

American Liver Foundation

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019



American Liver Foundation

December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
American Liver Foundation
New York, New York

We have audited the accompanying financial statements of American Liver Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Liver Foundation as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

New York, New York
July 19, 2021

American Liver Foundation
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 2,422,890	\$ 1,791,670
Investments	3,061,059	3,039,894
Contributions receivable	180,798	196,618
Prepaid expenses and other assets	88,292	191,894
Property and equipment, net	20,678	47,121
Total assets	\$ 5,773,717	\$ 5,267,197
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 386,518	\$ 169,817
Accrued payroll and related liabilities	121,051	308,085
Deferred revenues	359,509	95,000
Funds held on behalf of others	669,521	774,204
Awards and grants payable	75,000	137,500
Loan payable	737,979	-
Deferred rent payable	22,320	81,638
Total liabilities	2,371,898	1,566,244
 Net Assets		
Without donor restrictions	632,568	614,131
With donor restrictions		
Perpetual in nature	742,035	992,035
Purpose restrictions	1,967,898	2,024,555
Time restricted for future periods	59,318	70,232
	2,769,251	3,086,822
Total net assets	3,401,819	3,700,953
Total liabilities and net assets	\$ 5,773,717	\$ 5,267,197

American Liver Foundation
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions and grants	\$ 2,572,223	\$ 1,019,720	\$ 3,591,943
Contributed services	134,141	-	134,141
Investment return, net	73,066	95,449	168,515
Special events revenues	\$ 1,817,269		
Direct costs of special events	<u>(215,851)</u>	1,601,418	1,601,418
Other income	184,073	-	184,073
Net assets released from restrictions	<u>1,432,740</u>	<u>(1,432,740)</u>	<u>-</u>
Total revenues, gains and other support	<u>5,997,661</u>	<u>(317,571)</u>	<u>5,680,090</u>
Expenses			
Program services			
Public education	1,144,199	-	1,144,199
Research	186,571	-	186,571
Professional education	906,348	-	906,348
Patient support	1,181,018	-	1,181,018
Community services	<u>1,103,198</u>	<u>-</u>	<u>1,103,198</u>
Total program services	<u>4,521,334</u>	<u>-</u>	<u>4,521,334</u>
Supporting services			
Management and general	843,376	-	843,376
Fundraising	<u>614,514</u>	<u>-</u>	<u>614,514</u>
Total supporting services	<u>1,457,890</u>	<u>-</u>	<u>1,457,890</u>
Total expenses	<u>5,979,224</u>	<u>-</u>	<u>5,979,224</u>
Change in Net Assets	18,437	(317,571)	(299,134)
Net Assets, Beginning of Year	<u>614,131</u>	<u>3,086,822</u>	<u>3,700,953</u>
Net Assets, End of Year	<u>\$ 632,568</u>	<u>\$ 2,769,251</u>	<u>\$ 3,401,819</u>

American Liver Foundation
Statements of Activities (Continued)
Years Ended December 31, 2020 and 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions and grants	\$ 2,811,131	\$ 1,330,163	\$ 4,141,294
Contributed services	525,462	-	525,462
Investment return, net	133,776	215,529	349,305
Special events revenues	\$ 5,497,486		
Direct costs of special events	<u>(927,166)</u>	4,570,320	4,570,320
Other income	35,890	-	35,890
Net assets released from restrictions	<u>2,260,705</u>	<u>(2,260,705)</u>	<u>-</u>
Total revenues, gains and other support	<u>10,337,284</u>	<u>(715,013)</u>	<u>9,622,271</u>
Expenses			
Program services			
Public education	1,790,670	-	1,790,670
Research	377,122	-	377,122
Professional education	1,507,357	-	1,507,357
Patient support	1,677,847	-	1,677,847
Community services	<u>1,480,641</u>	<u>-</u>	<u>1,480,641</u>
Total program services	<u>6,833,637</u>	<u>-</u>	<u>6,833,637</u>
Supporting services			
Management and general	1,334,229	-	1,334,229
Fundraising	<u>1,080,670</u>	<u>-</u>	<u>1,080,670</u>
Total supporting services	<u>2,414,899</u>	<u>-</u>	<u>2,414,899</u>
Total expenses	<u>9,248,536</u>	<u>-</u>	<u>9,248,536</u>
Change in Net Assets	1,088,748	(715,013)	373,735
Net Assets, Beginning of Year	<u>(474,617)</u>	<u>3,801,835</u>	<u>3,327,218</u>
Net Assets, End of Year	<u>\$ 614,131</u>	<u>\$ 3,086,822</u>	<u>\$ 3,700,953</u>

