




American Liver Foundation

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022



American Liver Foundation
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December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 Mazars, LLP

**New York, New York
June 19, 2024**

American Liver Foundation
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,943,664	\$ 2,416,178
Investments	7,036,403	5,967,186
Contributions receivable	241,647	171,067
Prepaid expenses and other assets	135,054	77,410
Right-of-use assets - operating	141,342	-
Property and equipment, net	48,989	25,523
	<u>9,547,099</u>	<u>8,657,364</u>
Total assets	<u>\$ 9,547,099</u>	<u>\$ 8,657,364</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 79,969	\$ 40,491
Accrued payroll and related liabilities	98,934	109,869
Deferred revenues	267,500	166,115
Funds held on behalf of others	660,578	662,058
Awards and grants payable	400,000	18,750
Operating lease liabilities	144,901	-
	<u>1,651,882</u>	<u>997,283</u>
Total liabilities	<u>1,651,882</u>	<u>997,283</u>
Net Assets		
Without donor restrictions	<u>5,136,293</u>	<u>5,591,473</u>
With donor restrictions		
Perpetual in nature	742,035	742,035
Purpose restrictions	1,639,814	1,086,695
Time restricted for future periods	377,075	239,878
	<u>2,758,924</u>	<u>2,068,608</u>
Total net assets	<u>7,895,217</u>	<u>7,660,081</u>
Total liabilities and net assets	<u>\$ 9,547,099</u>	<u>\$ 8,657,364</u>

American Liver Foundation
Statements of Activities
Years Ended December 31, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions and grants	\$ 1,311,189	\$ 1,507,752	\$ 2,818,941
Contributed services	53,389	-	53,389
Investment return, net	344,565	189,335	533,900
Special events revenues	\$ 2,237,078		
Direct costs of special events	<u>(323,507)</u>	1,913,571	1,913,571
Other income	28,655	-	28,655
Net assets released from restrictions	<u>1,006,771</u>	<u>(1,006,771)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>4,658,140</u>	 <u>690,316</u>	 <u>5,348,456</u>
Expenses			
Program services			
Public education	1,028,249	-	1,028,249
Research	582,056	-	582,056
Professional education	493,265	-	493,265
Patient support	996,147	-	996,147
Community services	<u>767,649</u>	<u>-</u>	<u>767,649</u>
 Total program services	 <u>3,867,366</u>	 <u>-</u>	 <u>3,867,366</u>
Supporting services			
Management and general	626,691	-	626,691
Fundraising	<u>619,263</u>	<u>-</u>	<u>619,263</u>
 Total supporting services	 <u>1,245,954</u>	 <u>-</u>	 <u>1,245,954</u>
 Total expenses	 <u>5,113,320</u>	 <u>-</u>	 <u>5,113,320</u>
 Change in Net Assets	 <u>(455,180)</u>	 <u>690,316</u>	 <u>235,136</u>
 Net Assets, Beginning of Year	 <u>5,591,473</u>	 <u>2,068,608</u>	 <u>7,660,081</u>
 Net Assets, End of Year	 <u>\$ 5,136,293</u>	 <u>\$ 2,758,924</u>	 <u>\$ 7,895,217</u>

**American Liver Foundation
Statements of Activities
Years Ended December 31, 2023 and 2022**

(Continued)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
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	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>
Expenses			
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>
Change in Net Assets	1,304,456	(193,929)	1,110,527
Net Assets, Beginning of Year	<u>4,287,017</u>	<u>2,262,537</u>	<u>6,549,554</u>
Net Assets, End of Year	<u>\$ 5,591,473</u>	<u>\$ 2,068,608</u>	<u>\$ 7,660,081</u>

