

# **American Liver Foundation**

## **Independent Auditor's Report and Financial Statements**

**December 31, 2022 and 2021**



# American Liver Foundation

December 31, 2022 and 2021

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## 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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows 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, 2022 and 2021, 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 21, 2023

**American Liver Foundation**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,416,178	\$ 3,127,780
Investments	5,967,186	4,661,928
Contributions receivable	171,067	584,568
Prepaid expenses and other assets	77,410	64,949
Property and equipment, net	25,523	20,048
Total assets	\$ 8,657,364	\$ 8,459,273
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 40,491	\$ 84,850
Accrued payroll and related liabilities	109,869	111,248
Deferred revenues	166,115	312,821
Funds held on behalf of others	662,058	666,063
Awards and grants payable	18,750	37,500
Loan payable	-	697,237
Total liabilities	997,283	1,909,719
 <b>Net Assets</b>		
Without donor restrictions	5,591,473	4,287,017
With donor restrictions		
Perpetual in nature	742,035	742,035
Purpose restrictions	1,086,695	1,385,363
Time restricted for future periods	239,878	135,139
	2,068,608	2,262,537
Total net assets	7,660,081	6,549,554
Total liabilities and net assets	\$ 8,657,364	\$ 8,459,273

**American Liver Foundation**  
**Statements of Activities**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains, and Other Support</b>			
Contributions and grants	\$ 2,340,264	\$ 386,492	\$ 2,726,756
Contributed services	78,179	-	78,179
Gain on forgiveness of loan	675,903	-	675,903
Investment return, net	(136,307)	(208,918)	(345,225)
Special events revenues	\$ 2,516,812		
Direct costs of special events	<u>(271,524)</u>	-	2,245,288
Other income	49,155	-	49,155
Net assets released from restrictions	<u>371,503</u>	<u>(371,503)</u>	<u>-</u>
Total revenues, gains, and other support	<u>5,623,985</u>	<u>(193,929)</u>	<u>5,430,056</u>
<b>Expenses</b>			
Program services			
Public education	940,957	-	940,957
Research	81,526	-	81,526
Professional education	495,747	-	495,747
Patient support	842,954	-	842,954
Community services	<u>802,774</u>	<u>-</u>	<u>802,774</u>
Total program services	<u>3,163,958</u>	<u>-</u>	<u>3,163,958</u>
Supporting services			
Management and general	627,020	-	627,020
Fundraising	<u>528,551</u>	<u>-</u>	<u>528,551</u>
Total supporting services	<u>1,155,571</u>	<u>-</u>	<u>1,155,571</u>
Total expenses	<u>4,319,529</u>	<u>-</u>	<u>4,319,529</u>
<b>Change in Net Assets</b>	1,304,456	(193,929)	1,110,527
<b>Net Assets, Beginning of Year</b>	<u>4,287,017</u>	<u>2,262,537</u>	<u>6,549,554</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,591,473</u>	<u>\$ 2,068,608</u>	<u>\$ 7,660,081</u>

**American Liver Foundation**  
**Statements of Activities (Continued)**  
**Years Ended December 31, 2022 and 2021**

	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
Other income	113,635	-	113,635
Net assets released from restrictions	<u>303,060</u>	<u>(303,060)</u>	<u>-</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>	<u>3,004,162</u>	<u>143,573</u>	<u>3,147,735</u>
<b>Net Assets, Beginning of Year, as Previously Reported</b>	632,568	2,769,251	3,401,819
<b>Revision - Note 15</b>	<u>650,287</u>	<u>(650,287)</u>	<u>-</u>
<b>Net Assets, Beginning of Year, as Revised</b>	<u>1,282,855</u>	<u>2,118,964</u>	<u>3,401,819</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,287,017</u>	<u>\$ 2,262,537</u>	<u>\$ 6,549,554</u>

