KPMG

THE AMERICAN NATIONAL RED CROSS

Consolidated Financial Statements

June 30, 2022
(With summarized information for the year ended June 30, 2021)

(With Independent Auditors’ Report Thereon)

KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

Independent Auditors' Report

The Board of Governors
The American National Red Cross:

Report on the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The American National Red Cross (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Organization'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 Organization'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 Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

McLean, Virginia
October 26, 2022

THE AMERICAN NATIONAL RED CROSS

Consolidated Statement of Financial Position

June 30, 2022
(With comparative information as of June 30, 2021)

(In thousands)

Assets		**2022**	**2021**
Current assets:			
Cash and cash equivalents	$	292,369	205,148
Investments (note 4)		470,946	562,450
Trade receivables, including grants, net of allowance for doubtful accounts of $1,792 in 2022 and $2,155 in 2021 (note 11)		244,559	226,657
Contributions receivable (note 2)		30,724	26,089
Inventories, net of allowance for obsolescence of $250 in 2022 and $87 in 2021		59,996	47,394
Other current assets		48,518	50,231
Total current assets		1,147,112	1,117,969
Noncurrent assets:			
Investments (note 4)		1,515,968	1,329,448
Contributions receivable (note 2)		24,936	13,939
Right-of-use assets-operating leases (note 6)		123,213	121,765
Land, buildings, and other property, net (note 3)		700,114	728,858
Assets held for sale, net (note 3)		27,985	33,602
Prepaid pension assets (note 10)		66,975	—
Other assets (note 9)		265,879	322,919
Total noncurrent assets		2,725,070	2,550,531
Total assets	$	3,872,182	3,668,500
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	354,043	299,798
Current portion of debt (note 5)		8,331	19,169
Current portion of lease obligation-operating (note 6)		25,530	25,214
Postretirement benefits (note 10)		3,745	3,731
Other current liabilities (notes 9 and 11)		135,141	146,439
Total current liabilities		526,790	494,351
Noncurrent liabilities:			
Debt (note 5)		373,103	383,420
Long-term lease obligation-operating (note 6)		110,686	109,971
Pension and postretirement benefits (note 10)		39,047	167,317
Other liabilities (notes 5 and 9)		122,266	145,054
Total noncurrent liabilities		645,102	805,762
Total liabilities		1,171,892	1,300,113
Net assets (notes 7 and 8):			
Without donor restrictions net assets		1,016,509	710,028
With donor restrictions net assets		1,683,781	1,658,359
Total net assets		2,700,290	2,368,387
Commitments and contingencies (notes 4, 5, 6, 10, 11)			
Total liabilities and net assets	$	3,872,182	3,668,500

See accompanying notes to consolidated financial statements.

THE AMERICAN NATIONAL RED CROSS

Consolidated Statement of Activities

Year ended June 30, 2022
(With summarized information for the year ended June 30, 2021)

(In thousands)

	Without donor restrictions	With donor restrictions	Totals 2022	Totals 2021
Operating revenues and gains:				
Contributions:				
Corporate, foundation and individual giving	$ 254,678	577,434	832,112	529,405
United Way and other federated	5,292	16,857	22,149	23,719
Contracts, including federal government	5,687	52,957	58,644	180,817
Legacies and bequests	89,593	25,457	115,050	100,912
Services and materials	16,637	36,981	53,618	55,096
Products and services:				
Biomedical Services	1,883,092	—	1,883,092	1,883,815
Program materials	135,663	—	135,663	115,800
Investment return, net (note 4)	1,729	46,976	48,705	63,924
Other revenues	69,422	69	69,491	177,156
Net assets released from restrictions	634,694	(634,694)	—	—
Total operating revenues and gains	3,096,487	122,037	3,218,524	3,130,644
Operating expenses:				
Program services:				
Services to the Armed Forces	69,074	—	69,074	55,201
Biomedical Services	2,022,534	—	2,022,534	1,834,750
Community Services	28,383	—	28,383	22,995
Domestic Disaster Services	443,229	—	443,229	503,552
Training Services	118,082	—	118,082	102,394
International Relief and Development Services	116,434	—	116,434	69,105
Total program services	2,797,736	—	2,797,736	2,587,997
Supporting services:				
Fundraising	188,885	—	188,885	165,392
Management and general	97,856	—	97,856	83,097
Total supporting services	286,741	—	286,741	248,489
Total operating expenses	3,084,477	—	3,084,477	2,836,486
Change in net assets from operations	12,010	122,037	134,047	294,158
Nonoperating investment return, net (note 4)	(14,508)	(96,615)	(111,123)	277,710
Pension-related changes other than net periodic benefit cost (note 10)	308,979	—	308,979	(15,696)
Change in net assets	306,481	25,422	331,903	556,172
Net assets, beginning of year	710,028	1,658,359	2,368,387	1,812,215
Net assets, end of year	$ 1,016,509	1,683,781	2,700,290	2,368,387

See accompanying notes to consolidated financial statements.

THE AMERICAN NATIONAL RED CROSS

Consolidated Statement of Functional Expenses

Year ended June 30, 2022
(With summarized information for the year ended June 30, 2021)

(In thousands)

	Program services						
	Service to Armed Forces	Biomedical Services	Community Services	Domestic Disaster Services	Training Services	International Relief and Development Services	Total program services
Salaries and wages	$ 30,656	772,611	11,782	120,538	46,855	13,135	995,577
Employee benefits	15,929	401,446	6,122	62,632	24,345	6,825	517,299
Subtotal	46,585	1,174,057	17,904	183,170	71,200	19,960	1,512,876
Travel and maintenance	843	18,708	88	22,735	1,332	795	44,501
Equipment maintenance and rental	413	43,660	456	9,533	178	251	54,491
Supplies and materials	1,304	277,178	1,106	3,697	15,624	236	299,145
Contractual services	6,951	446,097	3,791	58,673	26,435	3,961	545,908
Financial and material assistance	11,412	2,416	3,825	153,592	932	91,203	263,380
Depreciation and amortization	1,566	60,418	1,213	11,829	2,381	28	77,435
Total expenses	$ 69,074	2,022,534	28,383	443,229	118,082	116,434	2,797,736

	Supporting services			Total expenses	
	Fundraising	Management and general	Total supporting services	2022	2021
Salaries and wages	$ 84,248	44,998	129,246	1,124,823	1,077,306
Employee benefits	43,775	23,381	67,156	584,455	274,742
Subtotal	128,023	68,379	196,402	1,709,278	1,352,048
Travel and maintenance	1,332	434	1,766	46,267	35,114
Equipment maintenance and rental	971	921	1,892	56,383	61,023
Supplies and materials	1,888	421	2,309	301,454	279,184
Contractual services	51,284	25,919	77,203	623,111	719,709
Financial and material assistance	370	783	1,153	264,533	307,336
Depreciation and amortization	5,017	999	6,016	83,451	82,072
Total expenses	$ 188,885	97,856	286,741	3,084,477	2,836,486

See accompanying notes to the consolidated financial statements.