**American Liver Foundation
Statements of Functional Expenses
Years Ended December 31, 2023 and 2022**

	2023										
	Program Services					Total	Supporting Services				
	Public Education	Research	Professional Education	Patient Support	Community Services		Management and General	Fundraising	Direct Costs of Special Events		Total
											Total
Salaries	\$ 479,185	\$ 120,893	\$ 331,025	\$ 713,585	\$ 543,329	\$ 2,188,017	\$ 329,993	\$ 324,098	\$ -	\$ 654,091	\$ 2,842,108
Payroll taxes and benefits	84,717	21,373	58,523	126,158	96,057	386,828	58,341	57,299	-	115,640	502,468
Awards and grants	-	400,000	-	-	-	400,000	-	-	-	-	400,000
Depreciation and amortization	2,310	583	1,596	3,440	2,619	10,548	1,592	1,562	-	3,154	13,702
Computer support services	16,119	2,553	6,991	15,070	11,474	52,207	6,969	6,844	-	13,813	66,020
Media	25,918	29	149	169	1,243	27,508	78	10,897	-	10,975	38,483
Postage and shipping	3,935	189	728	1,116	899	6,867	515	22,882	-	23,397	30,264
Printing, publishing, and copying	5,691	73	799	350	267	7,180	162	14,505	-	14,667	21,847
Professional services	245,365	21,570	38,913	80,975	67,340	454,163	37,448	93,117	-	130,565	584,728
Contributed services - professional services	-	-	-	-	-	-	53,389	-	-	53,389	53,389
Occupancy	7,452	1,843	5,046	10,879	8,283	33,503	5,032	4,941	-	9,973	43,476
Insurance	5,568	1,405	3,846	8,291	6,313	25,423	3,834	3,766	-	7,600	33,023
Supplies	52,784	386	1,098	1,899	1,690	57,857	879	4,107	-	4,986	62,843
Telephone and internet	4,109	383	1,049	2,261	1,721	9,523	1,047	2,664	-	3,711	13,234
Travel	38,695	7,138	18,265	12,042	10,934	87,074	5,572	10,046	-	15,618	102,692
Hotel, catering, and other event expenses	13,088	1	14,691	3	321	28,104	1	38,826	323,507	362,334	390,438
Interest and bank fees	-	-	-	-	-	-	2,608	-	-	2,608	2,608
Credit card fees	-	-	-	-	-	-	110,022	-	-	110,022	110,022
Other expenses	43,313	3,637	10,546	19,909	15,159	92,564	9,209	23,709	-	32,918	125,482
Total expenses	1,028,249	582,056	493,265	996,147	767,649	3,867,366	626,691	619,263	323,507	1,569,461	5,436,827
Less expenses deducted directly from revenues											
Direct costs of special events	-	-	-	-	-	-	-	-	(323,507)	(323,507)	(323,507)
Total expenses included in the expense section on the statements of activities	\$ 1,028,249	\$ 582,056	\$ 493,265	\$ 996,147	\$ 767,649	\$ 3,867,366	\$ 626,691	\$ 619,263	\$ -	\$ 1,245,954	\$ 5,113,320

**American Liver Foundation
Statements of Functional Expenses
Years Ended December 31, 2023 and 2022**

(Continued)

	2022										
	Program Services					Total	Supporting Services				
	Public Education	Research	Professional Education	Patient Support	Community Services		Management and General	Fundraising	Direct Costs of Special Events		Total
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
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
Total expenses	940,957	81,526	495,747	842,954	802,774	3,163,958	627,020	528,551	271,524	1,427,095	4,591,053
Less expenses deducted directly from revenues											
Direct costs of special events	-	-	-	-	-	-	-	-	(271,524)	(271,524)	(271,524)
Total expenses included in the expense section on the statements of activities	\$ 940,957	\$ 81,526	\$ 495,747	\$ 842,954	\$ 802,774	\$ 3,163,958	\$ 627,020	\$ 528,551	\$ -	\$ 1,155,571	\$ 4,319,529

