely impact the U.S. dollar value of future net revenues denominated in foreign currency.

(iv) Counterparty Risk

The Society enters into derivative instruments and TBA securities with counterparties. While there is risk that the counterparties may fail to meet their obligations, the Society does not have significant positions with any one counterparty.

AMERICAN CHEMICAL SOCIETY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(v) *Insurance Risk*

Given the uncertainty of claims experience in any given year and the resulting impact on the level of experience refunds or charges from the insurance carrier, the Insurance Trust can have either a positive or a negative impact on the Society's consolidated statements of activities.

(r) **COVID 19 Pandemic Response**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, to help individuals and businesses affected by the pandemic and economic downturn.

While a limited number of Society staff are working on-site to ensure continuity of essential operations and security of facilities, the vast majority of staff have transitioned to remote work. The Society is complying with all government regulations and guidance and using the best available science to ensure a safe work environment as we have started a phased re-entry into the workplace. Keeping the health and safety of its employees and members in mind, and consistent with the Society's core value of Safety, the Society conducted its spring national meeting virtually and held its fall national meeting as a hybrid meeting with both a virtual component and an in-person component in Atlanta. In both instances, the Society provided virtual platforms for researchers to share scientific papers and to facilitate networking.

The Society's pandemic response plan has multiple facets and continues to evolve as the pandemic stretches on. In response to the needs of its members and the chemistry community, the five strategic plan goals were adapted to the COVID-19 challenges as follows:

1. Provide Information Solutions by delivering indispensable chemistry-related solutions to address global challenges of COVID-19
2. Empower Members and Member Communities by offering additional webinars, enhanced career services, new benefits for those impacted by COVID-19, and virtual conferences
3. Support Excellence in Education by fostering the development of innovative, relevant and effective chemistry-related education in response to COVID-19
4. Communicate Chemistry's Value by publishing informational videos and encouraging active engagement of ACS experts with the media and in government
5. Embrace and Advance Inclusion in Chemistry, ensuring a welcoming and supporting environment to all ACS members, employees, and volunteers

The continued spread of COVID-19 and its impact on social interaction, travel, economies, and financial markets may adversely affect the Society's operations and financial condition.

(s) **Recently Adopted Accounting Pronouncements**

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This ASU provides a more robust framework to determine when a transaction should be accounted for as a

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contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. ACS adopted the requirements of ASU 2018-08 for contributions received in 2019 and contributions made in 2020 (refer to Research Grants policy above).

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02. Under this guidance, lessees are required to recognize the following for all leases with a term of 12 months or greater at the commencement date: (a) lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and (b) a ROU asset, representing the lessee's right to use, or control the use of, a specific asset for the lease term. Leases are classified as either capital or operating leases. Recognition, measurement, and presentation of expenses and cash flows arising from a lease are determined by a lessee's classification. ACS adopted Topic 842 in 2020 with no material impact on the consolidated financial statements. In 2021, ACS reexamined their leases and still found no material impact to them on the consolidated financial statements. The total operating lease expense for 2021 and 2020, respectively was \$2,033,000 and \$2,141,000.

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a services contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ACS adopted ASU 2018-15 in 2021 with no material impact on the consolidated financial statements.

(t) New Authoritative Pronouncements not yet Adopted

In August 2018, the FASB issued new accounting guidance, ASU 2018-14, *Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. The new accounting guidance will remove certain disclosure requirements and add other new requirements. The guidance is required to be implemented in the Society's fiscal year 2022. The Society is currently evaluating the potential impact to the consolidated financial statements.

(3) Accounts Receivable

Accounts receivable consisted of the following as of December 31 (in thousands):

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 64,612	56,979
Less allowance for doubtful receivables	4,407	4,986
Accounts receivable, net	<u>\$ 60,205</u>	<u>51,993</u>

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(4) Investments and Fair Value of Financial Instruments

The following tables summarize the Society's investments and other financial instruments measured at fair value on a recurring basis according to the classification hierarchy as of December 31, 2021 and 2020 (in thousands):

December 31, 2021	Investments measured at NAV (1)	Level 1	Level 2	Level 3	Total
Deferred compensation plan assets	\$ —	16,140	—	—	16,140
Foreign currency forward contracts	—	—	5,821	—	5,821
Investments:					
Cash equivalents	—	14,980	4,193	—	19,173
Fixed income and credit:					
U.S. government and agencies	—	116,020	38,636	—	154,656
Foreign	—	122	228,723	—	228,845
Corporate and other	—	37	163,292	—	163,329
Private credit	3,674	—	—	—	3,674
Equity:					
Domestic	—	87	588,601	—	588,688
Foreign	293,975	55	62,212	—	356,242
Private equity	12,064	—	—	—	12,064
Hedge funds	95,679	—	—	—	95,679
Private real estate	69,945	—	—	—	69,945
Total investments	475,337	131,301	1,085,657	—	1,692,295
Unsettled transactions primarily for U.S. treasuries and TBA securities	(608)	(9,784)	(26,244)	—	(36,636)
Net investment pools	474,729	121,517	1,059,413	—	1,655,659
Total financial instruments	\$ 474,729	137,657	1,065,234	—	1,677,620