THE AMERICAN NATIONAL RED CROSS

Consolidated Statement of Cash Flows

Year ended June 30, 2022
(With comparative information for the year ended June 30, 2021)

(In thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	331,903	556,172
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization		83,451	82,072
Amortization of right-of-use assets-operating leases		32,466	31,748
Provision for doubtful accounts receivable		(248)	1,252
Provision for obsolete inventories		163	(93)
Net gains on sales of property		(11,563)	(9,091)
Net investment returns and derivatives gains		51,716	(223,116)
Pension and postretirement-related changes other than net periodic benefit costs		(308,979)	15,696
Donor-restricted contributions		(12,561)	(28,014)
Changes in operating assets and liabilities:			
Receivables		(33,286)	67,086
Inventories		(12,765)	(303)
Other assets		58,753	(60,560)
Accounts payable and accrued expenses		54,245	46,675
Decrease in operating lease liability obligations		(32,883)	(30,639)
Other liabilities		(34,086)	9,795
Pension and postretirement benefits		113,748	(4,351)
Net cash provided by operating activities		280,074	454,329
Cash flows from investing activities:			
Purchases of property		(65,457)	(66,134)
Proceeds from sales of property		12,281	8,311
Proceeds from properties held for sale		15,649	8,861
Purchases of investments		(559,054)	(245,507)
Proceeds from sales of investments		412,322	16,667
Net cash used in investing activities		(184,259)	(277,802)
Cash flows from financing activities:			
Donor-restricted contributions		12,561	28,014
Repayment of debt		(21,155)	(234,808)
Net cash used in financing activities		(8,594)	(206,794)
Net increase (decrease) in cash and cash equivalents		87,221	(30,267)
Cash and cash equivalents, beginning of year		205,148	235,415
Cash and cash equivalents, end of year	$	292,369	205,148
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	14,871	25,406

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization and Basis of Presentation

The American National Red Cross (the Organization) was established by an Act of the United States Congress on January 5, 1905 for the primary purposes of furnishing volunteer aid to the sick and wounded of the Armed Forces in time of war and to carry on a system of national and international relief in time of peace to mitigate the suffering caused by fire, famine, floods and other great natural calamities. The mission of the Organization has expanded since that time to help people prevent, prepare for, and respond to emergencies.

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets, functional expenses and cash flows of the Organization. The Organization has national and international programs that are conducted by its headquarters, Biomedical Services, and chartered local chapters. Also included in the consolidated financial statements are the net assets and operations of ARC Receivables Company, LLC, a wholly owned bankruptcy-remote special purpose entity. All significant intra-organizational accounts and transactions have been eliminated.

Program activities include Services to the Armed Forces, Biomedical Services, Community Services, Disaster Services, Training Services, and International Relief and Development Services. Biomedical Services include activities associated with the collection, processing, testing, and distribution of whole blood and components at 36 local blood services region operations, a biomedical research facility, and related national support functions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to any donor-imposed stipulations.

With Donor Restrictions – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

(b) Measure of Operations

The Organization’s measure of operations as presented in the consolidated statement of activities includes operating revenue from contributions, product and services, investment returns made available for current use, and other revenues. The measure of operations includes support for operating activities from both donor-restricted and without donor restrictions sources. Nonoperating activities primarily include pension-related changes other than net periodic benefit cost, and changes in the fair value of investments.

(c) Summarized Comparative Information

The consolidated financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2021 from which the summarized information was derived.

(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 in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

(e) Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of money market mutual funds and overnight investments of approximately $279 million and $193 million as of June 30, 2022 and 2021, respectively. Cash and cash equivalents that are held as part of the investment portfolio purchased with donor-restricted contributions are reported within investments.

(f) Investments

Investments are reported at fair value except for certain alternative investment funds that, as a practical expedient, are reported at estimated fair value utilizing net asset values (NAVs). Net asset value in some instances, may not equal the fair value. The Organization does not intend to sell any of the funds at an amount different from net asset value per share at June 30, 2022. The Organization reviews and evaluates the net asset values provided by the general partners and fund managers and agrees with the valuation methods and assumptions used in determining net asset values of these funds.

Investment income classified as operating revenue consists of interest and dividend income on investments and spending approved for use in operations (note 4). All other realized and unrealized gains or losses are classified as nonoperating activities and are available to support operations in future years and to offset potential market declines.

Investments classified as current investments made by the Organization are expected to be converted into cash within one year.

Investment management fees are netted against investment returns.

(g) Derivative Financial Instruments

The Organization makes use of derivative financial instruments in order to invest in or mitigate certain risks. Derivative financial instruments are recorded at fair value (notes 4 and 10). Derivatives in an asset and liability position are offset against each other and reported net in investments in the statement of financial position.

(h) Endowment Fund

The Organization has maintained a national endowment fund since 1905. From 1910 until June 30, 2015, any gift to the American Red Cross National Headquarters from a will, trust, or similar instrument that did not direct the use of the funds was deposited into the endowment fund, recorded as net assets with donor restrictions to be kept and invested in perpetuity and, accordingly, reported as net assets with donor restrictions. In fiscal year 2015, the Organization adopted a new policy that gifts to the American Red Cross National Headquarters from a will, trust, or similar instrument dated on or after July 1, 2015 without a direction to the application or purpose of the funds shall be allocated at the discretion of senior management to where the need is greatest. Such amounts will be reported as increases to net assets without donor restrictions. All gifts to the American Red Cross National Headquarters that are designated to be invested in perpetuity shall continue to be deposited into the endowment fund regardless of the date of the gift instrument.

(i) Inventories

Inventories of supplies purchased for use in program and supporting services are valued using the average cost method. Whole blood and its components are valued at the lower of average cost or net realizable value.

(j) Land, Buildings, and Other Property

Purchases of land, buildings, and other property having a useful life of three or more years are capitalized at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Interest expense incurred during a period of construction, less related interest income earned on proceeds of tax-exempt-borrowings is capitalized.

Property under finance leases is amortized over the lease term. Any gain or loss on the sale of land, buildings and other property is reported as other revenues on the consolidated statement of activities.

Application development costs incurred to develop internal use-software are capitalized and amortized over the expected useful life of the software application. The costs incurred in cloud computing arrangements are capitalized and amortized over the term of the hosting arrangement. Activities that are considered application development include design of software configuration and interfaces, coding, installation of hardware, and testing. All other expenses incurred to develop internal use software are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Class of property	Useful life in years
Buildings	45
Building improvements	10
Equipment and software	3–15

(k) Long-lived Assets

Long-lived assets, such as land, building, and other property, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(l) Leases

The Organization determines if a contract is a leasing arrangement and the classification of that lease, if applicable, at inception. Operating lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. For operating leases, the Organization uses the risk-free rate of return. The Organization recognizes operating lease expense for operating leases on a straight-line basis over the lease term.