# American Liver Foundation

## Statements of Functional Expenses

### Years Ended December 31, 2022 and 2021

	2022										
	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	\$ 475,341	\$ 54,689	\$ 328,554	\$ 602,629	\$ 542,263	\$ 2,003,476	\$ 321,166	\$ 312,473	\$ -	\$ 633,639	\$ 2,637,115
Payroll taxes and benefits	79,495	9,146	54,947	100,782	90,687	335,057	53,711	51,981	-	105,692	440,749
Awards and grants	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	3,233	372	2,235	4,099	3,688	13,627	2,184	2,125	-	4,309	17,936
Computer support services	36,585	4,157	24,972	45,803	41,215	152,732	24,410	23,750	-	48,160	200,892
Media	18,421	126	15,221	1,393	2,516	37,677	742	11,301	-	12,043	49,720
Postage and shipping	5,282	127	885	1,403	1,263	8,960	748	17,020	-	17,768	26,728
Printing, publishing, and copying	11,568	47	371	513	461	12,960	273	16,262	-	16,535	29,495
Professional services	205,993	8,710	28,011	41,895	50,829	335,438	22,328	27,582	-	49,910	385,348
Contributed services - professional services	6,169	-	-	-	-	6,169	72,010	-	-	72,010	78,179
Occupancy	7,163	824	4,951	9,081	8,172	30,191	4,840	4,709	-	9,549	39,740
Insurance	5,820	670	4,023	7,379	6,640	24,532	3,933	3,826	-	7,759	32,291
Supplies	14,379	162	1,596	1,786	31,472	49,395	952	9,400	-	10,352	59,747
Telephone and internet	3,863	190	1,143	2,097	1,887	9,180	1,117	1,705	-	2,822	12,002
Travel	18,377	311	12,948	3,432	3,089	38,157	1,829	8,085	-	9,914	48,071
Hotel, catering, and other event expenses	9,344	82	4,419	905	814	15,564	482	23,621	271,524	295,627	311,191
Interest and bank fees	-	-	-	-	-	-	3,081	-	-	3,081	3,081
Credit card fees	-	-	-	-	-	-	102,682	-	-	102,682	102,682
Other expenses	39,924	1,913	11,471	19,757	17,778	90,843	10,532	14,711	-	25,243	116,086
<b>Total expenses</b>	<b>940,957</b>	<b>81,526</b>	<b>495,747</b>	<b>842,954</b>	<b>802,774</b>	<b>3,163,958</b>	<b>627,020</b>	<b>528,551</b>	<b>271,524</b>	<b>1,427,095</b>	<b>4,591,053</b>
Less expenses deducted directly from revenues	-	-	-	-	-	-	-	-	(271,524)	(271,524)	(271,524)
Direct costs of special events	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses included in the expense section on the statements of activities</b>	<b>\$ 940,957</b>	<b>\$ 81,526</b>	<b>\$ 495,747</b>	<b>\$ 842,954</b>	<b>\$ 802,774</b>	<b>\$ 3,163,958</b>	<b>\$ 627,020</b>	<b>\$ 528,551</b>	<b>\$ -</b>	<b>\$ 1,155,571</b>	<b>\$ 4,319,529</b>



**American Liver Foundation**  
**Statements of Functional Expenses (Continued)**  
**Years Ended December 31, 2022 and 2021**

	2021						Supporting Services					
	Program Services						Management and General	Fundraising	Direct Costs of Special Events		Total	Total
	Public Education	Research	Professional Education	Patient Support	Community Services	Total						
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	
Total expenses	835,725	104,822	565,839	731,605	636,312	2,874,303	603,999	500,614	243,792	1,348,405	4,222,708	
Less expenses deducted directly from revenues	-	-	-	-	-	-	-	-	(243,792)	(243,792)	(243,792)	
Direct costs of special events	-	-	-	-	-	-	-	-	(243,792)	(243,792)	(243,792)	
Total expenses included in the expense section on the statements of activities	\$ 835,725	\$ 104,822	\$ 565,839	\$ 731,605	\$ 636,312	\$ 2,874,303	\$ 603,999	\$ 500,614	\$ -	\$ 1,104,613	\$ 3,978,916	

**American Liver Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating Activities</b>		
Change in net assets	\$ 1,110,527	\$ 3,147,735
Items not requiring (providing) operating cash flows		
Depreciation and amortization	17,936	31,891
Net realized and unrealized (gains) losses on investments	423,390	(222,413)
Forgiveness of loan payable	(675,903)	(737,979)
Changes in		
Contributions receivable	413,501	(403,770)
Prepaid expenses and other assets	(12,461)	23,343
Accounts payable and accrued expenses	(44,359)	(301,758)
Accrued payroll and related liabilities	(1,379)	(9,803)
Deferred revenues	(146,706)	(46,688)
Funds held on behalf of others	(4,005)	(3,458)
Awards and grants payable	(18,750)	(37,500)
Deferred rent payable	-	(22,230)
Net cash provided by operating activities	1,061,791	1,417,370
<b>Investing Activities</b>		
Purchase of investments	(2,270,455)	(4,372,948)
Proceeds from sale of investments	541,806	2,994,492
Property and equipment acquisitions	(23,410)	(31,261)
Net cash used in investing activities	(1,752,059)	(1,409,717)
<b>Financing Activities</b>		
Proceeds from loan	-	697,237
Principal payment on loan	(21,334)	-
Net cash provided by (used in) financing activities	(21,334)	697,237
<b>Change in Cash and Cash Equivalents</b>	(711,602)	704,890
<b>Cash and Cash Equivalents, Beginning of Year</b>	3,127,780	2,422,890
<b>Cash and Cash Equivalents, End of Year</b>	\$ 2,416,178	\$ 3,127,780
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 3,081	\$ 7,013

# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

### 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, 2022 and 2021, cash equivalents consisted primarily of money market accounts.