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December 31, 2020	Investments measured at NAV (1)	Level 1	Level 2	Level 3	Total
Deferred compensation plan assets	\$ —	13,691	—	—	13,691
Foreign currency forward contracts	—	—	(3,336)	—	(3,336)
Investments:					
Cash equivalents	—	32,963	6,455	—	39,418
Fixed income and credit:					
U.S. government and agencies	—	169,280	66,603	—	235,883
Foreign	—	32	185,106	—	185,138
Corporate and other	—	68	174,841	—	174,909
Private credit	1,666	—	—	—	1,666
Equity:					
Domestic	—	17,179	452,225	—	469,404
Foreign	263,820	8,276	45,546	—	317,642
Hedge funds	75,388	—	—	—	75,388
Private real estate	54,441	—	—	—	54,441
Total investments	395,315	227,798	930,776	—	1,553,889
Unsettled transactions primarily for U.S. treasuries and TBA securities	(174)	(28,541)	(46,234)	—	(74,949)
Net investment pools	395,141	199,257	884,542	—	1,478,940
Total financial instruments	\$ 395,141	212,948	881,206	—	1,489,295

(1) Certain investments are measured at fair value using NAV as a practical expedient and have not been classified in the fair value hierarchy. The NAV amounts have been presented to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following estimates and assumptions were used to determine the fair value of financial instruments within the fair value hierarchy:

- Cash equivalents – Cash equivalents consist of money market funds, and collateral held by custodians. Money market funds are classified as Level 1 given that they are valued at amortized cost, which approximates fair value. Cash equivalents held as collateral by custodians are classified as Level 2 based on prices for similar assets.
- Deferred compensation plan assets – The Society offers a non-qualified tax-advantaged deferred-compensation retirement plan to certain employees per Section 457 of the Internal Revenue Code. Assets of the plan comprise 26 mutual funds that are actively traded on major exchanges and are classified as Level 1.
- Foreign currency forward contracts – Foreign currency forward contracts are derivative instruments and recognized at fair value based on quoted prices, in active markets, for similar contracts and are classified as Level 2.

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- Fixed income securities – Fixed income securities primarily include U.S. Treasury issues, U.S. government and agency issues, corporate securities, mortgage-backed securities, asset-backed securities, municipal bonds, fixed income mutual funds, forward purchases and sales, and credit default swaps. U.S. Treasury issues and certain fixed income mutual funds are valued using quoted prices in active markets for identical assets and are classified as Level 1. Fair values of investments in commingled funds, similar to mutual funds, that are deemed to have a readily determinable fair value, but not actively traded, are measured at published NAV and are classified as Level 2. The remainder of this investment class is valued using quoted prices in active markets for similar securities and is classified as Level 2.
- Equity investments – Equity investments consist primarily of common stock held in mutual funds, separate accounts, and commingled trust funds. Securities traded on active exchanges are priced using unadjusted market quotes for identical assets and are classified as Level 1. Securities that are traded infrequently or that have comparable traded assets are priced using available quotes and other market data that are observable and are classified as Level 2. Fair values of investments in commingled funds, similar to mutual funds, that are deemed to have a readily determinable fair value, but not actively traded, are measured at published NAV and are classified as Level 2.

The Society maintains balanced investment portfolios structured to generate current income and long-term appreciation.

(a) Liquidity and Certain Strategies

Investment liquidity of investments measured at NAV is aggregated below based on redemption or sale periods (in thousands):

December 31, 2021	Less than 30 days	Quarterly	> 1 Year	Redemption not permitted during life of fund	Total
Fixed income and credit:					
Private credit	\$ —	—	—	3,674	3,674
Equity:					
Foreign	293,975	—	—	—	293,975
Private equity	—	—	—	12,064	12,064
Hedge funds	—	95,679	—	—	95,679
Private real estate	—	59,774	—	10,171	69,945
Total investments \$	<u>293,975</u>	<u>155,453</u>	<u>—</u>	<u>25,909</u>	<u>475,337</u>

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<u>December 31, 2020</u>	<u>Less than 30 days</u>	<u>Quarterly</u>	<u>> 1 Year</u>	<u>Redemption not permitted during life of fund</u>	<u>Total</u>
Fixed income and credit:					
Private credit	\$ —	—	—	1,666	1,666
Equity:					
Foreign	263,646	—	—	—	263,646
Hedge funds	—	75,388	—	—	75,388
Private real estate	—	51,381	—	3,060	54,441
Total investments \$	<u>263,646</u>	<u>126,769</u>	<u>—</u>	<u>4,726</u>	<u>395,141</u>

The Society's investments carried at NAV as a practical expedient include commingled funds (both fixed income and equity) hedge funds, and private real estate. The commingled funds have redemption notice periods of 1-5 days, the hedge funds have 65-day redemption notice periods, and certain private real estate has a redemption notice period of 60 days.

The following investments do not permit redemption during the life of the fund:

- Private Credit – During 2020 and 2021, the Society made an investment in a private drawdown fund that makes collateralized short-term loans. Distributions are received through the liquidation of the underlying assets. As of December 31, 2021, this investment had unfunded commitments of \$16,458,559.
- Private Equity – During 2021, the Society committed \$65 million to private equity funds. This includes \$15 million of commitments to venture capital funds. Distributions are received through the liquidation of the underlying assets. As of December 31, 2021, this investment had unfunded commitments of \$54,780,000.
- Private Real Estate – The Society's private real estate portfolio consists of four different private funds with varying strategies. Distributions are received through the liquidation of the underlying assets. As of December 31, 2021, this investment had unfunded commitments of \$41,825,000.

