

# **American Liver Foundation**

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

# American Liver Foundation

December 31, 2021 and 2020

## Contents

<b>Independent Auditor's Report .....</b>	<b>1</b>
---	----------

### **Financial Statements**

Statements of Financial Position .....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## Independent Auditor's Report

Board of Directors  
American Liver Foundation  
New York, New York

### ***Opinion***

We have audited the financial statements of American Liver Foundation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flow for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of American Liver Foundation as of December 31, 2021 and 2020, 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.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Liver Foundation's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 American Liver Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Liver Foundation'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.

**FORVIS,LLP**

New York, New York  
June 24, 2022

**American Liver Foundation**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,127,780	\$ 2,422,890
Investments	4,661,928	3,061,059
Contributions receivable	584,568	180,798
Prepaid expenses and other assets	64,949	88,292
Property and equipment, net	20,048	20,678
Total assets	\$ 8,459,273	\$ 5,773,717
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 84,850	\$ 386,608
Accrued payroll and related liabilities	111,248	121,051
Deferred revenues	312,821	359,509
Funds held on behalf of others	666,063	669,521
Awards and grants payable	37,500	75,000
Loan payable	697,237	737,979
Deferred rent payable	-	22,230
Total liabilities	1,909,719	2,371,898
<b>Net Assets</b>		
Without donor restrictions	3,636,730	632,568
With donor restrictions		
Perpetual in nature	742,035	742,035
Purpose restrictions	2,035,650	1,967,898
Time restricted for future periods	135,139	59,318
	2,912,824	2,769,251
Total net assets	6,549,554	3,401,819
Total liabilities and net assets	\$ 8,459,273	\$ 5,773,717

**American Liver Foundation**  
**Statements of Activities**  
**Years Ended December 31, 2021 and 2020**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Contributions and grants	\$ 4,178,214	\$ 282,114	\$ 4,460,328
Contributed services	67,407	-	67,407
Gain on forgiveness of loan	737,979	-	737,979
Investment return, net	97,269	164,519	261,788
Special events revenues	\$ 1,729,306		
Direct costs of special events	<u>(243,792)</u>	1,485,514	1,485,514
Other income	113,635	-	113,635
Net assets released from restrictions	303,060	<u>(303,060)</u>	-
Total revenues, gains and other support	<u>6,983,078</u>	<u>143,573</u>	<u>7,126,651</u>
<b>Expenses</b>			
Program services			
Public education	835,725	-	835,725
Research	104,822	-	104,822
Professional education	565,839	-	565,839
Patient support	731,605	-	731,605
Community services	<u>636,312</u>	<u>-</u>	<u>636,312</u>
Total program services	<u>2,874,303</u>	<u>-</u>	<u>2,874,303</u>
Supporting services			
Management and general	603,999	-	603,999
Fundraising	<u>500,614</u>	<u>-</u>	<u>500,614</u>
Total supporting services	<u>1,104,613</u>	<u>-</u>	<u>1,104,613</u>
Total expenses	<u>3,978,916</u>	<u>-</u>	<u>3,978,916</u>
<b>Change in Net Assets</b>	3,004,162	143,573	3,147,735
<b>Net Assets, Beginning of Year</b>	<u>632,568</u>	<u>2,769,251</u>	<u>3,401,819</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,636,730</u>	<u>\$ 2,912,824</u>	<u>\$ 6,549,554</u>

**American Liver Foundation**  
**Statements of Activities (Continued)**  
**Years Ended December 31, 2021 and 2020**

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
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
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>
<b>Expenses</b>			
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>
<b>Change in Net Assets</b>	18,437	(317,571)	(299,134)
<b>Net Assets, Beginning of Year</b>	<u>614,131</u>	<u>3,086,822</u>	<u>3,700,953</u>
<b>Net Assets, End of Year</b>	<u>\$ 632,568</u>	<u>\$ 2,769,251</u>	<u>\$ 3,401,819</u>

