

# **American Liver Foundation**

Independent Auditor's Report and Financial Statements

December 31, 2018



# American Liver Foundation

December 31, 2018

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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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in *Note 12* to the financial statements, in 2018, American Liver Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Prior Year Audited by Other Auditors and Summarized Comparative Information**

The 2017 financial statements were audited by other auditors, and their report thereon, dated June 4, 2018, expressed an unmodified opinion. The summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent with the audited financial statements from which it has been derived.

**BKD, LLP**

New York, New York  
June 21, 2019

**American Liver Foundation**  
**Statement of Financial Position**  
**December 31, 2018 and 2017**  
**(With Summarized Financial Information for December 31, 2017)**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,570,520	\$ 1,458,383
Investments	2,274,611	2,523,272
Contributions receivable	1,117,480	934,485
Prepaid expenses and other assets	219,161	288,229
Property and equipment, net	78,556	116,422
Total assets	\$ 5,260,328	\$ 5,320,791
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 364,152	\$ 263,206
Accrued payroll and related liabilities	304,462	265,485
Funds held on behalf of others	793,980	801,234
Awards and grants payable	237,500	175,000
Line of credit	99,509	-
Deferred rent payable	133,507	169,828
Total liabilities	1,933,110	1,674,753
 <b>Net Assets</b>		
Without Donor Restrictions	(474,617)	(299,628)
With Donor Restrictions		
Perpetual in nature	992,035	992,035
Purpose restrictions	2,082,157	2,175,478
Time-restricted for future periods	727,643	778,153
	3,801,835	3,945,666
Total net assets	3,327,218	3,646,038
Total liabilities and net assets	\$ 5,260,328	\$ 5,320,791

**American Liver Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2018**  
**(With Summarized Financial Information for the Year Ended December 31, 2017)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2018</b>	<b>2017</b>
<b>Revenues, Gains and Other Support</b>				
Contributions and grants	\$ 1,882,750	\$ 2,435,025	\$ 4,317,775	\$ 3,901,538
Contributed services	268,000	-	268,000	-
In-kind donation	-	-	-	7,733
Investment return, net	(45,866)	(75,351)	(121,217)	291,171
Special events revenues	\$ 5,637,249	-	-	-
Direct costs of special events	<u>(897,707)</u>	-	4,739,542	5,119,503
Other income	25,653	-	25,653	25,994
Net assets released from restrictions	<u>2,503,504</u>	<u>(2,503,504)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>9,373,583</u>	<u>(143,830)</u>	<u>9,229,753</u>	<u>9,345,939</u>
<b>Expenses</b>				
Program Services				
Public education	1,859,566	-	1,859,566	1,945,029
Research	587,528	-	587,528	475,263
Professional education	1,374,807	-	1,374,807	1,267,459
Patient support	1,725,794	-	1,725,794	1,672,242
Community services	<u>1,844,091</u>	<u>-</u>	<u>1,844,091</u>	<u>1,739,926</u>
Total program services	<u>7,391,786</u>	<u>-</u>	<u>7,391,786</u>	<u>7,099,919</u>
Supporting Services				
Management and general	1,197,107	-	1,197,107	907,604
Fund raising	<u>959,680</u>	<u>-</u>	<u>959,680</u>	<u>898,131</u>
Total supporting services	<u>2,156,787</u>	<u>-</u>	<u>2,156,787</u>	<u>1,805,735</u>
Total expenses	<u>9,548,573</u>	<u>-</u>	<u>9,548,573</u>	<u>8,905,654</u>
<b>Change in Net Assets</b>	(174,990)	(143,830)	(318,820)	440,285
<b>Net Assets, Beginning of Year</b>	<u>(299,628)</u>	<u>3,945,666</u>	<u>3,646,038</u>	<u>3,205,753</u>
<b>Net Assets, End of Year</b>	<u>\$ (474,618)</u>	<u>\$ 3,801,836</u>	<u>\$ 3,327,218</u>	<u>\$ 3,646,038</u>

**American Liver Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**  
**(With Summarized Financial Information for the Year Ended December 31, 2017)**

