

Asthma and Allergy Foundation of America

Financial Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
Asthma and Allergy Foundation of America

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

RSM US LLP

Washington, D.C.
August 10, 2021

Asthma and Allergy Foundation of America

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 627,081	\$ 750,633
Investments	2,264,897	2,250,169
Accounts receivable, net	259,769	225,009
Note receivable, net	30,000	-
Grants and contributions receivable, net	252,858	192,116
Prepaid expenses and other assets	316,188	131,543
Property and equipment, net	94,752	88,890
Investment held to fund deferred compensation	53,025	31,511
Deposit	11,699	19,054
	<hr/>	<hr/>
Total assets	\$ 3,910,269	\$ 3,688,925
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Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 649,925	\$ 872,555
Deferred revenue	395,000	25,000
Refundable advances	250,000	250,000
Paycheck Protection Program loan	352,219	-
Line of credit	200,000	-
Deferred compensation obligation	53,025	31,511
Deferred rent	76,721	84,682
	<hr/>	<hr/>
Total liabilities	1,976,890	1,263,748
Commitments and contingencies (Notes 11 and 12)		
Net assets:		
Without donor restrictions	743,574	1,550,687
With donor restrictions	1,189,805	874,490
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Total net assets	1,933,379	2,425,177
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Total liabilities and net assets	\$ 3,910,269	\$ 3,688,925
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See notes to financial statements.

Asthma and Allergy Foundation of America

**Statements of Activities
Years Ended December 31, 2020 and 2019**

	2020	2019
Activities without donor restrictions:		
Revenue and support:		
Certification	\$ 1,161,295	\$ 1,311,371
Contributions, sponsorships and grants	1,150,278	1,099,590
Donated goods and services	476,455	272,652
Investment income	247,427	391,471
Workplace giving	57,932	46,607
Other income	25,816	24,091
Net assets released from restrictions	908,465	1,866,146
Total revenue and support	4,027,668	5,011,928
Expenses:		
Program services:		
Public information	1,666,697	1,886,903
Community and chapter outreach	720,702	415,966
Research	677,880	1,127,689
Family and patient services and professional education	372,835	457,609
Total program services	3,438,114	3,888,167
Supporting services:		
Management and general	902,948	1,135,795
Fundraising	493,719	518,940
Total supporting services	1,396,667	1,654,735
Total expenses	4,834,781	5,542,902
Change in net assets without donor restrictions	(807,113)	(530,974)
Activities with donor restrictions:		
Contributions, sponsorships and grants	1,205,000	1,547,550
Investment income	18,780	29,944
Net assets released from restrictions	(908,465)	(1,866,146)
Change in net assets with donor restrictions	315,315	(288,652)
Change in net assets	(491,798)	(819,626)
Net assets:		
Beginning	2,425,177	3,244,803
Ending	\$ 1,933,379	\$ 2,425,177

See notes to financial statements.

Asthma and Allergy Foundation of America

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services					Supporting Services			
	Public Information	Community and Chapter Outreach	Research	Family and Patient Services and Professional Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 527,325	\$ 325,976	\$ 232,747	\$ 219,649	\$ 1,305,697	\$ 369,678	\$ 311,685	\$ 681,363	\$ 1,987,060
Purchased services	811,461	212,324	73,557	42,162	1,139,504	241,158	22,555	263,713	1,403,217
Employee benefits	162,573	101,608	85,008	54,242	403,431	121,210	96,527	217,737	621,168
Other	73,113	36,584	42,963	29,385	182,045	104,061	22,240	126,301	308,346
Facilities	69,062	42,427	33,587	24,784	169,860	56,573	38,870	95,443	265,303
Grants and assistance	-	-	200,000	-	200,000	-	250	250	200,250
Meetings and travel	23,163	1,783	10,018	2,613	37,577	10,268	1,592	11,860	49,437
	<u>\$ 1,666,697</u>	<u>\$ 720,702</u>	<u>\$ 677,880</u>	<u>\$ 372,835</u>	<u>\$ 3,438,114</u>	<u>\$ 902,948</u>	<u>\$ 493,719</u>	<u>\$ 1,396,667</u>	<u>\$ 4,834,781</u>

See notes to financial statements.