The Organization leases office space and equipment under noncancelable operating leases which may include renewal or termination options. Renewal or termination options are not reasonably certain of exercise and are therefore not recognized in lease assets and liabilities until the date of exercise. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis. Lease and non-lease components are accounted for together as a single lease component for operating leases associated with office space and equipment leases.

(m) Property and Casualty Insurance

The Organization maintains various insurance policies under which it assumes a portion of each insured loss. During fiscal year 2021, assumed losses were retained by the Organization through its wholly owned insurance subsidiary, Boardman Indemnity, Ltd (Boardman). On June 30, 2021, the Organization dissolved Boardman Indemnity Ltd. and continues to be self-insured without the captive structure. The Organization also purchases insurance to supplement the self-insured coverage. The liabilities for outstanding losses and incurred but not reported claims have been determined based on actuarial studies and are reported as other liabilities in the consolidated statement of financial position and were approximately $81 million and $75 million as of June 30, 2022 and 2021, respectively.

(n) Revenue Recognition

(i) Contribution Revenue

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk adjusted-rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

The Organization reports contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are released and reclassified to net assets without donor restriction in the consolidated statement of activities.

Donor-restricted contributions are initially reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period, except for conditional grants discussed in note (1)(n)(v).

(ii) Revenue from Contracts with Customers

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. Revenue from contracts with customers is disaggregated between Biomedical and Program Materials on the consolidated statement of activities.

(iii) Biomedical Revenues

Biomedical provides goods (blood products for hospitals) and related services under single contracts with customers with multiple performance obligations. Blood products sold fall under two main categories – Whole Blood Derived Products, which include red cells, plasma, and cryoprecipitate; and Plateletpheresis Products, which include single donor platelets and plasma. Testing services are performed over all products prior to the sale and delivery of the products. Because the blood products and related blood testing services are not capable of being distinct, the products and services are treated as a bundled performance obligation.

For products, the performance obligation is satisfied when the customer gains control over the promised asset, which is generally at the time of shipment based on the contractual terms with the customers. Blood products have a limited shelf life, therefore, any associated refunds or discounts, which historically have not been material, are generally recognized in the same accounting period in which the initial revenue is recognized.

For services, the service has been substantially performed and the obligation met at the point in time at which the service is completed. Services are invoiced once the regulated process is complete and documentation is sent to the customer.

Performance obligations for blood products and blood testing services are generally satisfied within 30 days, and therefore, there is no substantial difference in revenue recognition based on bundled performance obligations.

The expected length of time between when Organization transfers the promised goods or services to the customer and when the customer pays for those goods or services is 30 days. Generally, there is no difference between the amount of consideration promised and the cash selling price of the blood products and services.

(iv) Program Materials Revenue

The organization provides various health and safety preparedness classes and certifications including CPR, first aid, AED skills, swimming and water safety, lifeguarding, caregiving skills, and other professional healthcare courses such as BLS (Basic Life Support). Revenue generated by these Training Services is included in Program Materials on the consolidated statement of activities.

Program Materials, which consist primarily of Training Services, performance obligations are satisfied at the point in time at which the training is complete and certification is provided. Revenue is recognized upon completion of distinct performance obligations in the same accounting period in which each specific performance obligation is met. The transaction price is determined for each contract using the standalone selling price and applied to each performance obligation as completed.

(v) Other Revenue

Revenue from grants and contracts, including federal grants, that are considered to be conditional contributions are recorded in the statement of activities under Contracts, including federal government within the contribution section and are recognized as qualifying expenses are incurred under the agreement. The Organization adopted the simultaneous release option for donor-restricted conditional grants that are recognized and used within the same reporting period; therefore, these amounts are reported as without donor restriction.

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law.

(o) Contributed Services and Materials

Contributed services reflect the important impact volunteers have in delivering the Organization’s mission. Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services, which would be typically purchased if not provided by donation.

The Organization engages nearly 300,000 volunteers annually. A small percentage of these volunteers meet the above criteria and are reported in contributed services. Contributed services for the year ended June 30, 2022 include the services of approximately 9,693 volunteers. The Organization recorded contributed services revenue and related expense of approximately $35 million and $38 million in 2022 and 2021, respectively. These amounts primarily represent volunteer efforts in support of Disaster Services and Services to the Armed Forces.

Contributed materials are recorded at their fair value at the date of the gift. Gifts of long-lived assets are recorded as restricted support. This restriction is released ratably over the useful life of the asset. For gifts that are not long-lived assets, the restriction is released as the item is used. The Organization does not sell in-kind contributions.

(Continued)

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included (in thousands):

Item	Program	Fair value technique	2022	2021
Clothing and household goods	Domestic Disaster Services, Biomedical Services, and Services to the Armed Forces	Estimated based on US wholesale prices of identical or similar products.	$ 6,339	2,624
Food	Domestic Disaster Services and Biomedical Services	Estimated based on US wholesale prices of identical or similar products.	6,349	6,653
Medical supplies	Domestic Disaster Services and Biomedical Services	Estimated based on US wholesale prices of identical or similar products.	633	1,524
Various	All Programs	Estimated based on US wholesale prices of identical or similar products.	5,701	6,380
Total			$ 19,022	17,181

(p) Income Taxes

The American National Red Cross is a not-for-profit organization incorporated by the U.S. Congress through the issuance of a federal charter. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. At June 30, 2022 and 2021, the Organization has determined that no income taxes are due for such activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. 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.

(q) Accounts Receivable Securitization

The Organization has an accounts receivable securitization program that is accounted for under Accounting Standards Codification (ASC) Topic 860, *Transfers and Servicing* (note 11).

(r) Newly Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires contributed nonfinancial assets to be presented in a separate line item in the income statement and the amount of the contribution must be disaggregated by type in the footnotes. The Organization has adopted ASU 2020-07 retrospectively for the fiscal year ended June 30, 2022 and resulted in no material impact on the consolidated statement of activities.

(2) Contributions Receivable

The Organization anticipates collection of outstanding contributions receivable as follows at June 30, 2022 and 2021 (in thousands):

		2022	2021
Amounts receivable within one year	$	33,785	29,035
Amounts receivable in 1 to 5 years (net of discount of $1,206 and $1,220 for 2022 and 2021, respectively)		24,936	13,939
Total contributions receivable before allowance for uncollectible amounts		58,721	42,974
Less allowance for uncollectible amounts		(3,061)	(2,946)
Contributions receivable, net		55,660	40,028
Less current portion		30,724	26,089
Contributions receivable, net, noncurrent	$	24,936	13,939

Amounts presented above have been discounted to present value using various discount rates ranging between 0.04% and 3.25%.