American Liver Foundation
Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020										
	Program Services					Total	Supporting Services			Total	Total
	Public Education	Research	Professional Education	Patient Support	Community Services		Management and General	Fundraising	Direct Costs of Special Events		
Salaries	\$ 543,622	\$ 30,588	\$ 489,931	\$ 699,364	\$ 607,959	\$ 2,371,464	\$ 380,406	\$ 303,675	\$ -	\$ 684,081	\$ 3,055,545
Payroll taxes and benefits	123,529	6,951	111,329	158,919	138,149	538,877	86,441	69,005	-	155,446	694,323
Awards and grants	-	125,000	-	-	-	125,000	-	-	-	-	125,000
Depreciation and amortization	4,705	265	4,240	6,052	5,261	20,523	3,292	2,628	-	5,920	26,443
Computer support services	46,399	2,597	41,590	59,369	51,609	201,564	32,292	24,329	-	56,621	258,185
Media	21,753	76	1,560	1,727	7,176	32,292	939	3,721	-	4,660	36,952
Postage and shipping	3,618	164	3,447	3,761	3,516	14,506	2,045	27,169	-	29,214	43,720
Printing, publishing and copying	23,444	43	1,175	986	3,157	28,805	536	15,516	-	16,052	44,857
Professional services	162,130	12,367	42,692	58,802	115,108	391,099	31,984	46,233	-	78,217	469,316
Contributed services - professional services	-	-	-	-	-	-	134,141	-	-	134,141	134,141
Occupancy	131,275	5,699	91,273	130,289	113,261	471,797	70,869	56,686	-	127,555	599,352
Insurance	8,816	496	7,945	11,341	9,859	38,457	6,169	4,925	-	11,094	49,551
Supplies	2,351	115	2,235	2,626	2,713	10,040	1,428	6,450	-	7,878	17,918
Telephone and internet	8,079	455	7,281	10,393	9,035	35,243	5,653	4,513	-	10,166	45,409
Travel	31,336	436	11,777	9,964	10,048	63,561	5,420	6,163	-	11,583	75,144
Hotel, catering and other event expenses	14,412	734	80,359	16,789	17,102	129,396	9,132	15,099	215,851	240,082	369,478
Interest and bank fees	-	-	-	-	-	-	7,690	-	-	7,690	7,690
Credit card fees	-	-	-	-	-	-	59,154	-	-	59,154	59,154
Other expenses	18,730	585	9,514	10,636	9,245	48,710	5,785	28,402	-	34,187	82,897
Total expenses	1,144,199	186,571	906,348	1,181,018	1,103,198	4,521,334	843,376	614,514	215,851	1,673,741	6,195,075
Less expenses deducted directly from revenues											
Direct costs of special events	-	-	-	-	-	-	-	-	(215,851)	(215,851)	(215,851)
Total expenses included in the expense section on the statements of activities	\$ 1,144,199	\$ 186,571	\$ 906,348	\$ 1,181,018	\$ 1,103,198	\$ 4,521,334	\$ 843,376	\$ 614,514	\$ -	\$ 1,457,890	\$ 5,979,224

American Liver Foundation
Statements of Functional Expenses (Continued)
Years Ended December 31, 2020 and 2019