The significant strategies of the commingled funds, hedge funds, private equity and private real estate funds are as follows:

- Fixed income and equity commingled funds – are similar to mutual funds except that of an institutional investor class and for which NAV is not priced daily or published. Fixed income funds invest in securities to generate a total return, consisting of income and capital appreciation, while preserving capital. Equity investment funds invest in securities to achieve long-term growth primarily in a diversified portfolio of global equity securities that possess fundamental investment value.
- Hedge funds – includes an investment in a fund of hedge funds that contains 20 underlying hedge funds. The underlying hedge funds employ a variety of different strategies including long/short equity, fixed income arbitrage, distressed debt, credit and capital structure arbitrage, merger arbitrage, volatility arbitrage, and global asset allocation.

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- Private Equity funds – includes investments in private equity funds that deploy different strategies including venture capital, small buy out, as well as portfolios of secondary investments that are well-diversified by investment strategy, vintage year, manager, industry and geography.
- Private Real Estate – consists primarily of an investment in a core-plus fund that invests in Office, Industrial, Residential and Retail assets. This allocation includes drawdown fund investments in a net lease focused fund of diversified portfolio of office and industrial properties, an opportunistic real estate fund and a real estate debt fund.

(b) Investment Derivatives

The Society's investment managers may employ derivatives involving contractual or optional commitments for future settlement in order to manage market risks, arbitrage mispricing of securities, or replicate long or short positions in a cost effective manner. In no instance are derivatives used to speculate or leverage positions. Types of derivatives utilized include foreign currency contracts, credit and interest rate default swaps, and financial futures.

The following tables provide the fair value of investment derivatives as of December 31, 2021 and 2020 and gains and losses for the years ended December 31, 2021 and 2020 (in thousands):

	2021		
	Assets	Liabilities	Gains (losses)
Derivatives:			
Foreign currency contracts	\$ 39,186	(39,381)	(195)
Credit default swaps	1,020	(41)	51
Interest rate swaps	891	(480)	361
Financial futures and other	1,037	(1,435)	(64)
Total derivatives	\$ 42,134	(41,337)	153

	2020		
	Assets	Liabilities	Gains (losses)
Derivatives:			
Foreign currency contracts	\$ 32,591	(32,375)	216
Credit default swaps	2,373	(56)	538
Interest rate swaps	1,288	(685)	458
Financial futures and other	199	(429)	(183)
Total derivatives	\$ 36,451	(33,545)	1,029

As of December 31, 2021 and 2020, the foreign currency contracts had a notional value of \$39,264,000 and \$32,026,000, respectively.

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As of December 31, 2021 and 2020, the total notional amount of credit default swap contracts for sell protection amounted to \$21,993,000 and \$21,271,000, respectively. There were \$18,250,000 and \$79,210,000 buy protection credit default swaps as of December 31, 2021 and December 31, 2020, respectively.

The notional amounts related to interest rate swap contracts that pay based on fixed rates at December 31, 2021 and 2020 were \$130,447,000 and \$317,779,000, respectively. There were no notional amounts related to interest rate swap contracts that pay based on floating rates at December 31, 2021 or 2020.

Financial futures contracts had a notional value of \$108,888,000 and \$(101,318,000) at December 31, 2021 and 2020, respectively.

(c) Other Derivative Instruments

(i) *Foreign Currency Forward Contracts*

The Society had unrealized gain of \$8,706,000 and unrealized loss of \$4,370,000 for the years ended December 31, 2021 and 2020, respectively. The unrealized gains or losses are included in non-operating activities in the consolidated statements of activities.

The Society's foreign currency forward contracts are held with one counterparty and are subject to a master netting agreement, which allows for net settlement of positions with the counterparty. The foreign currency forward contracts are presented net in the consolidated statements of financial position within accounts receivable, accounts payable, and deferred revenue. The fair value of the foreign currency forward contracts as of December 31, 2021 and 2020 was as follows (in thousands):

				2021		
				Assets	Liabilities	Net
				\$ 5,867	(46)	5,821
				2020		
				Assets	Liabilities	Net
				\$ 32	(3,368)	(3,336)

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The following table summarizes the notional amounts relating to unsettled foreign currency forward contracts maturing at various times through 2024 (in thousands):

	2021	2020
Contracts maturing in 2021	\$ —	76,354
Contracts maturing in 2022	77,246	43,071
Contracts maturing in 2023	39,423	4,531
Contracts maturing in 2024	3,171	—
Total notional amount of unsettled forward contracts	\$ 119,840	123,956

In addition to unrealized gains and losses on foreign currency forward contracts, the Society incurred realized gains and losses throughout the year. To the extent that actual remittances in foreign currencies differ from contracted amounts and the exchange rates at time of settlement are different from contracted exchange rates, the Society realizes gains or losses on settlement. The Society recorded a realized loss of \$137,000 and \$130,000 in 2021 and 2020, respectively, from foreign exchange transactions.

(5) Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
Cash and cash equivalents	\$ 89,008	77,814
Accounts receivable	59,724	51,687
Operating investments	713,335	601,242
Total financial assets available within one year	\$ 862,067	730,743

The Society manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due and to comply with financial guidelines approved by the Society's Board of Directors. Cash in excess of daily requirements is invested short-term in interest-bearing deposit accounts, money market funds, and commercial paper. The Society's operating investments contain short-term and long-term instruments. The Society also has a long-term investment vehicle which is a diversified investment pool with an objective of achieving long-term growth while also producing current income; the underlying investments can be liquidated within one year.