At December 31, 2022, the Foundation's cash accounts exceeded federally insured limits by approximately \$2,150,000.

#### ***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, 2022 and 2021

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, 2022 and 2021. 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, 2022 and 2021.

### ***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, 2022 and 2021

### ***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, 2022 and 2021.

### ***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, 2022 and 2021

<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, 2022 and 2021, 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.

### ***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, 2022 and 2021

### **Changes in Accounting Principles**

#### **Contributed Nonfinancial Assets**

In 2022, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statements of activities and disclosures within the notes to the financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

#### **Leases**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Foundation adopted Topic 842 on January 1, 2022, using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Foundation elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. The Foundation has lease agreements with nonlease components that relate to the lease components. The Foundation elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Foundation elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. The Foundation did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the statements of financial position, statements of activities, or statements of cash flows as all leases are short-term.

### **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.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

### ***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, 2022 and 2021, the Foundation recognized revenue of \$118,750 and \$144,750 respectively, from goods and services that transfer to the attendee over a period of time.

### **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



# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

### 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, 2022 and 2021:

	2022			
	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)	
	Total			
Equity securities, domestic	\$ 717,877	\$ 717,877	\$ -	\$ -
Treasury Bill	752,443	752,443	-	-
Mutual funds				
International equity	207,948	207,948	-	-
Emerging markets	220,415	220,415	-	-
Real asset securities	26,571	26,571	-	-
U.S. Treasuries	771,829	771,829	-	-
Fixed income	3,047,475	3,047,475	-	-
	<u>5,744,558</u>	<u>\$ 5,744,558</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments	5,744,558	\$ 5,744,558	\$ -	\$ -
Cash and cash equivalents	<u>222,628</u>			
Total	<u>\$ 5,967,186</u>			

	2021			
	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)	
	Total			
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	-	-
	<u>4,523,146</u>	<u>\$ 4,523,146</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments	4,523,146	\$ 4,523,146	\$ -	\$ -
Cash and cash equivalents	<u>138,782</u>			
Total	<u>\$ 4,661,928</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 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, 2022 and 2021.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

### 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: Property and Equipment

	<u>2022</u>	<u>2021</u>
Software & infrastructure	\$ 2,500	\$ -
Leasehold improvements	-	97,448
Office equipment	14,737	497,006
Computers and peripherals	<u>38,398</u>	<u>751,440</u>
	55,635	1,345,894
Less accumulated depreciation and amortization	<u>(30,112)</u>	<u>(1,325,846)</u>
	<u>\$ 25,523</u>	<u>\$ 20,048</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 8.24% and 3.99% at December 31, 2022 and 2021, respectively. No funds were due as of December 31, 2022 and 2021 under this line of credit. The availability of the credit line is reevaluated annually by TD Bank and has been extended to October 2023.

### 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 in full and the amount was recorded as revenue.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

In February 2021, Foundation received a second loan in the amount of \$697,237 pursuant to the Paycheck Protection Program (PPP). The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1% per year. In February 2022, the SBA approved partial forgiveness of the aforementioned PPP loan. The unforgiven amount, \$21,334, was repaid in full in March 2022.

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.

### Note 7: Contributed Nonfinancial Assets

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2022</u>	<u>2021</u>
Donated legal services	\$ 72,010	\$ 67,407
Interpretation services	<u>6,169</u>	<u>-</u>
	<u>\$ 78,179</u>	<u>\$ 67,407</u>

Donated services recognized within the statement of activities consist of interpretation and legal are utilized for management and general and program purposes. The Foundation estimates the fair value of these services on the basis of purchasing similar services in the United States. Donated services do not have donor restrictions.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

### Note 8: Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Research program	\$ 825,338	\$ 686,724
Education & support services	<u>59,675</u>	<u>288,039</u>
	<u>885,013</u>	<u>974,763</u>
Subject to the passage of time		
Future events	<u>239,878</u>	<u>135,139</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Research program	201,682	410,600
Subject to NFP endowment spending policy and appropriation		
Research program	<u>742,035</u>	<u>742,035</u>
Total endowments	<u>943,717</u>	<u>1,152,635</u>
	<u>\$ 2,068,608</u>	<u>\$ 2,262,537</u>