# American Liver Foundation

## Statements of Functional Expenses

### Years Ended December 31, 2021 and 2020

	2021										
	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	\$ 389,305	\$ 16,958	\$ 350,072	\$ 473,798	\$ 406,890	\$ 1,637,023	\$ 287,593	\$ 251,453	\$ -	\$ 539,046	\$ 2,176,069
Payroll taxes and benefits	83,745	3,648	75,305	101,921	87,527	352,146	61,865	54,090	-	115,955	468,101
Awards and grants	-	75,000	-	-	-	75,000	-	-	-	-	75,000
Depreciation and amortization	5,705	249	5,130	6,944	5,963	23,991	4,215	3,685	-	7,900	31,891
Computer support services	33,266	1,436	29,642	40,119	34,453	138,916	24,352	21,291	-	45,643	184,559
Media	18,679	6	1,233	180	1,855	21,953	109	11,214	-	11,323	33,276
Postage and shipping	11,994	52	1,081	1,458	1,251	15,836	884	16,532	-	17,416	33,252
Printing, publishing and copying	2,736	11	232	314	270	3,563	191	12,379	-	12,570	16,133
Professional services	180,952	5,255	56,975	51,363	50,327	344,872	31,177	46,679	-	77,856	422,728
Contributed services - professional services	-	-	-	-	-	-	67,407	-	-	67,407	67,407
Occupancy	29,053	1,266	26,125	35,359	30,366	122,169	21,463	18,765	-	40,228	162,397
Insurance	3,201	139	2,879	3,895	3,345	13,459	2,364	2,067	-	4,431	17,890
Supplies	52,469	39	1,079	1,088	935	55,610	661	11,655	-	12,316	67,926
Telephone and internet	4,656	98	2,031	2,748	2,360	11,893	1,668	2,554	-	4,222	16,115
Travel	6,255	122	2,203	1,309	1,230	11,119	795	1,673	-	2,468	13,587
Hotel, catering and other event expenses	-	-	-	-	-	-	-	31,810	243,792	275,602	275,602
Interest and bank fees	-	-	-	-	-	-	7,013	-	-	7,013	7,013
Credit card fees	-	-	-	-	-	-	85,501	-	-	85,501	85,501
Other expenses	13,709	543	11,852	11,109	9,540	46,753	6,741	14,767	-	21,508	68,261
<b>Total expenses</b>	<b>835,725</b>	<b>104,822</b>	<b>565,839</b>	<b>731,605</b>	<b>636,312</b>	<b>2,874,303</b>	<b>603,999</b>	<b>500,614</b>	<b>243,792</b>	<b>1,348,405</b>	<b>4,222,708</b>
Less expenses deducted directly from revenues											
Direct costs of special events	-	-	-	-	-	-	-	-	(243,792)	(243,792)	(243,792)
<b>Total expenses included in the expense section on the statements of activities</b>	<b>\$ 835,725</b>	<b>\$ 104,822</b>	<b>\$ 565,839</b>	<b>\$ 731,605</b>	<b>\$ 636,312</b>	<b>\$ 2,874,303</b>	<b>\$ 603,999</b>	<b>\$ 500,614</b>	<b>\$ -</b>	<b>\$ 1,104,613</b>	<b>\$ 3,978,916</b>



**American Liver Foundation**  
**Statements of Functional Expenses (Continued)**  
**Years Ended December 31, 2021 and 2020**

	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
<b>Total expenses</b>	<b>1,144,199</b>	<b>186,571</b>	<b>906,348</b>	<b>1,181,018</b>	<b>1,103,198</b>	<b>4,521,334</b>	<b>843,376</b>	<b>614,514</b>	<b>215,851</b>	<b>1,673,741</b>	<b>6,195,075</b>
Less expenses deducted directly from revenues											
Direct costs of special events	-	-	-	-	-	-	-	-	(215,851)	(215,851)	(215,851)
<b>Total expenses included in the expense section on the statements of activities</b>	<b>\$ 1,144,199</b>	<b>\$ 186,571</b>	<b>\$ 906,348</b>	<b>\$ 1,181,018</b>	<b>\$ 1,103,198</b>	<b>\$ 4,521,334</b>	<b>\$ 843,376</b>	<b>\$ 614,514</b>	<b>\$ -</b>	<b>\$ 1,457,890</b>	<b>\$ 5,979,224</b>