	2019										
	Program Services					Total	Supporting Services			Total	Total
	Public Education	Research	Professional Education	Patient Support	Community Services		Management and General	Fundraising	Direct Costs of Special Events		
Salaries	\$ 891,173	\$ 56,008	\$ 710,051	\$ 1,087,335	\$ 894,428	\$ 3,638,995	\$ 434,398	\$ 504,145	\$ -	\$ 938,543	\$ 4,577,538
Payroll taxes and benefits	158,458	9,959	126,253	193,338	159,037	647,045	77,240	89,641	-	166,881	813,926
Awards and grants	-	275,000	-	-	-	275,000	-	-	-	-	275,000
Depreciation and amortization	6,735	423	5,367	8,219	6,760	27,504	3,283	3,811	-	7,094	34,598
Computer support services	55,541	3,489	44,227	67,727	55,711	226,695	27,057	31,973	-	59,030	285,725
Media	47,173	63	2,626	1,224	3,602	54,688	489	8,595	-	9,084	63,772
Postage and shipping	6,115	161	11,547	3,124	3,347	24,294	1,248	24,332	-	25,580	49,874
Printing, publishing and copying	29,029	125	7,148	2,412	7,644	46,358	964	57,679	-	58,643	105,001
Professional services	217,077	18,949	43,327	66,188	73,644	419,185	26,443	105,308	-	131,751	550,936
Contributed services - professional services	-	-	-	-	-	-	525,462	-	-	525,462	525,462
Occupancy	128,697	8,088	102,564	157,025	129,167	525,541	62,732	73,692	-	136,424	661,965
Insurance	4,063	255	3,238	4,957	4,078	16,591	1,981	2,299	-	4,280	20,871
Supplies	14,782	218	4,319	4,226	33,057	56,602	1,688	12,547	-	14,235	70,837
Telephone and internet	12,672	796	10,096	15,461	12,718	51,743	6,177	7,193	-	13,370	65,113
Travel	142,392	2,377	78,656	45,437	59,165	328,027	18,153	36,670	-	54,823	382,850
Hotel, catering and other event expenses	27,599	289	326,381	5,605	25,477	385,351	2,239	85,964	927,166	1,015,369	1,400,720
Interest and bank fees	-	-	-	-	-	-	5,348	-	-	5,348	5,348
Credit card fees	-	-	-	-	-	-	133,107	-	-	133,107	133,107
Other expenses	49,164	922	31,557	15,569	12,806	110,018	6,220	36,821	-	43,041	153,059
Total expenses	1,790,670	377,122	1,507,357	1,677,847	1,480,641	6,833,637	1,334,229	1,080,670	927,166	3,342,065	10,175,702
Less expenses deducted directly from revenues											
Direct costs of special events	-	-	-	-	-	-	-	-	(927,166)	(927,166)	(927,166)
Total expenses included in the expense section on the statements of activities	\$ 1,790,670	\$ 377,122	\$ 1,507,357	\$ 1,677,847	\$ 1,480,641	\$ 6,833,637	\$ 1,334,229	\$ 1,080,670	\$ -	\$ 2,414,899	\$ 9,248,536

American Liver Foundation
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ (299,134)	\$ 373,735
Items not requiring (providing) operating cash flows		
Depreciation and amortization	26,443	34,598
Net realized and unrealized gains on investments	(137,735)	(290,023)
Changes in		
Contributions receivable	15,820	920,862
Prepaid expenses and other assets	103,602	27,267
Accounts payable and accrued expenses	216,701	(194,335)
Accrued payroll and related liabilities	(187,034)	3,623
Deferred revenues	264,509	95,000
Funds held on behalf of others	(104,683)	(19,776)
Awards and grants payable	(62,500)	(100,000)
Deferred rent payable	(59,318)	(51,869)
	<u>(223,329)</u>	<u>799,082</u>
Investing Activities		
Purchase of investments	(365,643)	(779,612)
Proceeds from sale of investments	482,213	304,354
Property and equipment acquisitions	-	(3,165)
	<u>116,570</u>	<u>(478,423)</u>
Financing Activities		
Proceeds from loan	737,979	-
Proceed from short-term borrowing	-	280,500
Principal payment on short-term borrowing	-	(380,009)
	<u>737,979</u>	<u>(99,509)</u>
Change in Cash and Cash Equivalents	631,220	221,150
Cash and Cash Equivalents, Beginning of Year	1,791,670	1,570,520
Cash and Cash Equivalents, End of Year	\$ 2,422,890	\$ 1,791,670
Supplemental Cash Flows Information		
Interest paid	\$ 7,727	\$ 5,297

American Liver Foundation

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Nature of Organization

Nature of Operations

American Liver Foundation (the Foundation) is a national nonprofit organization supporting liver health education, advocacy and disease prevention. The Foundation provides funds for research, public, patient and professional education programs, support services, broad awareness activities and advocacy for those affected by liver-related diseases.