As of June 30, 2022, the Organization received conditional grants totaling $56 million. These grants are conditional based on incurring qualifying expenses and will be recognized as revenue in the periods in which the conditions are fulfilled.

(3) Land, Buildings, and Other Property

The cost and accumulated depreciation of land, buildings, and other property were as follows at June 30, 2022 and 2021 (in thousands):

		2022	2021
Land	$	84,091	86,389
Buildings and improvements		1,040,119	1,050,934
Equipment and software		463,466	477,387
Total cost of assets placed in service		1,587,676	1,614,710
Less accumulated depreciation		(929,717)	(899,559)
Construction in progress		42,155	13,707
Land, buildings, and other property, net	$	700,114	728,858

Assets held for sale were as follows at June 30, 2022 and 2021 (in thousands):

		2022	**2021**
Land	$	10,667	12,898
Buildings and improvements		33,537	43,664
Total cost of assets held for sale		44,204	56,562
Less accumulated depreciation and amortization		(16,219)	(22,960)
Assets held for sale, net	$	27,985	33,602

These assets have been segregated from land, buildings, and other property and presented as assets held for sale within the accompanying consolidated financial statements. The Organization identified these assets as not critical to supporting its primary mission as part of ongoing assessment procedures. The Organization then evaluated the identified assets using the criteria for classification as held for sale included in ASC 360-10, *Impairment and Disposal of Long-Lived Assets*. Certain assets or portions of assets identified were determined to meet the criteria and have been classified as such. The carrying value of these assets has been compared to the current appraised values less cost to sell and determined not to be impaired. During fiscal year ended June 30, 2022, the gain on the buildings and improvements assets held for sale was approximately $8 million, which is included in other revenue on the consolidated statement of activities.

(4) Investments and Fair Value Measurements

The Organization applies the provisions of ASC Topic 820, *Fair Value Measurements*, for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy that requires the Organization to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization’s market assumptions. The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market-corroborated inputs
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement.

For the years ended June 30, 2022 and 2021, there were no transfers between levels.

The Organization’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

As of January 1, 2018, the Organization acquired 40% interest in Creative Testing Solutions. As of February 13, 2020, the Organization acquired 50% interest in ARC-One Solutions, LLC. These investments are accounted for using the equity method and are reflected in long-term investments on the Organization’s consolidated statement of financial position. The balance at June 30, 2022 reflects the original contribution, any subsequent distributions received and contributions made, as well as the Organization’s share of the earnings of the investee. Earnings were approximately $8 million for the period ended June 30, 2022 and are reflected in other revenue on the consolidated statement of activities.

The following table represents investments that are measured at fair value on a recurring basis and other investments at June 30, 2022 (in thousands):

	June 30, 2022	Level 1	Level 2	Level 3	Measured at NAV[(1)]
Fixed-income commingled funds	$ 21,748	—	21,748	—	—
U.S. government and sovereign securities	82,137	—	82,137	—	—
Common and preferred stocks	635	635	—	—	—
Hedge funds	100,124	—	—	—	100,124
Private equity and debt	475,465	—	—	—	475,465
Real estate and real assets	5,363	—	—	—	5,363
Derivative contracts	13,287	—	13,287	—	—
Cash equivalents	1,235,818	4,362	1,231,456	—	—
Investments stated at fair value	1,934,577	4,997	1,348,628	—	580,952
Equity method investments	52,337				
Total investments	$ 1,986,914				

The following table represents investments that are measured at fair value on a recurring basis and other investments at June 30, 2021 (in thousands):

	June 30, 2021	Level 1	Level 2	Level 3	Measured at NAV[1]
Fixed-income commingled funds	$ 24,244	—	24,244	—	—
U.S. government and sovereign securities	90,839	—	90,839	—	—
Common and preferred stocks	2,674	2,674	—	—	—
Exchange-traded funds	161,951	161,951	—	—	—
Equity commingled funds	98,397	13,452	22,281	—	62,664
Hedge funds	424,292	—	—	—	424,292
Private equity and debt	249,877	—	—	—	249,877
Real estate and real assets	2,279	—	—	—	2,279
Derivative contracts	12,883	50	12,833	—	—
Cash equivalents	771,686	1,520	770,166	—	—
Investments stated at fair value	1,839,122	$ 179,647	920,363	—	739,112
Equity method investments	52,776				
Total investments	$ 1,891,898				

(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 consolidated statement of financial position.

The Organization used quoted prices in principal active markets for identical assets as of the valuation date (Level 1) to value certain cash equivalents at June 30, 2022 and 2021.

For the valuation of certain cash equivalents, U.S. government and sovereign securities, and fixed income and equity commingled funds at June 30, 2022 and 2021, the Organization used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2). The Level 2 commingled funds have a readily determinable fair value.

For the most part, the valuation of hedge funds, private equity and debt funds, private real estate and private real assets funds, at June 30, 2022 and 2021, are reported at estimated fair value utilizing the net asset values provided by fund managers as a practical expedient. In a few instances, additional supplemental information provided by the fund manager has been utilized to evaluate fund values and level the investments. Reported fund values utilize significant unobservable inputs; the Organization reviews and evaluates the values provided by fund managers and general partners and agrees with the valuation methods and assumptions used in determining the reported fair values of the alternative investments.

The Organization had no Level 3 reportable transactions for both fiscal years ended June 30, 2022 and 2021, respectively.

The following summarizes the nature and risk of those investments that are reported at estimated fair value utilizing net asset value as of June 30, 2022 (in thousands):

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds (a),(c)	$ 992	—	N/A	Fully redeemed
Hedge funds (a)	99,132	—	Monthly to triennially	2-180 days
Private equity and debt (b)	475,465	79,133	None	
Real estate and real assets (b)	5,363	3,206	None	
Total	$ 580,952	82,339		

(a) Hedge Fund Investments. Hedge fund strategies include equity long/short, relative value, event driven, arbitrage, macro, and opportunistic strategies. Underlying hedge fund holdings can consist of the full spectrum of global equity, fixed income, commodity, and currency instruments. Positions may be long and short; leverage may also be used. Some funds may invest inside pockets, which are a separate share class and are not available for redemption until the investment is liquidated by the manager.

(b) Non-Marketable Investment Strategies. Private equity and debt strategies include leveraged buyout, growth equity, venture capital, and distressed debt. Real estate and real assets strategies include natural resources, such as oil and gas or minerals and mining. Nonmarketable funds do not permit redemptions; capital is returned to investors at the discretion of the investment manager and in accordance with limited partnership terms. Interim distributions of interest and dividends can be made; however, capital and realized gains are generally distributed when underlying investments are liquidated. Funds are able to recall distributions. It is expected that the majority of the nonmarketable investments will be liquidated over the next 10 years.