	Program Services						Supporting Services				Total	
	Public Education	Research	Professional Education	Patient Support	Community Services	Total	Management and General	Fund Raising	Direct Costs of Special Events	Total	2018	2017
Salaries and related expenses	\$ 1,157,248	\$ 71,300	\$ 767,843	\$ 1,305,332	\$ 1,080,464	\$ 4,382,187	\$ 592,336	\$ 510,067	\$ -	\$ 1,102,403	\$ 5,484,590	\$ 5,261,419
Awards and grants	-	475,000	-	-	-	475,000	-	-	-	-	475,000	350,000
Depreciation and amortization	8,783	541	5,828	9,907	8,200	33,259	4,495	3,871	-	8,366	41,625	55,956
Computer support services	42,324	2,601	28,118	47,622	39,418	160,083	21,610	18,608	-	40,218	200,301	260,140
Media	67,303	103	73,347	1,893	4,986	147,632	859	13,139	-	13,998	161,630	278,647
Postage and shipping	4,409	146	3,965	2,681	6,323	17,524	1,217	23,914	-	25,131	42,655	51,447
Printing, publishing and copying	18,530	97	9,674	1,768	41,765	71,834	802	62,984	-	63,786	135,620	107,943
Professional services	171,940	21,762	61,798	99,532	298,664	653,696	45,166	92,384	-	137,550	791,246	766,013
Contributed services - professional services	-	-	-	-	-	-	268,000	-	-	268,000	268,000	-
Occupancy	140,580	8,661	93,276	158,568	131,252	532,337	71,955	62,612	-	134,567	666,904	649,516
Insurance	6,571	405	4,360	7,412	6,135	24,883	3,363	2,896	-	6,259	31,142	42,940
Supplies	10,854	227	4,552	4,153	73,576	93,362	1,884	20,397	-	22,281	115,643	72,515
Telephone and internet	14,857	905	9,741	16,561	13,708	55,772	7,515	6,471	-	13,986	69,758	70,691
Travel	161,020	4,047	65,525	46,625	59,588	336,805	21,157	38,131	-	59,288	396,093	393,931
Hotel, catering and other event expenses	29,946	409	222,479	7,177	66,302	326,313	3,257	71,916	897,707	972,880	1,299,193	1,161,457
Interest and bank fees	-	-	-	-	-	-	3,066	-	-	3,066	3,066	6,904
Credit card fees	-	-	-	-	-	-	142,911	-	-	142,911	142,911	128,929
Other expenses	25,201	1,324	24,301	16,563	13,710	81,099	7,514	32,290	-	39,804	120,903	104,394
<b>Total expenses</b>	<b>1,859,566</b>	<b>587,528</b>	<b>1,374,807</b>	<b>1,725,794</b>	<b>1,844,091</b>	<b>7,391,786</b>	<b>1,197,107</b>	<b>959,680</b>	<b>897,707</b>	<b>3,054,494</b>	<b>10,446,280</b>	<b>9,762,842</b>
Less expenses deducted directly from revenues	-	-	-	-	-	-	-	-	(897,707)	(897,707)	(897,707)	(857,188)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 1,859,566</b>	<b>\$ 587,528</b>	<b>\$ 1,374,807</b>	<b>\$ 1,725,794</b>	<b>\$ 1,844,091</b>	<b>\$ 7,391,786</b>	<b>\$ 1,197,107</b>	<b>\$ 959,680</b>	<b>\$ -</b>	<b>\$ 2,156,787</b>	<b>\$ 9,548,573</b>	<b>\$ 8,905,654</b>

**American Liver Foundation**  
**Statement of Cash Flows**  
**Years Ended December 31, 2018**  
**(With Summarized Financial Information for the Year Ended December 31, 2017)**