The Foundation conducts community-based programs that provide the most up-to-date information on disease-specific and treatment issues, address the trends in hepatology research and connect individuals and groups to information and services that they need. The Foundation's programmatic efforts address the needs of liver patients and their families; the general public; health care and social service professionals; health care institutions; local, state and federal legislators and policy makers; and advocacy groups and community-based organizations. The Foundation operates a national helpline providing basic disease information in English and most foreign languages.

The Foundation is supported primarily by special events, individual and corporate contributions and grants.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts.

At December 31, 2020, the Foundation's cash accounts exceeded federally insured limits by \$2,208,302.

Investments and Net Investment Return

The Foundation measures securities at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

American Liver Foundation

Notes to Financial Statements

December 31, 2020 and 2019

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenue with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Allowance for Doubtful Accounts

The Foundation has determined that no allowance for uncollectible accounts for contributions receivable is necessary as of December 31, 2020 and 2019. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions, subsequent collections and historical information.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	4 - 10 years
Office equipment	5 years
Computers and peripherals	3 years

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2020 and 2019.

Funds Held on Behalf of Others

The Foundation acts as an administrator for funds collected on behalf of liver transplant patients. The Foundation disburses funds to cover the cost of properly documented post-surgery expenses.

American Liver Foundation

Notes to Financial Statements

December 31, 2020 and 2019

Awards and Grants Payable

Liver Scholars Awards, Special Research Initiative Awards, Seed Grant Awards and post-doctoral research fellowships are expensed in the year granted and are subject to an annual review and renewal process. All awards and grants payable are current as of December 31, 2020 and 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on a future and uncertain event	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed condition is substantially met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

American Liver Foundation

Notes to Financial Statements

December 31, 2020 and 2019

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

As of December 31, 2020 and 2019, all contributions receivable are due within one year.

Special Events

The Foundation conducts special events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by the participants at the events. All proceeds received are recorded as special events revenues in the accompanying statements of activities.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services consisted of donated professional fees.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on salaries and other methods.

American Liver Foundation

Notes to Financial Statements

December 31, 2020 and 2019

Rent Expense

The Foundation leases space at various locations. All leases are operating leases and are reflected on the straight-line basis. Deferred rent represents the difference between the fixed payments and the rent expense.

Revision/Reclassification

A reclassification was made to separate deferred revenues from accounts payable and accrued expenses in the 2019 statements of financial position to conform to the 2020 statements of financial position presentation. This reclassification had no effect on the change in net assets. In addition, *Note 2* was revised to include disclosures of contract liabilities as of December 31, 2019 and January 1, 2019 which were previously omitted.

Note 2: Revenue from Contracts with Special Event Attendees

Special Events Revenue

Revenue from special events is reported at the amount that reflects the consideration to which the Foundation expects to be entitled in exchange for the direct cost of the benefits received by the participant at the event.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Foundation. Revenue for performance obligations satisfied over a period of time is generally recognized when goods are provided to donors over a period of time and the Foundation does not believe it is required to provide additional goods or services related to that sale.

Transaction Price

The Foundation determines the transaction price based on standard charges for goods and services provided. For the years ended December 31, 2020 and 2019, the Foundation recognized revenue of \$116,700 and \$703,552, respectively, from goods and services that transfer to the attendee over a period of time.

Contract Liabilities

Contract liabilities primarily related to the Foundation's obligation to transfer goods or services to a customer when contracts have already been received from the customer. Contract liabilities as of December 31 2020 and 2019 were \$359,509 and \$95,000, respectively. There were no contract liabilities as of January 1, 2019.