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(6) Buildings, Land and Other Property, Net

As of December 31, buildings, land and other property consisted of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Software	\$ 232,381	214,415
Buildings and improvements	127,523	122,832
Hardware, furniture and equipment	96,033	90,634
Land	<u>2,930</u>	<u>2,930</u>
Total cost of buildings, land and other property	458,867	430,811
Less accumulated depreciation and amortization	<u>331,024</u>	<u>297,518</u>
Buildings, land and other property, net	<u>\$ 127,843</u>	<u>133,293</u>

(7) Long-Term Debt

As of December 31, 2021 and 2020, long-term debt is comprised of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Series 2021 taxable bonds interest rate 3.78%, due March 1, 2050	\$ 60,750	60,750
Unamortized debt issuance costs	(61)	(65)
Unamortized debt discount	<u>(343)</u>	<u>(348)</u>
Long-term debt, net	<u>\$ 60,346</u>	<u>60,337</u>

ACS issued Series 2021 Taxable Bonds in May 2020 to support operational priorities of the Society. Substantially all of the proceeds from the issuance were deposited to the asset pool that funds the Society's closed defined benefit retirement plan. Interest on the bonds is payable semiannually every March 1 and September 1. Bonds will mature on March 1, 2050 and are subject to an optional redemption in part or in whole on or before September 1, 2049. The redemption price of the Bonds equal 100% of the principal amount being redeemed plus sum of present value of the remaining schedule payments of interest to the maturity date plus accrued interest. There are no financial covenants or stand-by credit facilities associated with the bonds.

Interest expense recognized in 2021 and 2020 was \$2,306,000 and \$1,422,000.

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(8) Postretirement Benefits

Defined-Benefit Pension Plan

The Society has a funded noncontributory defined-benefit pension plan (the Plan), which is qualified under Section 401(a) of the Internal Revenue Code and covers employees hired prior to September 1, 2007. The Society makes actuarially determined contributions to satisfy all funding requirements. Effective September 1, 2007, the Plan was closed to new employees. Effective October 31, 2009, the Society froze benefit accruals associated with the Plan, and all participants were transitioned to a defined-contribution retirement plan. As discussed in Note 7, the Society issued debt to fund the defined benefit pension plan in 2020.

Defined-Contribution Retirement Plan (DCRP) and ACS ERISA 403(b) Plans

The Society's 401(a) DCRP and the ACS ERISA 403(b) plans are available to substantially all employees. The DCRP provides an employer contribution equal to 6% of base pay, plus an employer match equal to 50% of the first 6% a participant contributes to the DCRP and/or the ACS ERISA 403(b) plan, a tax-deferred investment program. Employer contributions to the DCRP totaled \$17,373,000 and \$16,781,000 in 2021 and 2020, respectively.

Postretirement Medical Plan

The Society provides postretirement medical benefits to all benefit-eligible employees who were employed as of October 31, 2001, have at least five years of service, reach retirement age while employed by the Society, and are collecting retirement benefits from the defined-benefit pension plan. The postretirement medical plan is contributory with participants' contributions adjusted annually. The prescription benefit is actuarially equivalent to Medicare Part D and eligible for the federal subsidy. The Society's contributions toward the overall cost of postretirement medical insurance for both current and future eligible retirees were capped at the 2009 level.

Effective January 1, 2016, the Society adopted a Medicare Advantage Plan for eligible retirees and spouses who are at least 65 years old. The Medicare Advantage Plan continues to provide eligible retirees with an option for medical coverage.

The following tables present the change in benefits obligations, change in plan assets, and the composition of accrued benefits costs and amounts recognized in the accompanying consolidated statements of financial position and consolidated statements of activities for the years ended December 31, 2021 and 2020 (in thousands).

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(a) Defined-Benefit Pension and Postretirement Medical Plans

	Defined-benefit pension plan		Postretirement medical plan	
	2021	2020	2021	2020
Change in benefits obligation:				
Benefits obligation at January 1	\$ 767,973	739,040	48,733	45,463
Service cost	—	—	541	512
Interest cost	18,091	22,715	1,113	1,376
Plan participants' contributions	—	—	2,245	2,095
Actuarial (gain) loss	(5,351)	46,864	(3,232)	4,111
Benefits and administrative fees paid	(41,084)	(40,646)	(4,531)	(4,824)
Benefits obligation at December 31	<u>739,629</u>	<u>767,973</u>	<u>44,869</u>	<u>48,733</u>
Change in fair value of plan assets:				
Plan assets at January 1	792,377	684,758	—	—
Actual return (loss) on plan assets	(6,783)	88,265	—	—
Employer contributions	—	60,000	2,286	2,729
Plan participants' contributions	—	—	2,245	2,095
Benefits and administrative fees paid	(41,084)	(40,646)	(4,531)	(4,824)
Plan assets at December 31	<u>744,510</u>	<u>792,377</u>	<u>—</u>	<u>—</u>
Funded status	<u>\$ 4,881</u>	<u>24,404</u>	<u>(44,869)</u>	<u>(48,733)</u>