**American Liver Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Activities</b>		
Change in net assets	\$ 3,147,735	\$ (299,134)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	31,891	26,443
Net realized and unrealized gains on investments	(222,413)	(137,735)
Forgiveness of loan payable	(737,979)	-
Changes in		
Contributions receivable	(403,770)	15,820
Prepaid expenses and other assets	23,343	103,602
Accounts payable and accrued expenses	(301,758)	216,701
Accrued payroll and related liabilities	(9,803)	(187,034)
Deferred revenues	(46,688)	264,509
Funds held on behalf of others	(3,458)	(104,683)
Awards and grants payable	(37,500)	(62,500)
Deferred rent payable	(22,230)	(59,318)
	<u>1,417,370</u>	<u>(223,329)</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Purchase of investments	(4,372,948)	(365,643)
Proceeds from sale of investments	2,994,492	482,213
Property and equipment acquisitions	(31,261)	-
	<u>(1,409,717)</u>	<u>116,570</u>
Net cash (used in) provided by investing activities		
<b>Financing Activities</b>		
Proceeds from loan	697,237	737,979
	<u>697,237</u>	<u>737,979</u>
Net cash provided by financing activities		
<b>Change in Cash and Cash Equivalents</b>	704,890	631,220
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,422,890</u>	<u>1,791,670</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,127,780</u>	<u>\$ 2,422,890</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 7,013	\$ 7,727

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### 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, 2021 and 2020, cash equivalents consisted primarily of money market accounts.

At December 31, 2021, the Foundation's cash accounts exceeded federally insured limits by approximately \$2,857,000.

#### *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, 2021 and 2020

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, 2021 and 2020. 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, 2021 and 2020.

### ***Deferred Revenue***

Deferred revenue consists of conditional gifts received from grants that are not recognized as revenue until the occurrence of future events.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### ***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.

### ***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, 2021 and 2020.

### ***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

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

<b>Nature of the Gift</b>	<b>Value Recognized</b>
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.

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, 2021 and 2020, 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.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### ***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.

### ***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***

Certain immaterial revisions have been made to the December 31, 2020 financial statements within *Note 2*, "Revenue from Contracts with Special Event Attendees", whereby deferred grants were reported as contract liabilities. The revision decreased contract liabilities as of December 31, 2020 from \$359,509 to \$0, and decreased contract liabilities as of December 31, 2019 from \$95,000 to \$0.

## **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, 2021 and 2020, the Foundation recognized revenue of \$144,750 and \$116,700, respectively, from goods and services that transfer to the attendee over a period of time.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### 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, 2021 and 2020:

	2021			
	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	\$ 1,053,562	\$ 1,053,562	\$ -	\$ -
Mutual funds				
International equity	240,322	240,322	-	-
Emerging markets	91,126	91,126	-	-
Real asset securities	68,586	68,586	-	-
Fixed income	3,069,550	3,069,550	-	-
Total investments	4,523,146	<u>\$ 4,523,146</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>138,782</u>			
Total	<u>\$ 4,661,928</u>			



# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

	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	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments	2,219,277	<u>\$ 2,219,277</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>841,782</u>			
Total	<u>\$ 3,061,059</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, 2021 and 2020.

### **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, 2021 and 2020

### Note 4: Property and Equipment

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 97,448	\$ 97,448
Office equipment	497,006	465,745
Computers and peripherals	<u>751,440</u>	<u>751,440</u>
	1,345,894	1,314,633
Less accumulated depreciation and amortization	<u>(1,325,846)</u>	<u>(1,293,955)</u>
	<u>\$ 20,048</u>	<u>\$ 20,678</u>

### Note 5: 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 5.99 percent and 5.25 percent at December 31, 2021 and 2020, respectively. No funds were due as of December 31, 2021 and 2020 under this line of credit. The availability of the credit line is re-evaluated annually by TD Bank and has been extended to October 2022.

### Note 6: 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 (PPP1) 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*. Forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. In February 2021, the Small Business Administration (SBA) approved the loan forgiveness and the amount was recorded as revenue.