Asthma and Allergy Foundation of America

Statement of Functional Expenses Year Ended December 31, 2019

	Program Services					Supporting Services			
	Public Information	Research	Family and Patient Services and Professional Education	Community and Chapter Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Purchased services	\$ 717,390	\$ 312,029	\$ 82,976	\$ 30,435	\$ 1,142,830	\$ 551,040	\$ 32,177	\$ 583,217	\$ 1,726,047
Salaries	554,917	206,751	183,129	220,602	1,165,399	268,127	278,136	546,263	1,711,662
Employee benefits	210,266	75,954	65,511	77,748	429,479	107,233	98,278	205,511	634,990
Other	210,632	40,551	58,077	35,298	344,558	90,510	41,513	132,023	476,581
Meetings and travel	75,263	231,733	23,595	11,194	341,785	40,724	14,550	55,274	397,059
Facilities	118,435	40,671	44,321	40,689	244,116	74,452	54,286	128,738	372,854
Grants and assistance	-	220,000	-	-	220,000	3,709	-	3,709	223,709
	<u>\$ 1,886,903</u>	<u>\$ 1,127,689</u>	<u>\$ 457,609</u>	<u>\$ 415,966</u>	<u>\$ 3,888,167</u>	<u>\$ 1,135,795</u>	<u>\$ 518,940</u>	<u>\$ 1,654,735</u>	<u>\$ 5,542,902</u>

See notes to financial statements.

Asthma and Allergy Foundation of America

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (491,798)	\$ (819,626)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	31,890	34,223
Bad debt expense	2,050	106,348
Realized and unrealized gain on investments, net	(212,815)	(364,486)
Deferred rent	(7,961)	1,023
Changes in assets and liabilities:		
(Increase) decrease:		
Accounts receivable	(36,810)	6,541
Grants and contributions receivable	(60,742)	748,173
Contributions receivable	-	28,504
Prepaid expenses and other assets	(184,645)	2,463
Deposits	7,355	15,368
Increase (decrease):		
Accounts payable and accrued expenses	(222,630)	344,583
Deferred revenue	370,000	(9,287)
Refundable advances	-	250,000
Net cash (used in) provided by operating activities	(806,106)	343,827
Cash flows from investing activities:		
Proceeds from sales of investments	401,756	397,401
Purchases of investments	(203,669)	(249,428)
Purchases of furniture and equipment	(37,752)	(28,527)
Issuance of note receivable	(30,000)	-
Net cash provided by investing activities	130,335	119,446
Cash flows from financing activities:		
Proceeds from borrowing on line of credit	500,000	-
Repayments of borrowing on line of credit	(300,000)	-
Proceeds from Paycheck Protection Program loan	352,219	-
Net cash provided by investing activities	552,219	-
Net (decrease) increase in cash and cash equivalents	(123,552)	463,273
Cash and cash equivalents:		
Beginning	750,633	287,360
Ending	\$ 627,081	\$ 750,633
Supplemental disclosure of noncash investing and financing transactions:		
Equipment acquired via tenant improvement allowance	\$ -	\$ 48,334

See notes to financial statements.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Asthma and Allergy Foundation of America (National Headquarters) (the Foundation) is a nonprofit organization founded in 1953 as a national voluntary health organization providing programs of patient services, public awareness and education, research grants, community services and information, and referrals. The accompanying financial statements of the Foundation include the operations of the national headquarters only and do not include the activities of its affiliated chapters.

A summary of the Foundation's significant accounting policies follows:

Income tax status: The Foundation is exempt from the payment of income taxes on its exempt activities other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization, not a private foundation. The Foundation does not have any significant sources of unrelated business income.

Basis of presentation: The Foundation is required to report information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions: Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Foundation's operations.