American Liver Foundation

Notes to Financial Statements

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Note 3: Investments and 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

	2020			
	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities, domestic	\$ 676,278	\$ 676,278	\$ -	\$ -
Mutual funds				
International equity	391,816	391,816	-	-
Emerging markets	33,319	33,319	-	-
Real asset securities	109,550	109,550	-	-
Fixed income	1,008,314	1,008,314	-	-
Total investments	2,219,277	<u>\$ 2,219,277</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	841,782			
Total	<u>\$ 3,061,059</u>			

American Liver Foundation

Notes to Financial Statements

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	2019			
	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities, domestic	\$ 708,113	\$ 708,113	\$ -	\$ -
Mutual funds				
International equity	409,643	409,643	-	-
Emerging markets	32,729	32,729	-	-
Real asset securities	120,576	120,576	-	-
Fixed income	1,120,296	1,120,296	-	-
Total investments	2,391,357	<u>\$ 2,391,357</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>648,537</u>			
Total	<u>\$ 3,039,894</u>			

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2020 and 2019.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 4: Conditional Gifts

The Foundation has received \$869,700 of conditional promises to give at December 31, 2019 that are not recognized in the financial statements. These conditional promise will be recognized upon the occurrence of future special events. These conditional promises were recognized at December 31, 2020 and there is no conditional promises in at December 31, 2020.

American Liver Foundation

Notes to Financial Statements

December 31, 2020 and 2019

Note 5: Property and Equipment

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 97,448	\$ 97,448
Office equipment	465,745	465,745
Computers and peripherals	<u>751,440</u>	<u>751,440</u>
	1,314,633	1,314,633
Less accumulated depreciation and amortization	<u>(1,293,955)</u>	<u>(1,267,512)</u>
	<u>\$ 20,678</u>	<u>\$ 47,121</u>

Note 6: Line of Credit

The Foundation obtained a \$500,000 revolving line of credit from TD Bank. The line is collateralized by the Foundation's assets. The interest rate is prime plus 74 basis points, which was 5.25 percent and 5.49 percent at December 31, 2020 and 2019, respectively. No funds were due as of December 31, 2020 and 2019 under this line of credit. The availability of the credit line is re-evaluated annually by TD Bank and has been extended to October 2021.

Note 7: Loan Payable

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. In April 2020, the Foundation received a loan in the amount of \$737,979 pursuant to the Paycheck Protection Program (PPP). The Foundation has elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of one percent per year. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA) or lender; as a result of such audit, adjustments could be required to any gain recognized.

In February 2021, the Foundation was approved for the SBA loan forgiveness for the aforementioned PPP loan.

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Notes to Financial Statements

December 31, 2020 and 2019

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Research program	\$ 676,897	\$ 633,762
Community services	<u>1,044,921</u>	<u>1,160,622</u>
	<u>1,721,818</u>	<u>1,794,384</u>
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>59,318</u>	<u>70,232</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for research program	246,080	230,171
Subject to NFP endowment spending policy and appropriation		
Research program	<u>742,035</u>	<u>992,035</u>
Total endowments	<u>988,115</u>	<u>1,222,206</u>
	<u>\$ 2,769,251</u>	<u>\$ 3,086,822</u>

American Liver Foundation

Notes to Financial Statements

December 31, 2020 and 2019

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 230,582	\$ 716,156
Satisfaction of purpose restrictions		
Research program	47,799	18,872
Community services	824,819	1,413,177
	<u>1,103,200</u>	<u>2,148,205</u>
Endowments		
Restricted purpose spending-rate distributions and appropriations		
Research program	79,540	112,500
Not subject to spending and appropriation policy		
Required to be maintained in perpetuity by donor		
Research program	<u>250,000</u>	<u>-</u>
	<u>329,540</u>	<u>112,500</u>
Total endowment	<u>\$ 1,432,740</u>	<u>\$ 2,260,705</u>

Note 9: Endowment

The Foundation's governing body is subject to the *State of New York Prudent Management of Institutional Funds Act* (NYPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

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

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments

American Liver Foundation

Notes to Financial Statements

December 31, 2020 and 2019

6. Other resources of the Foundation

7. Investment policies of the Foundation

The Foundation's endowment consists of six individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at December 31, 2020 and 2019 were:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 742,035	\$ 742,035
Accumulated investment gains	-	246,080	246,080
Total endowment funds	<u>\$ -</u>	<u>\$ 988,115</u>	<u>\$ 988,115</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 992,035	\$ 992,035
Accumulated investment gains	-	230,171	230,171
Total endowment funds	<u>\$ -</u>	<u>\$ 1,222,206</u>	<u>\$ 1,222,206</u>