	Defined-benefit pension plan		Postretirement medical plan	
	2021	2020	2021	2020
Amounts recognized in the consolidated statements of financial position	\$ 4,881	24,404	(44,869)	(48,733)
Net asset (liability) at December 31	<u>\$ 4,881</u>	<u>24,404</u>	<u>(44,869)</u>	<u>(48,733)</u>
Amounts recognized in net assets without donor restrictions not yet in net periodic costs:				
Unrecognized loss	\$ 232,409	213,911	18,371	24,149
Unrecognized prior service credit	—	—	(2,603)	(3,705)
Net recognized in net assets without donor restrictions	<u>\$ 232,409</u>	<u>213,911</u>	<u>15,768</u>	<u>20,444</u>

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The estimated net actuarial loss for the defined-benefit pension plan that will be amortized from non-operating income for 2021 is \$7,337,000.

The estimated net actuarial loss and prior service credit for the postretirement medical plan that will be amortized from non-operating income for 2021 are \$1,902,000 and \$(1,102,000), respectively.

(b) Components of Net Periodic Benefit Cost (Credits) for the Year Ended December 31 (in thousands)

	Defined-benefit pension plan		Postretirement medical plan	
	2021	2020	2021	2020
Service cost	\$ —	—	541	512
Interest cost	18,091	22,715	1,113	1,376
Expected return on plan assets	(23,160)	(31,570)	—	—
Amortization of prior service credits	—	—	(1,103)	(1,103)
Amortization of net actuarial loss	6,094	6,842	2,547	2,347
Net periodic benefit cost (credits)	\$ 1,025	(2,013)	3,098	3,132

(c) Other Changes in Plan Assets and Benefits Obligations Recognized in Non-Operating Activities

The following table provides information for other changes in plan assets and benefits obligations recognized in net assets without donor restrictions for the years ended December 31 (in thousands):

	Defined-benefit pension plan		Postretirement medical plan	
	2021	2020	2021	2020
Net actuarial (gain) loss	\$ 24,592	(9,831)	(3,232)	4,111
Amortization of prior service credit	—	—	1,103	1,103
Amortization of net actuarial loss	(6,094)	(6,842)	(2,547)	(2,347)
Total recognized in net assets without donor restriction	\$ 18,498	(16,673)	(4,676)	2,867

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(d) Assumptions

Assumptions used to determine benefits obligations at December 31 are as follows:

	Defined-benefit pension plan		Postretirement medical plan	
	2021	2020	2021	2020
Discount rate	2.77 %	2.42 %	2.82 %	2.36 %
Mortality projection scales	MP-2021	MP-2020	MP-2021	MP-2020

Assumptions used to determine net periodic benefit cost for the years ended December 31 are as follows:

	Defined-benefit pension plan		Postretirement medical plan	
	2021	2020	2021	2020
Discount rate	2.42 %	3.16 %	2.36 %	3.13 %
Expected return on plan assets	3.63 %	3.00 %	N/A	N/A

The Society determines the long-term expected rate of return on plan assets by examining historic capital market returns, correlations between asset classes, and the Plan's normal asset allocation. Current and near-term market factors such as inflation and interest rates are then evaluated to arrive at the expected return on plan assets. Peer group and benchmarking data are also reviewed to ensure a reasonable return assumption.

(e) Plan Assets

The Society's defined-benefit pension plan asset allocation as of December 31, by asset category, is as follows:

	Plan assets	
	2021	2020
Domestic equities	3 %	4 %
Foreign equities	2	2
Fixed income securities	95	94
Total	100 %	100 %

The investment portfolio is comprised of a diversified combination of domestic equities, foreign equities, and fixed income securities. The investment policy incorporates a liability-driven investment approach that focuses on the funded status of the Plan and seeks to match the duration of the assets with that of the liabilities. As the Plan's funded status improves, asset allocation will be directed more toward long duration fixed income securities. The allocation among domestic equities, foreign equities, and fixed

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income securities is determined by the funded status of the Plan, prevailing market conditions, and relative valuations between asset classes. The Plan's financial condition is monitored on an ongoing basis by means of monthly funding reviews, quarterly investment portfolio reviews, an annual independent actuarial valuation, and periodic asset/liability studies.

The Society utilizes the best information available in measuring fair value of the Plan's assets and liabilities, and they are classified based on the lowest level of input that is significant to the fair value measurement. The fair value measurement principles for the Plan's assets are consistent with those disclosed in Note 2.

The following tables summarize valuations of the Society's defined-benefit pension plan assets according to the fair value hierarchy as of December 31, 2021 and 2020 (in thousands):

December 31, 2021	Investments Measured at NAV ⁽¹⁾	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 22,349	7,660	6,799	—	36,808
Fixed income:					
U.S. government and agencies	—	166,587	5,240	—	171,827
Foreign	—	—	120,484	—	120,484
Corporate and other	120,705	—	254,808	—	375,513
Equity:					
Domestic	—	—	24,169	—	24,169
Foreign	13,224	—	—	—	13,224
Unsettled transactions, net ⁽²⁾	(100)	—	2,585	—	2,485
Net plan assets	<u>\$ 156,178</u>	<u>174,247</u>	<u>414,085</u>	<u>—</u>	<u>744,510</u>

December 31, 2020	Investments Measured at NAV ⁽¹⁾	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 35,939	6,963	1,769	—	44,671
Fixed income:					
U.S. government and agencies	—	125,389	8,002	—	133,391
Foreign	—	—	115,930	—	115,930
Corporate and other	184,490	—	262,311	—	446,801
Equity:					
Domestic	—	—	31,686	—	31,686
Foreign	18,627	—	—	—	18,627
Unsettled transactions, net ⁽²⁾	—	1,271	—	—	1,271
Net plan assets	<u>\$ 239,056</u>	<u>133,623</u>	<u>419,698</u>	<u>—</u>	<u>792,377</u>

(1) Certain investments are measured at fair value using NAV as a practical expedient and have not been classified in the fair value hierarchy. The NAV amounts have been presented to permit reconciliation of the fair value hierarchy to the amounts reported as total plan assets.