With donor restrictions: Net assets with donor restrictions are restricted by donors for various projects or specific time periods. Net assets with donor restrictions also includes an endowment fund, which requires the principal to be invested in perpetuity and the income to be used for the purpose designated by the donor. The endowment fund consists of resources contributed to the National Research Endowment Program, which was established in 1983 for the purpose of supporting research by physician-scientists in the field of allergy and immunology.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, the Foundation considers cash and cash equivalents to be cash and certificates of deposit with an initial maturity of three months or less.

The Foundation maintains demand deposits with commercial banks. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Foundation.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations net of related fees.

The Foundation invests in various mutual funds. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable consist of amounts due from customers related to the certification program. Accounts receivable are presented at the gross amount due to the Foundation less an allowance for doubtful accounts. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Foundation's relationship with the customer, and the age of the receivable balance. As a result of these reviews, the Foundation believes all accounts receivable to be collectible. As a result, the Foundation does not believe an allowance for doubtful accounts is necessary.

Grants and contributions receivable: Grants and contributions receivable consist of unconditional promises to give from various donors. All such amounts are due within one year. Thus, grants and contributions receivable are presented at the gross amount due to the Foundation less an allowance for doubtful accounts. Management periodically reviews the status of all grants and contributions receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Foundation's relationship with the customer, and the age of the receivable balance. As a result of these reviews, grants and contributions receivable are presented net of an allowance for doubtful accounts of \$54,529 as of December 31, 2020 and 2019.

Property and equipment: Property and equipment purchases over \$1,000 are capitalized at cost. Depreciation is calculated using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are recorded at cost and are amortized using the straight-line method over the life of the lease.

Deferred rent: The Foundation recognizes rent expense on a straight-line basis over the life of the lease. The accumulated difference between the straight-line rent expense recognized and cash payments made is presented as deferred rent.

Certification revenue: Revenue from contracts with customers is derived primarily from certification activities. As described further in Note 7, certification activities consist of payments from companies in order to participate in the *asthma & allergy friendly*® certification program. Certification revenue is recognized at the point in time the use of the license is granted.

There are no rights of return or refunds for the Foundation's revenue from contracts with customers. Payments are due upon receipt of the invoice. The Foundation did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components.

Economic factors driven by consumer confidence, employment, inflation, and other world events impact the timing and level of cash received and revenue recognized by the Foundation. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Foundation.

Contributions: Unconditional contributions are recorded as support with or without donor restrictions depending upon the existence and/or nature of donor restrictions. Support that is restricted by donors is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction expires. Contributions with donor restrictions that are received and expended in the same period are classified within net assets without donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Assets received in connection with conditional promises are reported as refundable advances until such time the conditions are substantially met. At December 31, 2020 and 2019, refundable advances consisted of sponsorship payments related to certain events that are to be held in subsequent years.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Donated goods and services: Donated goods and services represent the value of donated pro bono legal assistance and donated advertising. Donations are recorded based on their fair value at the date of donation and are included in the family and patient services programs and in management and general expenses in the accompanying statements of activities.

Functional allocation of expenses: The costs of providing various programs and administrative activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits are allocated based on estimates of the percentage of the employee time spent on relevant activities. Overhead costs, which include occupancy and administrative expenses, are allocated based on direct salaries charged to each function.

Recent accounting pronouncements adopted: During the year ended December 31, 2020, the Foundation adopted the guidance regarding contributions made from Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions of this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Based on the Foundation's review of its contributions made, the timing and amount of expense recognized previously is consistent with how expenses are recognized under this new standard. The Foundation adopted the guidance regarding contributions received from ASU 2018-08 during the year ended December 31, 2019.

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. The Foundation adopted the provisions of ASU 2018-13 for the year ended December 31, 2020. The adoption of ASU 2018-13 had no impact on the financial statements.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation's year ending December 31, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation anticipates adopting the new standard during the year ending December 31, 2022, and is currently evaluating the impact of the adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU will be effective for the Foundation for the year ending December 31, 2022. The adoption of ASU 2020-07 is not expected to have a significant impact on the Foundation's financial statements.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Reclassifications: Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Subsequent events: Subsequent events have been evaluated through August 10, 2021, which is the date the financial statements were available to be issued. The nature and extent of the COVID-19 pandemic's impact on the Foundation's operations has been disclosed in Note 12.