	<b>2018</b>	<b>2017</b>
<b>Operating Activities</b>		
Change in net assets	\$ (318,820)	\$ 440,285
Items not requiring (providing) operating cash flows		
Depreciation and amortization	41,625	55,956
Net realized and unrealized (gains) losses on investments	164,780	(250,845)
Changes in		
Contributions receivable	(182,995)	(76,554)
Prepaid expenses and other assets	69,068	(43,432)
Accounts payable and accrued expenses	100,946	25,156
Accrued payroll and related liabilities	38,977	(11,502)
Funds held on behalf of others	(7,254)	(7,372)
Awards and grants payable	62,500	37,500
Deferred rent payable	(36,321)	(21,353)
	(67,494)	147,839
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Purchase of investments	(705,834)	(503,295)
Proceeds from sale of investments	789,715	779,745
Fixed asset acquisitions	(3,759)	(10,296)
	80,122	266,154
Net cash provided by investing activities		
<b>Financing Activities</b>		
Net short-term borrowings	99,509	(300,000)
	99,509	(300,000)
Net cash provided by (used in) financing activities		
<b>Change in Cash and Cash Equivalents</b>	112,137	113,993
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,458,383	1,344,390
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,570,520	\$ 1,458,383
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 2,904	\$ 6,768



# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### 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 has 18 divisions throughout the United States. The divisions conduct 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 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. At December 31, 2018 and 2017, cash equivalents consisted primarily of money market accounts.

At December 31, 2018, the Foundation's cash accounts exceeded federally insured limits by approximately \$1,350,000.

#### ***Investments and Net Investment Return***

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment return includes dividend, interest; realized and unrealized gains and losses on investments carried at fair value.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### ***Contributions Receivable***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in the contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met. As of December 31, 2018 and 2017, all contributions receivable were due within one year.

### ***Allowance for Doubtful Accounts***

The Foundation has determined that no allowance for uncollectible accounts for contributions receivable is necessary as of December 31, 2018 and 2017. 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 is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and 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:

Land 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, 2018 and 2017.

### ***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, 2018

### **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, 2018 and 2017.

### **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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<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, 2018

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 statement 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.

### ***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 statement 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 statement of activities. The statement 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.

### ***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.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### Note 2: 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 table presents 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, 2018 and 2017:

	Fair Value	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)
<b>December 31, 2018</b>				
Cash equivalents	\$ 184,950	\$ 184,950	\$ -	\$ -
Equity securities, domestic	587,476	587,476	-	-
Mutual funds				
International equity	321,896	321,896	-	-
Emerging markets	23,328	23,328	-	-
Real asset securities	104,899	104,899	-	-
Fixed income	1,052,062	1,052,062	-	-
Total investments	<u>\$ 2,274,611</u>	<u>\$ 2,274,611</u>	<u>\$ -</u>	<u>\$ -</u>

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

	Fair Value Measurements at Report Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2017</b>				
Cash equivalents	\$ 71,329	\$ 71,329	\$ -	\$ -
Equity securities, domestic Mutual funds	697,931	697,931	-	-
International equity	345,998	345,998	-	-
Emerging markets	38,053	38,053	-	-
Real asset securities	114,050	114,050	-	-
Fixed income	1,255,911	1,255,911	-	-
Total investments	<u>\$ 2,523,272</u>	<u>\$ 2,523,272</u>	<u>\$ -</u>	<u>\$ -</u>

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 statement 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, 2018 and 2017.

### **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.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### Note 3: Property and Equipment

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 97,448	\$ 97,448
Office equipment	464,782	462,752
Computers and peripherals	<u>749,240</u>	<u>747,510</u>
	1,311,470	1,307,710
Less accumulated depreciation and amortization	<u>(1,232,914)</u>	<u>(1,191,288)</u>
	<u>\$ 78,556</u>	<u>\$ 116,422</u>

### Note 4: Line of Credit

In 2017, the Foundation obtained a \$300,000 revolving line of credit from TD Bank. During 2018, the line was increased to \$500,000. The line is collateralized by the Foundation's assets. The interest rate is prime plus 74 basis points, which was 6.24% and 5.24% at December 31, 2018 and 2017, respectively. The balance due at December 31, 2018 was \$99,509. No funds were due as of December 31, 2017 under this line of credit. The availability of the credit line is re-evaluated annually by TD Bank.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### Note 5: Net Assets With Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose		
Research program	\$ 631,145	\$ 797,991
Community services	<u>1,330,459</u>	<u>1,153,639</u>
	<u>1,961,604</u>	<u>1,951,630</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>727,643</u>	<u>778,153</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for Research program	120,553	223,848
Subject to NFP endowment spending policy and appropriation		
Research program	<u>992,035</u>	<u>992,035</u>
Total endowments	<u>1,112,588</u>	<u>1,215,883</u>
	<u>\$ 3,801,835</u>	<u>\$ 3,945,666</u>



# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### **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>2018</u>	<u>2017</u>
Expiration of time restrictions	\$ 765,603	\$ 894,313
Satisfaction or purpose restrictions		
Research program	209,024	33,850
Community services	<u>1,500,934</u>	<u>1,116,920</u>
	<u>2,475,561</u>	<u>2,045,083</u>
Restricted purpose spending-rate distributions and appropriations		
Research program	<u>27,943</u>	<u>62,500</u>
	<u>\$ 2,503,504</u>	<u>\$ 2,107,583</u>

### **Note 6: 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
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 accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

The composition of net assets by type of endowment fund at December 31, 2018 and 2017, was:

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	-	120,553	120,553
Total endowment funds	<u>\$ -</u>	<u>\$ 1,112,588</u>	<u>\$ 1,112,588</u>
	<b>2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	-	223,848	223,848
Total endowment funds	<u>\$ -</u>	<u>\$ 1,215,883</u>	<u>\$ 1,215,883</u>

Change in endowment net assets for the years ended December 31, 2018 and 2017 were:

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 1,215,883	\$ 1,215,883
Investment return, net	-	(75,352)	(75,352)
Contributions	-	-	-
Appropriation of endowment assets for expenditures	-	(27,943)	(27,943)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,112,588</u>	<u>\$ 1,112,588</u>

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,103,423	\$ 1,103,423
Investment return, net	-	174,960	174,960
Contributions	-	-	-
Appropriation of endowment assets for expenditures	-	(62,500)	(62,500)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,215,883</u>	<u>\$ 1,215,883</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.

### ***Underwater Endowments***

The Foundation does not have any underwater endowments.

### **Note 7: Pension Plan**

The Foundation has a 403(b) defined contribution pension plan. The employer matches 50% of the first 2% of salary contributed to the Plan by eligible participants. All active employees are covered by the plan. Pension expense was \$30,131 and \$24,909 for the years ended December 31, 2018 and 2017, respectively.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### Note 8: Lease Commitments

The Foundation rents space under several noncancelable operating leases that have expiration dates ranging from 2018 through 2022. Rent is being expensed on the straight-line method over the term of the lease. The following are the total future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year:

2019	\$	560,953
2020		363,321
2021		112,171
2022		<u>3,379</u>
	\$	<u>1,039,824</u>

Rent expense for the years ended December 31, 2018 and 2017 was \$617,642 and \$599,385, respectively. Deferred rent payable as of December 31, 2018 and 2017 was \$133,507 and \$169,828, respectively.

### Note 9: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***General Litigation***

The Foundation is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Foundation. Events could occur that would change this estimate materially in the near term.

#### ***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.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### Note 10: Liquidity and Availability

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

Financial assets at year end	
Cash and cash equivalents	\$ 1,570,520
Investments	2,274,611
Contributions receivable	<u>1,117,480</u>
Total financial assets	<u>4,962,611</u>
Less amounts not available to be used within one year	
Endowments	(992,035)
Restricted funds (purpose-restricted)	(2,182,157)
Funds held on behalf of others	<u>(793,980)</u>
Net financial assets after donor imposed restrictions	<u>(3,968,172)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 994,439</u>

The Foundation receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended December 31, 2018, \$727,643 of contributions time-restricted for future periods were included in financial assets available to meet cash needs for general expenditures within one year.

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 year ended December 31, 2018 the level of liquidity and reserves was managed within the policy requirements.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### Note 11: Subsequent Events

Subsequent events have been evaluated through June 21, 2019, which is the date the financial statements were available to be issued.

### Note 12: Change in Accounting Principle

In 2018, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

#### **Statement of Financial Position**

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

#### **Statement of Activities**

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

#### **Notes to the Financial Statements**

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2018

### Note 13: Future Changes in Accounting Principles

#### ***Grants and Contributions***

The Financial Accounting Standards Board released ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to clarify existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is non-exchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. The standard will be effective for reporting periods beginning on or after December 15, 2018. The Foundation is in the process of evaluating the impact the amendment will have on the financial statements.

#### ***Accounting for Leases***

The Financial Accounting Standards Board 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 balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement 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, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Foundation is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.