(c) Represents expected redemptions related to audit holdbacks, where funds retain a portion of requested redemptions until the fund’s annual audit is complete in order to accommodate potential final NAV adjustments.

The following table lists the notional/contractual amount of derivatives by contract type included in the Organization’s investments at June 30, 2022 and 2021 (in thousands):

Derivative type	2022	2021
Commodity options	$ 1,106,000	1,106,000
Equity contracts	1,140,710	15,041

The following table lists fair value of derivatives by contract type included in the Organization's investments as of June 30, 2022 and 2021 (in thousands):

		Derivative Assets		Derivative Liabilities	
Derivative type		**2022**	**2021**	**2022**	**2021**
Commodity options	$	6,810	32,648	(85)	(19,815)
Equity contracts		20,264	61	(13,703)	(11)
Fair value of derivatives included in investments	$	27,074	32,709	(13,788)	(19,826)

The following table lists gains and losses on derivatives by contract type included in actual return on Organization investments as of June 30, 2022 and 2021 (in thousands):

		Realized gains/(losses)		Change in unrealized gains/(losses)	
Derivative type		**2022**	**2021**	**2022**	**2021**
Commodity options	$	—	—	(6,108)	(13,518)
Equity contracts		(19,141)	—	6,511	50
Total	$	(19,141)	—	403	(13,468)

For the valuation of the Organization's derivative contracts at June 30, 2022, the Organization used significant other observable inputs as of the valuation date (Level 2), including prices of instruments with similar maturities and characteristics, interest rate yield curves, measures of interest rate volatility, and various market indices. The value was determined and adjusted to reflect nonperformance risk of both the counterparty and the Organization.

The Organization transacts in a variety of derivative instruments, including swaps and options, to take or mitigate certain exposures. Each instrument's primary underlying exposure could be equities, commodities, interest rates, credit, or currencies. Such contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. In the case of over-the-counter derivatives, collateralization and daily marks-to-market mitigate counterparty risk. The Organization also invests in highly liquid, exchange-traded contracts to achieve exposure to U.S. Treasury securities; these contracts are also marked-to-market daily, with daily exchanges of variation margin, which generally offers higher protection against counterparty risk than collateralization. Foreign exchange derivatives can be used to facilitate trade purchases and sales as well as for hedging purposes.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the consolidated statement of financial position as of June 30, 2022. However, the diversification of the Organization's invested assets among these various asset classes and the risk

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reduction purpose in the case of hedging assets is management's strategy to mitigate the impact of any dramatic change on any one asset class.

The following schedule summarizes the composition of investment return for the years ended June 30, 2022 and 2021 (in thousands):

	2022			2021
	Without donor restrictions	With donor restrictions	Total	Total
Investment returns available for operations:				
Other investment returns	$ 1,729	46,976	48,705	63,924
	1,729	46,976	48,705	63,924
Net nonoperating investment returns	(14,508)	(96,615)	(111,123)	277,710
Total return on investments, net	$ (12,779)	(49,639)	(62,418)	341,634

(5) Debt

Debt consists of the following at June 30, 2022 and 2021 (in thousands):

	2022	2021
Fixed rate debt bearing interest rates ranging from 0% to 3.83%, due calendar year 2022 through 2044	$ 381,434	402,589
Total bonds and notes payable	381,434	402,589
Less current portion	8,331	19,169
Debt, noncurrent portion	$ 373,103	383,420

The Organization's debt is generally backed only by the full faith and credit of the Organization. Certain bonds are subject to redemption prior to their maturity at the option of the Organization. The repayment terms of the variable rate debt generally require monthly payments of interest and annual principal reduction. The registered owners of the bonds and notes with demand repayment rights may demand repurchase of the bonds and notes for an amount equal to the principal plus accrued interest.

Certain of the Organization's debt agreements include covenants that require the Organization to maintain certain levels of financial ratios. The Organization was in compliance with its covenant requirements as of and for the year ended June 30, 2022.

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Scheduled maturities and sinking fund requirements of the debt and credit agreements as of June 30, 2022 are as follows (in thousands):

2023	$	8,000
2024		8,000
2025		68,000
2026		20,000
2027		31,000
Thereafter		246,100
	$	381,100

Interest expense was approximately $15 million and $28 million for fiscal years ended June 30, 2022 and 2021, respectively, which is included in contractual services on the statement of functional expenses.

(a) Bank Lines of Credit

The Organization maintained several committed lines of credit with various banks for its working capital requirements. There were no borrowings outstanding under lines of credit as of June 30, 2022 and 2021. The Organization had unused lines of credit outstanding of approximately $200 million at both June 30, 2022 and June 30, 2021. The amounts available to be borrowed on the lines of credit are subject to the limitations of the Organization’s debt covenants.

(b) Letters of Credit

The Organization had unused letters of credit outstanding of approximately $52 million at June 30, 2022 and June 30, 2021.

(6) Leases

The Organization has operating and finance leases for real estate, personal property and equipment. The Organization determines if an arrangement is a lease at the inception of a contract and recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the consolidated statement of financial position and are expensed on a straight-line basis.

The Organization has lease agreements which require payments for lease and non-lease components and has elected to account for these as a single lease component, with any variable elements being recorded as variable lease expense.

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Operating lease right-of-use assets and lease liabilities as of June 30, 2022, and 2021, were as follows (in thousands):

Operating leases		2022	2021
Right-of-use assets:			
Operating lease assets	$	123,213	121,765
Lease liabilities:			
Current operating lease liabilities	$	25,530	25,214
Noncurrent operating lease liabilities		110,686	109,971
Total operating lease liabilities	$	136,216	135,185

Operating expenses for the leasing activity of the Organization as lessee for the years ended June 30, 2022, and 2021, respectively, are as follows (in thousands):

Lease type		2022	2021
Operating lease costs	$	34,018	32,770
Short-term lease costs		84	72
Total lease cost	$	34,102	32,842

Total rent expense was approximately $43 million and $41 million for the years ended June 30, 2022 and 2021, respectively, and is included in contractual services on the consolidated statement of functional expenses.