Note 2. Investments

Investments consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Investments, at fair value:		
Mutual funds – equities:		
Large cap growth funds	\$ 613,139	\$ 438,770
Intl equity developed funds	269,922	234,648
Large cap core funds	206,230	102,052
SMid cap core funds	120,761	108,463
Large cap value funds	94,555	359,994
Mid cap core funds	90,623	78,818
Intl equity emerging funds	67,705	60,034
Small cap core funds	67,271	122,496
Mutual funds – fixed income:		
Bond funds	671,825	711,380
Money market funds	62,866	33,514
	<u>\$ 2,264,897</u>	<u>\$ 2,250,169</u>

Investment income consists of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 66,111	\$ 69,313
Realized and unrealized gain on investments, net	212,815	364,486
Investment management fees	(12,719)	(12,384)
	<u>\$ 266,207</u>	<u>\$ 421,415</u>

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 3. Liquidity

The Foundation invests cash balances in excess of immediate liquidity needs in accordance with its investment policy. The following provides a summary of financial assets available for general expenditures within one year at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 627,081	\$ 750,633
Investments	2,264,897	2,250,169
Accounts receivable	259,769	225,009
Note receivable	30,000	-
Grants and contributions receivable	252,858	192,116
Subtotal financial assets	<u>3,434,605</u>	<u>3,417,927</u>
Less those unavailable for general expenditures within one year:		
Net assets with donor restrictions	<u>(1,189,805)</u>	<u>(874,490)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,244,800</u>	<u>\$ 2,543,437</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2020 and 2019:

	2020	2019
Leasehold improvements	\$ 70,138	\$ 70,138
Computer equipment	109,933	75,154
Furniture and fixtures	54,267	53,203
	<u>234,338</u>	<u>198,495</u>
Less accumulated depreciation	<u>(139,586)</u>	<u>(109,605)</u>
	<u>\$ 94,752</u>	<u>\$ 88,890</u>

Note 5. Note Receivable

During 2020, the Foundation entered into a note receivable agreement with an affiliated chapter. This note is non-interest bearing and calls for monthly payments of \$2,500 over a period of 12 months commencing on November 1, 2020. The note receivable is presented at the gross amount due to the Foundation. The Foundation believes the entire balance to be fully collectible. The balance of the note receivable as of December 31, 2020 was \$30,000.

Note 6. Fair Value Measurements

In accordance with GAAP, the Foundation uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 6. Fair Value Measurement (Continued)

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments recorded at fair value and classified within Level 1 include mutual funds, the fair values for which were based on quoted prices for identical assets in active markets.

The deferred compensation liability was calculated based on amounts currently due under the deferred compensation agreement.

The following is a summary of input levels used to determine fair values, measured on a recurring basis, of the following items at December 31, 2020 and 2019:

2020	Total	Level 1	Level 2	Level 3
Assets:				
Investments, at fair value:				
Mutual funds – equities:				
Large cap growth funds	\$ 613,139	\$ 613,139	\$ -	\$ -
Intl equity developed funds	269,922	269,922	-	-
Large cap core funds	206,230	206,230	-	-
SMid cap core funds	120,761	120,761	-	-
Large cap value funds	94,555	94,555	-	-
Mid cap core funds	90,623	90,623	-	-
Intl equity emerging funds	67,705	67,705	-	-
Small cap core funds	67,271	67,271	-	-
Mutual funds – fixed income:				
Bond funds	671,825	671,825	-	-
Money market funds	62,866	62,866	-	-
Deferred compensation investments:				
Large cap mutual fund	53,025	53,025	-	-
	<u>\$ 2,317,922</u>	<u>\$ 2,317,922</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Deferred compensation obligation	\$ 53,025	\$ -	\$ 53,025	\$ -

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 6. Fair Value Measurement (Continued)