See Notes to Financial Statements

American Liver Foundation
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 235,136	\$ 1,110,527
Items not requiring (providing) operating cash flows		
Depreciation and amortization	13,702	17,936
Net realized and unrealized (gains) losses on investments	(299,502)	423,390
Forgiveness of loan payable	-	(675,903)
Noncash operating lease expense	19,435	-
Changes in		
Contributions receivable	(70,580)	413,501
Prepaid expenses and other assets	(57,644)	(12,461)
Accounts payable and accrued expenses	39,478	(44,359)
Accrued payroll and related liabilities	(10,935)	(1,379)
Deferred revenues	101,385	(146,706)
Funds held on behalf of others	(1,480)	(4,005)
Awards and grants payable	381,250	(18,750)
Operating lease liability	(15,876)	-
Net cash provided by operating activities	<u>334,369</u>	<u>1,061,791</u>
Investing Activities		
Purchase of investments	(3,529,181)	(2,270,455)
Proceeds from sale of investments	2,759,466	541,806
Property and equipment acquisitions	<u>(37,168)</u>	<u>(23,410)</u>
Net cash used in investing activities	<u>(806,883)</u>	<u>(1,752,059)</u>
Financing Activities		
Principal payment on loan	-	(21,334)
Net cash used in financing activities	<u>-</u>	<u>(21,334)</u>
Change in Cash and Cash Equivalents	(472,514)	(711,602)
Cash and Cash Equivalents, Beginning of Year	<u>2,416,178</u>	<u>3,127,780</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,943,664</u>	<u>\$ 2,416,178</u>
Supplemental Cash Flows Information		
Interest paid	\$ 2,608	\$ 3,081
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 160,777	\$ -

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, 2023 and 2022, cash equivalents consisted primarily of money market accounts.

At December 31, 2023, the Foundation's cash accounts exceeded federally insured limits by approximately \$1,648,000.

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.

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, 2023 and 2022. 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.

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

Office equipment	5 years
Software and infrastructure	3 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, 2023 and 2022.

Deferred Revenue

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

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, 2023 and 2022.

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.

**American Liver Foundation
Notes to Financial Statements
December 31, 2023 and 2022**

Contributions

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

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

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

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, 2023 and 2022, 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.

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, 2023 and 2022, the Foundation recognized revenue of \$159,600 and \$118,750 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, 2023 and 2022

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, 2023 and 2022:

	2023			
	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	\$ 990,747	\$ 990,747	\$ -	\$ -
Treasury Bill	240,684	240,684	-	-
Certificates of deposit	478,361	-	478,361	-
Mutual funds				
International equity	238,614	238,614	-	-
Emerging markets	67,886	67,886	-	-
Real asset securities	27,742	27,742	-	-
U.S. Treasuries	1,682,903	1,682,903	-	-
Fixed income	3,110,394	3,110,394	-	-
Total investments	6,837,331	<u>\$ 6,358,970</u>	<u>\$ 478,361</u>	<u>\$ -</u>
Cash and cash equivalents	<u>199,072</u>			
Total	<u>\$ 7,036,403</u>			

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	2022			
	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	\$ 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	-	-
Total investments	5,744,558	<u>\$ 5,744,558</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	222,628			
Total	<u>\$ 5,967,186</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, 2023 and 2022.

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.

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Note 4. Property and Equipment

	<u>2023</u>	<u>2022</u>
Software and infrastructure	\$ 22,500	\$ 2,500
Office equipment	-	14,737
Computers and peripherals	<u>44,968</u>	<u>38,398</u>
	67,468	55,635
Less accumulated depreciation and amortization	<u>(18,479)</u>	<u>(30,112)</u>
	<u>\$ 48,989</u>	<u>\$ 25,523</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 9.24% and 8.24% at December 31, 2023 and 2022, respectively. No funds were due as of December 31, 2023 and 2022 under this line of credit. The availability of the credit line is reevaluated annually by TD Bank and has been extended to October 2024.

Note 6. Loan Payable

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, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Donated legal services	\$ 53,389	\$ 72,010
Interpretation services	<u>-</u>	<u>6,169</u>
	<u>\$ 53,389</u>	<u>\$ 78,179</u>

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Donated services recognized within the statements 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.

Note 8. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Research program	\$ 912,222	\$ 825,338
Education and support services	<u>486,575</u>	<u>59,675</u>
	<u>1,398,797</u>	<u>885,013</u>
Subject to the passage of time		
Future events or periods	<u>377,075</u>	<u>239,878</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Research program	241,017	201,682
Subject to NFP endowment spending policy and appropriation		
Research program	<u>742,035</u>	<u>742,035</u>
Total endowments	<u>983,052</u>	<u>943,717</u>
	<u>\$ 2,758,924</u>	<u>\$ 2,068,608</u>

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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>2023</u>	<u>2022</u>
Expiration of time restrictions	\$ 239,878	\$ 135,139
Satisfaction of purpose restrictions		
Research program	21,993	-
Education and support services	<u>594,900</u>	<u>236,364</u>
	856,771	371,503
Endowments		
Restricted purpose spending-rate distributions and appropriations		
Research program	<u>150,000</u>	<u>-</u>
	<u>\$ 1,006,771</u>	<u>\$ 371,503</u>

Note 9. Endowment

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

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

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

The Foundation's endowment consists of five 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.