In February 2021, Foundation received a second loan in the amount of \$697,237. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 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. In February 2022, the SBA approved the forgiveness of the aforementioned PPP2 loan.

PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, SBA or lender; as a result of such audit, adjustments could be required to any gain recognized.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 7: Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Research program	\$ 686,724	\$ 676,897
Community services	<u>938,326</u>	<u>1,044,921</u>
	<u>1,625,050</u>	<u>1,721,818</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>135,139</u>	<u>59,318</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Research program	410,600	246,080
Subject to NFP endowment spending policy and appropriation		
Research program	<u>742,035</u>	<u>742,035</u>
Total endowments	<u>1,152,635</u>	<u>988,115</u>
	<u>\$ 2,912,824</u>	<u>\$ 2,769,251</u>

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### **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>2021</u>	<u>2020</u>
Expiration of time restrictions	\$ 59,318	\$ 230,582
Satisfaction of purpose restrictions		
Research program	3,498	47,799
Community services	240,244	824,819
	<u>303,060</u>	<u>1,103,200</u>
Endowments		
Restricted purpose spending-rate distributions and appropriations		
Research program	-	79,540
Not subject to spending and appropriation policy Research program	-	250,000
	<u>-</u>	<u>329,540</u>
Total endowment	<u>-</u>	<u>329,540</u>
	<u>\$ 303,060</u>	<u>\$ 1,432,740</u>

### **Note 8: 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

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### 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, 2021 and 2020 were:

	<b>2021</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
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	-	410,600	410,600
Total endowment funds	<u>\$ -</u>	<u>\$ 1,152,635</u>	<u>\$ 1,152,635</u>
	<b>2020</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
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>

Change in endowment net assets for the years ended December 31, 2021 and 2020 were:

	<b>2021</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
Endowment net assets, beginning of year	\$ -	\$ 988,115	\$ 988,115
Investment return, net	-	164,520	164,520
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,152,635</u>	<u>\$ 1,152,635</u>

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

		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>

### ***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 Investment Committee annually approves the spending of up to 6 percent of accumulated investment income.

### ***Underwater Endowments***

The Foundation does not have any underwater endowments.

### **Note 9: Pension Plan**

The Foundation has a 403(b) defined contribution pension plan. The employer matches 50 percent of the first 2 percent of salary contributed to the plan by eligible participants. All active employees are covered by the plan. Pension expense was \$15,690 and \$19,396 for the years ended December 31, 2021 and 2020, respectively.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 10: Lease Commitments

The Foundation rents space under an operating lease that expires in April 2022. Rent is being expensed on the straight-line method over the term of the lease. Subsequent to year-end, the Foundation exercised the option to renew the lease for an additional year. The following are the total future minimum rental payments required under the operating lease, including the extension period:

2022	\$	33,273
2023		<u>11,187</u>
	\$	<u>44,460</u>

Rent expense for the years ended December 31, 2021 and 2020 was \$120,629 and \$543,770, respectively. Deferred rent payable as of December 31, 2021 and 2020 was \$0 and \$22,320, respectively.

### Note 11: Significant Estimates and Concentrations

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

#### *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, 2021 and 2020

### Note 12: 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 date, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 3,127,780	\$ 2,422,890
Investments	4,661,928	3,061,059
Contributions receivable	<u>584,568</u>	<u>180,798</u>
Total financial assets	<u>8,374,276</u>	<u>5,664,747</u>
Less amounts not available to be used within one year		
Perpetual in nature	(742,035)	(742,035)
Purpose restrictions	(2,035,650)	(1,967,898)
Funds held on behalf of others	<u>(666,063)</u>	<u>(669,521)</u>
Net financial assets after donor-imposed restrictions	<u>(3,443,748)</u>	<u>(3,379,454)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,930,528</u>	<u>\$ 2,285,293</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, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.

### Note 13: Subsequent Events

Subsequent events have been evaluated through June 24, 2022, which is the date the financial statements were available to be issued.



# American Liver Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 14: Future Changes in Accounting Principles

#### *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 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.