2019	Total	Level 1	Level 2	Level 3
Assets:				
Investments, at fair value:				
Mutual funds – equities:				
Large cap core funds	\$ 102,052	\$ 102,052	\$ -	\$ -
Large cap growth funds	438,770	438,770	-	-
Large cap value funds	359,994	359,994	-	-
Mid cap core funds	78,818	78,818	-	-
SMid cap core funds	108,463	108,463	-	-
Small cap core funds	122,496	122,496	-	-
Intl equity developed funds	234,648	234,648	-	-
Intl equity emerging funds	60,034	60,034	-	-
Mutual funds – fixed income:				
Money market funds	33,514	33,514	-	-
Bond funds	711,380	711,380	-	-
Deferred compensation investments:				
Large cap mutual fund	31,511	31,511	-	-
	<u>\$ 2,281,680</u>	<u>\$ 2,281,680</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Deferred compensation obligation	<u>\$ 31,511</u>	<u>\$ -</u>	<u>\$ 31,511</u>	<u>\$ -</u>

Note 7. Joint Certification Program

During 2005, the Foundation entered into a joint certification program (the Program) with Allergy Standards Limited (ASL) to raise awareness of asthma and allergies. The term of this agreement extended through 2020. As of December 15, 2020, ASL and the Foundation entered into a new agreement effective through 2025; however, either party can terminate the agreement if certain conditions exist. Under the agreement, the Foundation and ASL shall be exclusive and equal partners in the Program, shall share the licensing and other revenues equally (except for certain application fees and testing costs), and shall be responsible equally for costs of running the Program. During the years ended December 31, 2020 and 2019, the program generated gross revenue of \$2,374,362 and \$2,619,178, respectively. For the years ended December 31, 2020 and 2019, the Foundation's net share of the revenue totaled \$1,161,295 and \$1,311,371, respectively, and is reported in the statements of activities as certification revenue. As of December 31, 2020 and 2019, the Foundation owed ASL amounts due under this program of \$183,327 and \$161,264, respectively.

Note 8. Retirement Plans

The Foundation has a defined contribution plan (the Plan) for the benefit of its employees. Eligible employees begin participation in the Plan on the first day of the month following completion of a one-month period of service and the attainment of age 21. After the completion of one year of service, the Foundation matches an employee's contribution, dollar for dollar, up to 8% of the employee's salary, which is the maximum amount that the Foundation contributes. An employee may make contributions of his or her salary up to the annual statutory limits.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 8. Retirement Plans (Continued)

During 2018, the Foundation established a Section 457(b) deferred compensation plan for its CEO. Payments into the plan commenced in 2019. Under the Section 457(b) plan, the Foundation makes certain discretionary contributions into the plan on behalf of the participant, subject to IRC limitations. At December 31, 2020 and, the asset and obligation for the deferred compensation plan totaled \$53,025 and \$31,511, respectively.

The Foundation's expenses related to the plans totaled \$106,370 and \$139,716 for the years ended December 31, 2020 and 2019, respectively.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2020 and 2019:

	2020	2019
Community and chapter outreach	\$ 474,150	\$ 197,177
Endowment fund for research	384,234	371,854
Family and patient services and professional education	168,100	-
Research	163,321	305,459
	<u>\$ 1,189,805</u>	<u>\$ 874,490</u>

Net assets released from restrictions consisted of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Community and chapter outreach	\$ 508,027	\$ 403,537
Research	302,138	1,119,275
Family and patient services and professional education	91,900	218,153
Endowment fund for research	6,400	6,400
Public information	-	118,781
	<u>\$ 908,465</u>	<u>\$ 1,866,146</u>

Note 10. Endowment

The Foundation has a donor-restricted endowment fund established for the purpose of supporting research by physician-scientists in the field of allergy and immunology. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 10. Endowment (Continued)

Interpretation of relevant law: The Board of Directors of the Foundation has interpreted the New York Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions to be maintained in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction to be maintained in perpetuity is classified as net assets with donor restrictions available for specified purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

Fund with deficiencies: From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies reported as of December 31, 2020 and 2019.