(2) Includes pending settlements for TBA securities and purchased securities.

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(f) Liquidity and Certain Strategies

Plan assets, inclusive of investments stated at NAV as a practical expedient, have redemption liquidity of less than 30 days with no significant notice periods. The Plan has no investment funding commitments.

(g) Derivatives

The Plan's fixed income investment manager may employ derivatives in order to manage market risks, arbitrage mispricing of securities, or replicate long or short positions in a cost-effective manner. In no instance are derivatives used to speculate or leverage positions.

The following tables provide the fair value of plan asset derivative agreements as of December 31, 2021 and 2020, and gains and losses for the years ended December 31, 2021 and 2020 (in thousands):

	2021		
	<u>Assets</u>	<u>Liabilities</u>	<u>Gains (losses)</u>
Derivatives:			
Foreign currency contracts	\$ 30,831	(30,877)	(46)
Credit default swaps	477	(50)	196
Interest rate swaps	761	(2,232)	(1,239)
Financial futures and other	<u>2,146</u>	<u>(5,045)</u>	<u>(2,098)</u>
Total derivatives	\$ <u>34,215</u>	<u>(38,204)</u>	<u>(3,187)</u>
	2020		
	<u>Assets</u>	<u>Liabilities</u>	<u>Gains (losses)</u>
Derivatives:			
Foreign currency contracts	\$ 28,114	(27,991)	123
Credit default swaps	15	(279)	54
Interest rate swaps	57	(520)	(462)
Financial futures and other	<u>373</u>	<u>(516)</u>	<u>179</u>
Total derivatives	\$ <u>28,559</u>	<u>(29,306)</u>	<u>(106)</u>

As of December 31, 2021, and 2020, the foreign currency contracts had a notional value of \$30,779,000, and \$28,030,000, respectively.

The total notional amount of credit default swap contracts for buy protection as of December 31, 2021 and 2020 amounted to \$15,900,000 and \$3,100,000, respectively. The notional amount related to sell protection amounted to \$3,100,000 and \$900,000 as of December 31, 2021 and 2020, respectively.

The notional amount of interest rate swap contracts that pay based on fixed rates at December 31, 2021 and 2020 was \$206,590,000 and \$86,530,000, respectively. There were no notional amounts related to interest rate swaps that pay based on floating rates for 2021 or 2020. Financial futures had a notional value of \$917,909,000 and \$0 at December 31, 2021 and December 31, 2020, respectively.

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The Plan does not have significant positions with any one counterparty.

(i) *Projected Benefit Payments*

The following are expected benefits payments in future years (in thousands):

	<u>Defined-benefit pension plan payments</u>	<u>Postretirement medical plan payments</u>
Fiscal year 2022	\$ 43,005	2,228
Fiscal year 2023	43,718	2,247
Fiscal year 2024	44,390	2,348
Fiscal year 2025	44,813	2,433
Fiscal year 2026	44,899	2,493
Fiscal years 2027–2031	220,478	13,231

(9) Petroleum Research Fund

The American Chemical Society Petroleum Research Fund is a donor-restricted endowment fund established on October 25, 2000 as a result of The Agreement of Transfer of Trust (the Agreement) between the Society and Morgan Guaranty Trust Company of New York, approved by the Attorney General for the State of New York, and ordered by the Supreme Court of New York. The Agreement dissolved the Petroleum Research Fund Trust (the Trust) and transferred the assets to the Society to create the American Chemical Society Petroleum Research Fund (the PR Fund), the purpose of which is the same as the Trust. The Agreement made the Society responsible for the management and administration of the PR Fund in an account separate and apart from any other accounts of the Society. As a result of the transfer, the historic dollar value for the Fund was established at \$72,500,000, the value of the securities originally donated in 1944 to create the Trust. This amount must be held inviolate as donor-restricted net assets.

The assets of the PR Fund consist primarily of domestic equities, foreign equities, fixed income securities and hedge funds. Under the terms of the Agreement, annual payouts from the PR Fund are capped at a maximum spending rate of 4% of the net asset value of the PR Fund over a rolling three-year average. The Society uses distributions from the PR Fund to make grants for advanced scientific education and fundamental research in the petroleum field.

The PR Fund awarded grants of \$16,604,000 in 2021 and \$18,039,000 in 2020. As a result of the adoption of ASU 2018-08 effective January 1, 2020, the Society's conditional commitment for awards aggregated \$24,234,000 and \$16,295,000 as of December 31, 2021 and 2020, which will be recognized over the award period.