### 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>2022</u>	<u>2021</u>
Expiration of time restrictions	\$ 135,139	\$ 59,318
Satisfaction of purpose restrictions		
Research program	-	3,498
Education & support services	<u>236,364</u>	<u>240,244</u>
	<u>\$ 371,503</u>	<u>\$ 303,060</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.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

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 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, 2022 and 2021 were:

	<b>2022</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	-	201,682	201,682
Total endowment funds	<u>\$ -</u>	<u>\$ 943,717</u>	<u>\$ 943,717</u>
	<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>

# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

Change in endowment net assets for the years ended December 31, 2022 and 2021 were:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,152,635	\$ 1,152,635
Investment return, net	-	(208,918)	(208,918)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 943,717</u>	<u>\$ 943,717</u>

  

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
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>

### ***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% of accumulated investment income.

### ***Underwater Endowments***

The Foundation does not have any underwater endowments.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

### Note 10: Pension Plan

The Foundation has a 403(b) defined contribution pension plan. Starting January 1, 2022, the employer match was 50% of the first 3% of salary contributed to the plan by eligible participants. During 2021, the employer match was 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 \$38,204 and \$15,690 for the years ended December 31, 2022 and 2021, respectively.

### Note 11: Leases

#### ***Accounting Policies***

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date.

The Foundation combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities.

The Foundation has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term. For the years ended December 31, 2022 and 2021, the Foundation has no leases with initial terms greater than 12 months.

#### ***Nature of Leases***

The Foundation has entered into the following lease arrangements:

##### ***Short-Term Leases***

The Foundation leases office space with a 12-month lease that expires in April 2023. Total lease expense included in operating expenses for the year ending December 31, 2022, was \$36,649. Future minimum payments are \$11,187 during 2023 related to this lease.

##### ***All Leases***

The Foundation has no material related-party leases.

As of December 31, 2022, the Foundation has entered into an additional operating lease for office space that has not yet commenced with future minimum payments of \$193,182. This operating lease will commence May 2023 with a lease term of 61 months.

# American Liver Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

#### ***Prior Year Disclosures Under ASC 840***

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. Future minimum payments are \$10,900 during 2022 related to this lease.

Rent expense for the year ended December 31, 2021 was \$120,629.

#### **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:

##### ***Concentration***

During the year ended December 31, 2022, 61% of special event revenue was from two events.

##### ***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, 2022 and 2021

### 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 date, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,416,178	\$ 3,127,780
Investments	5,967,186	4,661,928
Contributions receivable	171,067	584,568
	<u>8,554,431</u>	<u>8,374,276</u>
Less amounts not available to be used within one year		
Perpetual in nature	(742,035)	(742,035)
Purpose restrictions	(1,086,695)	(1,385,363)
Funds held on behalf of others	(662,058)	(666,063)
	<u>(2,490,788)</u>	<u>(2,793,461)</u>
Net financial assets after donor-imposed restrictions	<u>(2,490,788)</u>	<u>(2,793,461)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,063,643</u>	<u>\$ 5,580,815</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, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

### Note 14: Subsequent Events

Subsequent events have been evaluated through June 21, 2023, which is the date the financial statements were available to be issued.

# American Liver Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

### Note 15: Revision

2021 beginning net assets have been revised for an error in the classification of net assets. The revision did not impact change in net assets.

The following financial statement line items for 2021 were affected by the revision:

	<u>As Revised</u>	<u>As Previously Reported</u>	<u>Effect of change</u>
<b>Statement of Financial Position</b>			
Net assets without donor restrictions	\$ 4,287,017	\$ 3,636,730	\$ 650,287
Net assets with donor restrictions - purpose restrictions	1,385,363	2,035,650	(650,287)
Total net assets with donor restrictions	2,262,537	2,912,824	(650,287)
<b>Statement of Activities</b>			
Net assets without donor restrictions, beginning of year	1,282,855	632,568	650,287
Net assets without donor restrictions, end of year	3,419,538	2,769,251	650,287
Net assets with donor restrictions, beginning of year	2,986,443	3,636,730	(650,287)
Net assets with donor restrictions, end of year	2,262,537	2,912,824	(650,287)

In addition, the liquidity footnote in *Note 13* has been updated to reflect the changes to the financial assets with donor-imposed restrictions.