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2022, and a reconciliation to operating lease liabilities reported on the consolidated statement of financial position:

2023	$	27,861
2024		23,417
2025		18,858
2026		14,733
2027		11,939
Thereafter		60,653
Total lease payments		157,461
Less interest		(21,245)
Present value of lease liability	$	136,216

Average operating lease terms and discount rate at June 30, 2022, and 2021, were as follows:

	2022	2021
Weighted average remaining lease term (years)	11.22	11.58
Weighted average discount rate	1.95 %	1.91 %

The following summarizes cash paid for operating lease liabilities and other non-cash information as of June 30, 2022 and 2021:

		2022	2021
Cash paid for amounts included in the measurement of operating lease liability	$	34,780	33,143
Right-of-use assets obtained in exchange for operating lease obligations		26,987	32,814

Future minimum rental payments to be received by the Organization for office space leased at the National Headquarters building as of June 30, 2022 are as follows (in thousands):

2023	$	20,484
2024		20,931
2025		21,312
2026		21,617
2027		21,838
Thereafter		66,891
Total minimum lease payments to be received	$	173,073

The rental income was approximately $20 million and $19 million for the years ended June 30, 2022, and 2021, respectively, and is included in other revenue on the consolidated statement of activities.

(7) Net Assets

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2022 and 2021 (in thousands):

		2022	2021
Disaster and Humanitarian Services	$	136,406	125,035
International Relief and Development Services		124,496	42,231
Endowment		1,236,904	1,272,232
Other net assets with restrictions to be held in perpetuity		185,975	218,861
Total with donor restrictions net assets	$	1,683,781	1,658,359

Endowment at June 30, 2022 and 2021 consists primarily of endowed contributions, the income from which is available principally to fund general operations. Other net assets with donor restrictions to be held in perpetuity consist of beneficial interests in perpetual trusts and other split-interest agreements (note 9).

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its operating expenditures and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. The restricted portion of its financial assets are excluded from the liquidity disclosure as they are used for restricted purposes.

As of June 30, 2022, and 2021, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and scheduled principal payments on debt, were as follows (in thousands):

		2022	2021
Financial assets:			
Cash and cash equivalents	$	292,369	205,148
Short-term investments, net		470,946	562,450
Trade receivable, including grants, net of allowance for doubtful accounts		121,102	101,657
Contributions receivable		7,467	9,669
Total financial assets available within one year		891,884	878,924
Liquidity resources:			
Letters of credits and other credit facilities		252,000	252,000
Total financial assets and liquidity resources available within one year	$	1,143,884	1,130,924

(8) Endowments

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor-restricted endowment assets and in doing so to consider a number of factors, including the duration and preservation of its donor-restricted endowment funds. The Organization classifies as net assets with donor restrictions the original value of gifts donated to be held in perpetuity. The appreciation of the donor-restricted endowment fund is appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization has adopted, and the Governing Board has approved, the Statement of Investment Policies and Objectives for the endowment fund. This policy has identified an appropriate risk posture for the fund, stated expectations and objectives for the fund, provides asset allocation guidelines, and establishes criteria to monitor and evaluate the performance results the fund’s managers.

To satisfy its long-term rate of return objectives, the Organization 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 Organization makes distributions from income earned on the endowment fund for current operations using the total return method. In establishing this method, the Organization considered the long-term expected return on its funds. To the extent that distributions exceed net investment income, they are made from accumulated gains. The Board of Governors approves the spending rate, calculated based on the prior fiscal year-end market value.

A spending rate of 3.8% has been approved for year 2022, which resulted in total distributions of approximately $47 million. The distributions represent utilization of accumulated realized gains, which were calculated based on the prior fiscal year-end market value. Consistent with 2022, a spending rate of approximately 3.8% of the prior fiscal year-end market value has been approved for 2023.

Changes in endowment net assets for the year ended June 30, 2022 (in thousands):

		2022		2021
		With donor restrictions	**Total**	**Total**
Endowment net assets, beginning of year	$	1,272,232	1,272,232	1,034,439
Total investment return, net		(863)	(863)	273,039
Contributions		12,561	12,561	28,013
Appropriation of endowment assets for expenditure		(47,026)	(47,026)	(63,259)
Endowment net assets, end of year	$	1,236,904	1,236,904	1,272,232

(9) Split-Interest Agreements

The Organization is a beneficiary of split-interest agreements in the form of charitable gift annuities, perpetual trusts held by third parties, charitable remainder trusts, and pooled income funds. The value of split-interest agreements is measured as the Organization's share of fair value of the assets. Of the $266 million and $321 million in assets under these agreements as of June 30, 2022 and 2021, respectively, which are included in other assets on the consolidated statement of financial position, $43 million and $51 million, respectively, are charitable gift annuities and the remainder are assets for which the Organization is not the trustee. Liabilities associated with these agreements are $30 million and $33 million for the years ended June 30, 2022 and 2021, respectively, of which $8 million is included in other current liabilities for both years, respectively, and $23 million and $25 million for the years ended June 30, 2022 and 2021 are included in other noncurrent liabilities on the consolidated statement of financial position.

(10) Benefit Plans

(a) The Retirement System of the American National Red Cross and The American Red Cross Life and Health Benefits Plan

Before July 1, 2009, employees of the American Red Cross, including employees of participating local chapters, were covered by the Retirement System of the American National Red Cross (the Plan) after one year of employment and completion of 1,000 hours of service during any consecutive 12-month period. The Plan was closed to employees hired after June 30, 2009.

Subject to provisions contained in collective bargaining agreements where applicable, the Plan was frozen on December 31, 2012 (the freeze date). Employees who were participating in the Plan as of that date keep vested benefits earned but stop earning additional pension benefits.

Prior to the freeze date, the benefit formula was based on years of service and the employees' final average compensation. Final average compensation was calculated using the highest consecutive 48 months of the last 120 months of service before the earlier of retirement or the freeze date.

For funding purposes under the Plan, normal pension costs are determined by the projected unit credit method and are funded currently. The Plan provides a defined-benefit pension, funded entirely by the employer. Prior to July 1, 2005, voluntary after-tax contributions could be made by active members to fund an optional annuity benefit. The Organization's funding policy is set to comply with the funding requirements established under the Pension Protection Act of 2006 and to meet the requirements of Employee Retirement Income Security Act of 1974. During fiscal year 2022, the Organization contributed the required amount for the plan year.

The Plan was amended on January 1, 2019 to allow participants who have not previously commenced benefits to elect a lump-sum payment of their full vested benefit value if otherwise eligible to receive benefits under existing plan provisions, including the provision that the election must be made within the 180-days period commencing on the first day of the month on or next following termination of employment or be retirement eligible. The Plan was further amended effective January 1, 2020 to allow all vested terminated employees and retirement eligible who have not previously commenced benefits to elect lump sum payments. In addition, all previously available distribution options continue to be available.

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The Organization also provides medical and dental benefits to retirees and their eligible dependents under The American Red Cross Life and Health Benefits Plan. Generally, retirees and the Organization each pay a portion of the premium costs. The medical and dental plans pay a stated percentage of expenses reduced by deductibles and other coverages. The Organization has the right to modify cost-sharing provisions at any time. In addition, life insurance benefits of $5,000 are provided with no contributions required from the retirees. The Organization's postretirement benefit plans are unfunded.