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The composition of net assets by type of endowment fund at December 31, 2023 and 2022 were:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 742,035	\$ 742,035
Accumulated investment gains	-	241,017	241,017
Total endowment funds	<u>\$ -</u>	<u>\$ 983,052</u>	<u>\$ 983,052</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 742,035	\$ 742,035
Accumulated investment gains	-	201,682	201,682
Total endowment funds	<u>\$ -</u>	<u>\$ 943,717</u>	<u>\$ 943,717</u>

Change in endowment net assets for the years ended December 31, 2023 and 2022 were:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 943,717	\$ 943,717
Investment return, net	-	189,335	189,335
Appropriation of endowment assets for expenditures	-	(150,000)	(150,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 983,052</u>	<u>\$ 983,052</u>

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	Without Donor Restrictions	2022 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	\$ -	\$ 943,717	\$ 943,717

Investment and Spending Policies

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

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Foundation evaluates the needs of the programs and the board annually approves the spending of up to 6% of the endowment balance. During 2023, a special appropriation of \$150,000 was approved.

Underwater Endowments

The Foundation does not have any underwater endowments.

Note 10. Pension Plan

The Foundation has a 403(b) defined contribution pension plan. The employer match is 50% of the first 6% of salary contributed to the plan by eligible participants for a maximum of 3%. All active employees are covered by the plan. Pension expense was \$65,506 and \$38,204 for the years ended December 31, 2023 and 2022, 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 right-of-use (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.

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

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Foundation is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

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.

Nature of Leases

The Foundation has entered into the following lease arrangements:

The Foundation has a lease for office space that expires in 2028. This lease requires the Foundation to pay its share of all executory costs (property taxes, maintenance, and insurance). Lease payments have an escalating fee schedule, which increases 2% to 3% each year. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

The Foundation has no material related-party leases.

The Foundation's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

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Quantitative Disclosures

The lease cost and other required information for the years ended December 31, 2023 and 2022 are:

	<u>2023</u>	<u>2022</u>
Lease cost		
Operating lease cost	\$ 23,135	\$ -
Short-term lease cost	-	36,649
	<u> </u>	<u> </u>
Total lease cost	<u>\$ 23,135</u>	<u>\$ 36,649</u>
	<u>2023</u>	<u>2022</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 18,178	\$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	160,777	-
Weighted-average remaining lease term		
Operating leases	4.4 years	N/A
Weighted-average discount rate		
Operating leases	3.64%	N/A

Future minimum lease payments and reconciliation to the statements of financial position at December 31, 2023 are as follows:

	<u>Operating Leases</u>
2024	\$ 34,061
2025	34,922
2026	35,782
2027	36,643
2028	<u>15,418</u>
Total future undiscounted lease payments	156,826
Less imputed interest	<u>(11,925)</u>
Lease liabilities	<u>\$ 144,901</u>

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 years ended December 31, 2023 and 2022, 58% and 61%, respectively, 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 statements of financial position. Based upon the current portfolio of investments, management believes the investments are low risk for significant volatility that would be impactful to the entity's operations.

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>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,943,664	\$ 2,416,178
Investments	7,036,403	5,967,186
Contributions receivable	<u>241,647</u>	<u>171,067</u>
Total financial assets	<u>9,221,714</u>	<u>8,554,431</u>
Less amounts not available to be used within one year		
Perpetual in nature	(742,035)	(742,035)
Purpose restrictions	(1,639,814)	(1,086,695)
Funds held on behalf of others	<u>(660,578)</u>	<u>(662,058)</u>
Donor-imposed restrictions	<u>(3,042,427)</u>	<u>(2,490,788)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,179,287</u>	<u>\$ 6,063,643</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.

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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, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

Note 14. Subsequent Events

Subsequent events have been evaluated through June 19, 2024, which is the date the financial statements were available to be issued.