Change in endowment net assets for the years ended December 31, 2020 and 2019 were:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,222,206	\$ 1,222,206
Investment return, net	-	95,449	95,449
Appropriation of endowment assets for expenditures	-	(329,540)	(329,540)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 988,115</u>	<u>\$ 988,115</u>

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Notes to Financial Statements

December 31, 2020 and 2019

		2019	
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,112,588	\$ 1,112,588
Investment return, net	-	222,118	222,118
Appropriation of endowment assets for expenditures	-	(112,500)	(112,500)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,222,206</u>	<u>\$ 1,222,206</u>

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods. Under the Foundation's policies, endowment assets are invested in equities and mutual funds.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation 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. The Foundation evaluates the needs of the programs and the board annually approves the spending.

Underwater Endowments

The Foundation does not have any underwater endowments.

Note 10: Pension Plan

The Foundation has a 403(b) defined contribution pension plan. The employer matches 50 percent of the first two percent of salary contributed to the plan by eligible participants. All active employees are covered by the plan. Pension expense was \$19,396 and \$28,722 for the years ended December 31, 2020 and 2019, respectively.

American Liver Foundation

Notes to Financial Statements

December 31, 2020 and 2019

Note 11: Lease Commitments

The Foundation rents space under several noncancelable operating leases that have expiration dates in 2021. Rent is being expensed on the straight-line method over the term of the lease. As a result of the COVID-19, the Foundation terminated 13 of its 14 division office leases. The following are the total future minimum rental payments required under operating leases:

2021	<u>\$ 113,851</u>
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Rent expense for the years ended December 31, 2020 and 2019 was \$543,770 and \$607,799, respectively. Deferred rent payable as of December 31, 2020 and 2019 was \$22,320 and \$81,638, respectively.

Note 12: Significant Estimates and Concentrations

GAAP require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contribution Revenue

During 2019, the Foundation received approximately 48 percent of total contributions from three donors. No concentrations existed in 2020.

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

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Notes to Financial Statements

December 31, 2020 and 2019

Note 13: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position note, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,422,890	\$ 1,791,670
Investments	3,061,059	3,039,894
Contributions receivable	<u>180,798</u>	<u>196,618</u>
Total financial assets	<u>5,664,747</u>	<u>5,028,182</u>
Less amounts not available to be used within one year		
Perpetual in nature	(742,035)	(992,035)
Purpose restrictions	(1,967,898)	(2,024,555)
Funds held on behalf of others	<u>(669,521)</u>	<u>(774,204)</u>
Net financial assets after donor-imposed restrictions	<u>(3,379,454)</u>	<u>(3,790,794)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,285,293</u>	<u>\$ 1,237,388</u>

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The Foundation has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet 30 to 90 days of expected expenditures. To achieve these targets, the Foundation forecasts its future cash flows and monitors its liquidity monthly and monitors its reserves monthly. During the years ended December 31, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

Note 14: Subsequent Events

Subsequent events have been evaluated through July 19, 2021, which is the date the financial statements were available to be issued.

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Notes to Financial Statements

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In February 2021, the Foundation applied for a second PPP loan that was received in March 2021 in the amount of \$697,237. The loan term is 5 years from the date of the first disbursement and has fixed interest rate of one percent per annum. A portion of the loan may be forgiven; however, as of the date of this report any amount of forgiveness is unable to be determined.

In March 2021, the Foundation entered into a one-year office lease with a one-year renewal option. The total financial commitment for the one-year lease is \$32,699.

Note 15: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board (FASB) amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021 and any interim periods within annual reporting periods that begin after December 15, 2022. The Foundation is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Accounting for Financial Instruments – Credit Losses

FASB amended its standards related to the accounting for credit losses on financial instruments. This amendment introduces new guidance for accounting for credit losses on instruments including trade receivables and finance receivables. The new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those years. The Foundation is in the process of evaluating the effect the amendment will have on the financial statements.