Effective January 1, 2009, the Organization eliminated plan coverage (retiree medical and life benefits) for all future retirees that did not meet eligibility conditions as of that date. In addition, the plan was amended to transition Medicare eligible retirees to a private fee-for-service plan and to change the premium supplement tables and indexing effective July 1, 2009. Beginning in calendar year 2011, most Medicare eligible retirees were offered a Healthcare Reimbursement Account to utilize in purchasing individual coverage through an external exchange program. Plans can vary from Medicare Advantage, Part D Prescription Drug, and Medicare Supplement Plans.

The Organization completed an annuity purchase for retirees with benefits of $1,600 per month or less, effective April 13, 2022. A one-time charge under settlement accounting resulted in $266.7 million being recognized based on the annuity purchase and lump sums paid through June 2022.

The fiscal year 2022 expense was remeasured on April 30, 2022 to reflect the settlement and economic conditions at that time.

The following table presents the changes in benefit obligations, changes in Plan assets, and the composition of accrued benefit costs in the consolidated statements of financial position for the years ended June 30, 2022 and 2021 (in thousands):

	Pension benefits		Postretirement benefits	
	2022	**2021**	**2022**	**2021**
Changes in benefit obligations:				
Benefit obligations at beginning of year	$ 2,387,498	2,514,380	54,346	57,503
Service cost	21	24	11	15
Interest cost	75,128	80,700	1,416	1,445
Plan amendment		—	—	—
Actuarial (gain)	(345,653)	(25,924)	(9,552)	(1,101)
Benefits paid	(108,136)	(181,762)	(3,429)	(3,516)
Annuity purchase and reimbursements from insurance carriers	5	80	—	—
Settlements	(787,316)	—	—	—
Benefit obligations at end of year	$ 1,221,547	2,387,498	42,792	54,346

	Pension benefits		Postretirement benefits	
	2022	**2021**	**2022**	**2021**
Changes in plan assets:				
Fair value of plan assets at beginning of year	$ 2,270,796	2,412,180	—	—
Actual return on plan assets	(291,827)	25,298	—	—
Employer contributions	205,000	15,000	—	—
Benefits paid	(108,136)	(181,762)	—	—
Annuity purchase and reimbursements from insurance carriers	5	80	—	—
Settlements	(787,316)	—	—	—
Fair value of plan assets at end of year	1,288,522	2,270,796	—	—
Funded status-accrued benefit costs	$ 66,975	(116,702)	(42,792)	(54,346)

Pension-related changes other than net periodic benefit cost for 2022:

	Pension benefits	Postretirement benefits	Total
Prior service benefit	$ (2,727)	—	(2,727)
Amortized net loss (gain)	23,282	(985)	22,297
Net actuarial loss	10,127	12,538	22,665
Net settlement loss	266,744	—	266,744
	$ 297,426	11,553	308,979

Pension-related changes other than net periodic benefit cost for 2021:

	Pension benefits	Postretirement benefits	Total
Prior service benefit	$ (2,727)	—	(2,727)
Amortized net loss (gain)	28,572	(747)	27,825
Net actuarial (gain) loss	(44,697)	3,903	(40,794)
	$ (18,852)	3,156	(15,696)

(Continued)

Items not yet recognized as a component of net periodic benefit cost for 2022:

		Pension benefits	Postretirement benefits	Total
Unrecognized prior service credit	$	(12,879)	—	(12,879)
Unrecognized net actuarial loss		449,410	17,084	466,494
	$	436,531	17,084	453,615

Items not yet recognized as a component of net periodic benefit cost for 2021:

		Pension benefits	Postretirement benefits	Total
Unrecognized prior service credit	$	(15,606)	—	(15,606)
Unrecognized net actuarial loss		749,562	8,517	758,079
	$	733,956	8,517	742,473

Estimated amounts to be amortized into net periodic benefit cost over the next fiscal year are as follows:

		Pension benefits	Postretirement benefits	Total
Prior service credit	$	(2,727)	—	(2,727)
Net actuarial loss (gain)		23,282	(985)	22,297
	$	20,555	(985)	19,570

The accumulated benefit obligation for the pension plan was approximately $1.2 billion and $2.4 billion as of June 30, 2022 and 2021, respectively.

The weighted average assumptions used to determine benefit obligations for 2022 and 2021 were as follows:

	Pension benefits		Postretirement benefits	
	2022	2021	2022	2021
Discount rate	5.26 %	3.42 %	4.90 %	2.70 %

The weighted average assumptions used to determine net benefit cost for 2022 and 2021 were as follows:

	Pension benefits		Postretirement benefits	
	2022	2021	2022	2021
Discount rate	3.42 %	3.37 %	2.70 %	2.60 %
Expected return on plan assets	2.30 %	4.75 %	—	—

The expected rate of return assumption on Plan assets was determined by considering current economic and market conditions and by reviewing asset class allocations, historical return analysis, and forward-looking capital market expectations. Asset class allocations were established by considering each class' risk premium commensurate for the level of risk, duration that matches the Plan's liabilities, and incremental diversification benefits. Historical returns and forward-looking capital market expectations were gathered from and compared among the Plan's investment managers and a sampling of the consultant community.

For measurement purposes, approximately a 6.25% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for fiscal years 2022 and 2021 respectively. For both years the rate was assumed to decrease gradually to 4.5% through 2031 and remain at that level thereafter.

The components of net periodic benefit cost (credit) for the years ended June 30, 2022 and 2021 were as follows (in thousands):

	Pension benefits		Postretirement benefits	
	2022	2021	2022	2021
Service cost	$ 21	24	11	16
Interest cost	75,128	80,700	1,416	1,445
Expected return on plan assets	(43,699)	(95,919)	—	—
Amortization of prior service credit	(2,727)	(2,727)	—	—
Net amortization loss (gain)	23,282	28,572	(985)	(747)
Settlement loss	266,743	—	—	—
Net periodic benefit cost	$ 318,748	10,650	442	714

There is no minimum funding requirement for the pension plan during the year ended June 30, 2022.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid, as of June 30, (in thousands):

		Pension benefits	Postretirement benefits
2023	$	156,691	3,837
2024		95,360	3,700
2025		95,346	3,616
2026		97,937	3,548
2027		92,539	3,462
2028–2032		427,989	15,998
	$	965,862	34,161

The Organization has investment guidelines for the Retirement System (the Plan) assets. The overall objective is to ensure the Plan's assets appropriately hedge the liability risks, considering other market risks, while ensuring that the portfolio income and liquidity are appropriate to meet the Plan's benefit payments and other expenses. The Plan's investments are designed in such manner that no single investment would have a disproportionate net impact on the plan funded status. The Plan's asset allocation is reviewed regularly with current market assumptions to realign the asset mix with the long-term investment goals for the Plan. (See note 4 for descriptions of the methodologies used to value Plan's assets, including discounted cash flow analysis, comparable analysis, or third-party appraisals. See note 4 for the definitions of Levels 1, 2, and 3.)