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(10) Net Assets

The following is a summary of net assets at December 31 (in thousands)

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Insurance trust	\$ 35,919	35,644
Board designated – ACS programs	5,617	2,886
Other net assets	<u>674,975</u>	<u>550,141</u>
Total without donor restrictions	<u>716,511</u>	<u>588,671</u>
With donor restrictions:		
PR fund	742,448	689,640
ACS programs	<u>159,394</u>	<u>151,175</u>
Total with donor restrictions	<u>901,842</u>	<u>840,815</u>
Total net assets	\$ <u>1,618,353</u>	<u>1,429,486</u>

Net assets released from restriction were \$19,356,000 and \$10,619,000 for the years ended December 31, 2021 and 2020, respectively and primarily represents grant and scholarship programs.

(11) Endowment and General Fund

The Society has invested its Endowment (Endowment) and its general operating fund (General Fund) in a single unitized investment pool. The spending policy, return objective and risk parameters, and strategies employed for achieving objectives are applied across the investment pool.

The Endowment provides stable financial support to a wide variety of programs and activities in perpetuity, playing a critical role in enabling the Society to achieve its mission. Programs supported by the Endowment include scholarships, grants and awards as well as assistance to educational and membership programs. The Endowment includes both donor-restricted endowment funds and funds designated by the Society's Board of Directors to function as endowments (Board Designated Endowment Funds). Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. While the Society has invested its General Fund within the unitized investment pool, the General Fund is not a Board Designated Endowment.

(a) Interpretation of Relevant Law

The Society's Board of Directors evaluated the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and decided to continue to require the preservation of the historical cost of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Society classifies as net assets with donor restriction the sum of a) the original value of gifts donated to the donor-restricted endowments, b) the original value of subsequent gifts to donor-restricted endowments, c) additions to the donor-restricted endowments made in accordance with explicit donor instructions stipulated in the gift instruments and d) the appreciation on

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donor-restricted endowment funds until those amounts are made available for expenditure in a manner consistent with the donor gift instrument, the program operating budgets, and the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Society considers the following factors in making a determination as to the preservation and use of the donor-restricted endowment funds: the donor gift instrument; the duration and preservation of the fund; the purposes of the Society and the fund; general economic conditions; the effect of inflation and deflation; expected total return from income and the appreciation of investments; other resources of the Society; and the Society's investment policies.

(b) Spending Policy

On January 1, 2020, the Society's Board Committee on Pensions and Investments established a total return spending policy, inclusive of the General Fund. The spending policy is designed to stabilize annual amounts available to support endowed programs and preserve portfolio values by ensuring a portion of investment return is distributed to operations in the form of payout for current expenditure with the remainder reinvested to shield against inflation. The annual payout is intended to approximate 4% of the trailing three-year average market value of the unitized investment pool.

Prior to January 1, 2020, funds were appropriated from the endowment funds when expenses were approved by management. Expenditures of endowment assets are recorded in accordance with the explicit donor instructions stipulated in the gift instruments.

Accumulated appreciation in endowment funds with donor-restricted corpus is classified as net assets with donor restrictions until appropriated for spending under the spending policy. At the time of appropriation, the amount of investment income necessary to satisfy the spending policy for the endowment fund and related purpose restrictions, if applicable, is reflected as a net assets released from restriction for donor restricted endowment funds (if the restriction was satisfied), which reduces net assets with donor restrictions and increases net assets without donor restrictions. Any excess of income earned over the approved spending amount is retained in net assets with donor restrictions within the endowment. Any appropriated amounts which have not yet been spent for their donor restricted purpose are retained in net assets with donor restrictions but are removed from the endowment.

(c) Return Objective and Risk Parameters

The Investment Pool is invested in accordance with the Society's investment policies. The investment policies are intended to assure the Society's Board of Directors and the Board Committee on Pensions and Investments that the assets of the Society are being invested in accordance with the best long-term interests of the Society and its donors, given the following considerations: the Society's risk tolerance; the need to obtain real, or inflation-adjusted growth in its investments; and the requirement for current income to support programs and activities. Under the policies, as approved by the Board Committee on Pensions and Investments, Investment Pool assets are invested in a manner intended to provide sufficient inflation-adjusted returns to support annual spending policies and achieve real growth in the asset base while maintaining a moderate level of investment risk.

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(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society 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 Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(e) Underwater Endowment Funds

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the original value. As of December 31, 2021 and 2020, there were no endowment funds with market value below the original gift amount.

Endowment net assets consist of the following as of December 31 (in thousands):

	2021		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 5,617	—	5,617
Donor-restricted endowment funds:			
Endowment corpus	—	148,676	148,676
Accumulated investment return	—	715,097	715,097
Total endowment net assets	<u>\$ 5,617</u>	<u>863,773</u>	<u>869,390</u>
	2020		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 2,886	—	2,886
Donor-restricted endowment funds:			
Endowment corpus	—	147,942	147,942
Accumulated investment return	—	666,562	666,562
Total endowment net assets	<u>\$ 2,886</u>	<u>814,504</u>	<u>817,390</u>

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The following tables show the beginning balances of the Society's endowment funds as of January 1, changes in endowment net assets for the year, and ending balances as of December 31, 2021 and 2020, respectively (in thousands):

	2021		
	Without donor restrictions	With donor restrictions	Total
Beginning endowment net assets	\$ 2,886	814,504	817,390
Investment return, net	324	76,363	76,687
Contributions	2,000	728	2,728
Appropriation of endowment assets for expenditure	(75)	(26,203)	(26,278)
Other changes	482	(1,619)	(1,137)
Ending endowment net assets	\$ <u>5,617</u>	<u>863,773</u>	<u>869,390</u>

	2020		
	Without donor restrictions	With donor restrictions	Total
Beginning endowment net assets	\$ 2,347	724,086	726,433
Investment return, net	49	115,034	115,083
Contributions	500	637	1,137
Appropriation of endowment assets for expenditure	(10)	(25,253)	(25,263)
Other changes	—	—	—
Ending endowment net assets	\$ <u>2,886</u>	<u>814,504</u>	<u>817,390</u>

In 2021 and 2020, the Board-approved appropriation from the General Fund was \$16,213,000 and \$14,655,000, respectively for operating support. As of December 31, 2021 and 2020, the balance of the General Fund was \$724,944,000 and \$603,225,000, respectively.

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(12) Expenses

The composition of expenses for the years ended December 31 is as follows (in thousands):

	2021						Total
	Compensation and benefits	Professional services	Materials and supplies	Depreciation expense	Grants and assistance	Other operating expenses	
Program:							
Information services	\$ 203,287	103,324	37,635	24,643	517	21,104	390,510
Society programs:							
Membership and society services	11,655	3,914	1,596	738	1,385	5,843	25,131
Education	6,334	1,750	960	123	4,159	514	13,840
Member insurance program	227	12,733	3	—	—	447	13,410
External affairs and communications	13,363	1,756	2,784	636	274	1,081	19,894
Scientific advancement	3,563	632	262	222	8,934	145	13,758
Supporting:							
Finance, administration and human resources	39,914	9,927	3,182	2,344	56	3,114	58,537
Information technology	21,375	1,859	11,470	6,087	—	852	41,643
Marketing and promotion	7,016	19,320	1,154	3	—	928	28,421
Total operating expenses 2021	<u>\$ 306,734</u>	<u>155,215</u>	<u>59,046</u>	<u>34,796</u>	<u>15,325</u>	<u>34,028</u>	<u>605,144</u>
	2020						Total
	Compensation and benefits	Professional services	Materials and supplies	Depreciation expense	Grants and assistance	Other operating expenses	
Program:							
Information services	\$ 199,078	104,233	37,274	26,218	397	27,720	394,920
Society programs:							
Membership and society services	14,547	4,869	3,627	1,921	479	5,925	31,368
Education	7,142	1,826	1,249	331	3,449	1,950	15,947
Member insurance program	—	12,626	1	—	—	616	13,243
External affairs and communications	5,237	448	518	194	193	615	7,205
Scientific advancement	3,810	773	435	216	2,010	423	7,667
Supporting:							
Finance, administration and human resources	37,523	9,902	3,884	1,415	6	2,791	55,521
Information technology	13,523	2,365	4,041	2,997	—	330	23,256
Marketing and promotion	7,559	12,038	638	6	1	270	20,512
Total operating expenses 2020	<u>\$ 288,419</u>	<u>149,080</u>	<u>51,667</u>	<u>33,298</u>	<u>6,535</u>	<u>40,640</u>	<u>569,639</u>

Natural expense classes are comprised of Compensation and Benefits; Professional Services, which includes sales promotion and advertising services; Materials and Supplies, which includes building and office operations; Depreciation Expense; and Grants and Assistance, which includes research, travel and other grants, as well as fellowships and scholarships. Other Operating Expenses includes services related to conducting Society sponsored meetings and events and other expenses that support the operations of the Society.

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Program services are comprised of Information Services and Society Programs. Information Services includes services performed by CAS (databases of chemical and related scientific information) and Publications Divisions (print and electronic scientific journals). Society Programs includes member-focused activities such as continuing education programs, national and regional meetings, employment services and public outreach, scientific advancement, as well as the member insurance program.

Supporting services include expenses associated with the institutional support of the Society, including administrative functions such as finance, human resources, the investment program, enterprise-wide technical infrastructure, promotion and marketing, and fundraising activities. The Society incurred direct fundraising expenses of \$1,459,000 in 2021 and \$1,326,000 in 2020. Expenses which are related to both program and supporting, including facilities and information technology costs, are allocated based on department headcount and salary.

(13) Commitments and Contingencies

Lawsuits and Legal Claims

The Society is involved in various claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on the Society's consolidated financial position, change in net assets, or cash flows.

Uncertain Tax Provisions

The Society is subject to taxation in several jurisdictions and is currently under audit for the 2014-2020 tax years in a foreign territory, as a matter of conducting ordinary business activities in the country. The foreign tax authority has challenged the Society's position on its tax filing. The Society has appealed the tax rulings. Due to the uncertainty associated with the tax appeals, the Society has not recorded a provision in the consolidated financial statements. It is possible that at some future date, liabilities resulting from the audits could be incurred. Management intends to pursue all administrative and judicial remedies necessary to resolve the matter. Based on current legislation, and after consultation with outside tax advisors, management believes the ultimate resolution of the audits will not have a material adverse impact on the Society's financial condition taken as a whole.

(14) Subsequent Events

The Society has performed an evaluation of subsequent events through March 4, 2022, which is the date the consolidated financial statements were available to be issued, noting no adjustments or disclosures were required to the consolidated financial statements.