The Plan's assets were invested in the following categories at June 30, 2022 and 2021:

	Pension assets	
	2022	**2021**
Cash and short-term investments	64 %	49 %
Fixed income	36	41
Marketable and nonmarketable alternative funds	—	10
	100 %	100 %

The Plan's assets were within authorized asset allocation ranges at June 30, 2022 and 2021.

(Continued)

The following table represents pension plan assets that are measured at fair value on a recurring basis at June 30, 2022 (in thousands):

	June 30, 2022	Level 1	Level 2	Level 3	Measured at NAV[1]
U.S. government and sovereign securities	$ 480,894	—	480,894	—	—
Hedge funds	2,460	—	—	—	2,460
Private equity and debt	2,184	—	—	—	2,184
Derivative contracts	(29,996)	(290)	(29,706)	—	—
Cash and cash equivalents	832,981	4,125	828,856	—	—
Total plan assets	$ 1,288,523	3,835	1,280,044	—	4,644

The following table represents pension plan assets that are measured at fair value on a recurring basis at June 30, 2021 (in thousands):

	June 30, 2021	Level 1	Level 2	Level 3	Measured at NAV[1]
U.S. government and sovereign securities	$ 849,650	—	849,650	—	—
Hedge funds	2,622	—	—	—	2,622
Private equity and debt	214,612	—	—	—	214,612
Derivative contracts	77,465	15,187	62,278	—	—
Cash and cash equivalents	1,126,447	3,013	1,123,434	—	—
Total plan assets	$ 2,270,796	18,200	2,035,362	—	217,234

(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 as total plan assets.

The Organization had no reportable Level 3 transactions for its defined-benefit plan for both fiscal years ended June 30, 2022 and 2021, respectively.

On behalf of the Plan, the Organization transacts in a variety of derivative instruments, including exchange-traded products (ETNs and ETFs), forwards, swaps, options, and futures. Derivatives are used for investment purposes, such as hedging, replication, completion, diversification, and tail-risk reduction. Each instrument's primary underlying exposure is generally interest rates, equities, commodities, or currencies. Such contracts could involve counterparty risk to varying degrees (i.e., risk of loss from the possible inability of counterparties to meet the terms of their contracts). In the case of over-the-counter derivatives, collateralization and daily marks-to-market mitigate counterparty risk.

The Plan makes special use of derivatives to hedge (partially or fully) the interest rate exposure and credit risk of its pension liabilities. The liabilities are valued via a "discount rate" of investment grade corporate bonds. Uncertainty of future discount rates adds variability to the Plan's funded status as liability valuations shift with rates. Hedging looks to reduce that risk. During the fiscal year ended June 30, 2022, the Plan used interest rate futures and treasury contracts to manage interest rate exposure and credit default swaps to manage the credit spread exposure. Management of interest rate exposure may change over time based upon a variety of factors, such as market conditions, perceived investment opportunities and risks, and investment goals and objectives.

The following table lists the notional/contractual amount of derivatives by contract type included in pension plan assets at June 30, 2022 and 2021 (in thousands):

Derivative type	2022	2021
Treasury contracts	$ 2,121,542	550,479
Interest rate contracts	(81,494)	225,851
Credit default swaps	2,710,000	2,150,000
Equity contracts	1,410,025	—

The following table lists fair value of derivatives by contract type included in pension plan assets as of June 30, 2022 and 2021 (in thousands):

	Derivative assets		Derivative liabilities	
Derivative type	2022	2021	2022	2021
Treasury contracts	$ 3,733	14,198	(39,598)	—
Interest rate contracts	—	9,578	(290)	(841)
Credit default swaps	—	54,530	(1,558)	—
Equity contracts	24,972	—	(17,255)	—
Fair value of derivatives included in investments	$ 28,705	78,306	(58,701)	(841)

The following table lists gains and losses on derivatives by contract type included in actual return on plan assets available for plan benefits as of June 30, 2022 and 2021 (in thousands):

		Realized gains/(losses)		Change in unrealized gains/(losses)	
Derivative type		**2022**	**2021**	**2022**	**2021**
Treasury contracts	$	(128,906)	(47,190)	(50,063)	19,091
Interest rate contracts		36,902	(15,493)	(9,027)	4,525
Credit default swaps		(14,923)	3,188	(44,434)	5,041
Equity contracts		(19,343)	—	7,717	—
Total	$	(126,270)	(59,495)	(95,807)	28,657

For the valuation of the Plan's derivative contracts at June 30, 2022, the Plan used significant other observable inputs as of the valuation date (Level 2), including prices of instruments with similar maturities and characteristics, interest rate yield curves, measures of interest rate volatility, and various market indices. The value was determined and adjusted to reflect nonperformance risk of both the counterparty and the Plan.

(b) American National Red Cross Savings Plan – 401(k) Plan

The Organization sponsors the American Red Cross Savings Plan (the Savings Plan), a defined-contribution plan. In general, employees are eligible to participate upon hire and vest in employer contributions on a three-year cliff schedule. Employer contributions include Red Cross match only. There were $34 million and $32 million in Red Cross employer contributions to the Savings Plan in 2022 and 2021, respectively.

(11) Receivables Securitization Program

The Organization has an asset securitization program. The program is structured to sell the eligible biomedical hospital account receivables, without legal recourse, to a third-party investor, through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. The Organization continues servicing the sold receivables. Proceeds received under the securitization program are treated as secured borrowings. The maximum amount of the agreement is $125 million for years ended June 30, 2022 and 2021 and the total cost of the program approximates the 30-day LIBOR plus 1%. At June 30, 2022 and 2021, the amount of outstanding borrowings under the securitization program was $123 million and $125 million, respectively, and is included in other current liabilities on the statement of financial position.

(12) Commitments and Contingencies

(a) Litigation

The Organization is a party to various litigation, investigations and regulatory inquiries incidental to its operations. In the opinion of management, the ultimate resolution of these matters will not have a materially adverse effect on the Organization’s financial position or future results of operations.

(b) Government Grants

Costs charged to the federal government under cost-reimbursement grants and contracts are subject to government audit. Therefore, all such costs are subject to adjustment. Management believes that adjustments, if any, would not have a significant effect on the consolidated financial statements.

(13) Subsequent Events

The Organization has evaluated subsequent events through the date the consolidated financial statements were issued, October 26, 2022.