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for the endowment fund is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment fund over the long term, and capital market volatility, the Board of Directors believes that a moderate risk strategy is prudent. Under this policy, as approved by the Board of Directors, the goal is to have stable returns over the long term, with a reduced potential of negative returns in any given year. The Foundation expects its endowment fund, over time, to provide an annual average rate of return of approximately 4%. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: 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 capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 10. Endowment (Continued)

Spending policy and how the investment objectives relate to spending policy: At year end, the Foundation has a policy of distributing up to 4% of the moving average of the past 12 quarters' closing market value of the endowment investment. In establishing this policy, the Foundation considered the long-term expected return of its endowment.

The Foundation's endowment net asset composition by fund type was as follows as of December 31, 2020:

	Available for Specified Purpose	Held in Perpetuity	Total
Donor-restricted endowment fund	\$ 224,234	\$ 160,000	\$ 384,234

The Foundation's endowment net asset composition by fund type was as follows as of December 31, 2019:

	Available for Specified Purpose	Held in Perpetuity	Total
Donor-restricted endowment fund	\$ 211,854	\$ 160,000	\$ 371,854

Changes in endowment net assets were as follows for the year ended December 31, 2020:

	Available for Specified Purpose	Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 211,854	\$ 160,000	\$ 371,854
Investment return:			
Interest and dividends	4,650	-	4,650
Net appreciation (realized and unrealized)	15,028	-	15,028
Investment fees	(898)	-	(898)
Total investment return	18,780	-	18,780
Appropriation of endowment assets for expenditure	(6,400)	-	(6,400)
Total endowment funds, end of year	\$ 224,234	\$ 160,000	\$ 384,234

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 10. Endowment (Continued)

Changes in endowment net assets were as followed for the year ended December 31, 2019:

	Available for Specified Purpose	Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 188,310	\$ 160,000	\$ 348,310
Investment return:			
Interest and dividends	4,808	-	4,808
Net appreciation (realized and unrealized)	26,017	-	26,017
Investment fees	(881)	-	(881)
Total investment return	29,944	-	29,944
Appropriation of endowment assets for expenditure	(6,400)	-	(6,400)
Total endowment funds, end of year	\$ 211,854	\$ 160,000	\$ 371,854

Note 11. Commitments and Contingencies

Line of credit: In October 2019, the Foundation obtained a line of credit of \$500,000 from a commercial bank. Under the terms of the line of credit, interest on the outstanding balance is calculated using the prime rate plus 0.50%. During the year ended December 31, 2020, the Foundation's draws on the line of credit were \$500,000 and repayments were \$300,000. As a result, the outstanding balance on the line of credit was \$200,000 at December 31, 2020. There were no draws or repayments on the line of credit during the year ended December 31, 2019.

Office leases: In May 2019, the Foundation entered into a new office lease for its national headquarters' office space, which expires October 2024. (Previously, the Foundation leased headquarters space at a different location under a lease that expired in July 2019.) Under the terms of the agreement, the Foundation is responsible for its proportionate share of real estate taxes and operating and maintenance costs, and for annual rent increases over the term of the lease. Under this lease, the Foundation received a three-month rent abatement at the lease's commencement date totaling \$39,546. The Foundation also received a tenant improvement allowance of \$48,334. The lease requires the Foundation to provide a security deposit in the form of a \$39,546 letter of credit in favor of the landlord. The Foundation obtained the letter of credit from a commercial bank in May 2019. The letter of credit is able to be renewed automatically for 12-month periods through February 2021.

In addition, the Foundation had a noncancelable operating lease for its office space in Fountainville, Pennsylvania, which expired on March 31, 2020. The lease was not renewed.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 11. Commitments and Contingencies (Continued)

Future minimum rental payments under the noncancelable operating leases are as follows:

Years ending December 31:		
2021	\$	166,188
2022		171,174
2023		176,309
2024		151,035
	\$	<u>664,706</u>

Rent expense totaled \$178,219 and \$249,198 for the years ended December 31, 2020 and 2019, respectively.

Federal grants: The Foundation participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

The Foundation has received a grant commitment from the U.S. federal government. Grants which are subject to the Uniform Guidance are cost-reimbursable in nature. Thus, a receivable related to these grants is only recognized as the Foundation incurs grant-related expenses. The unearned conditional grant commitments as of December 31, 2020 totaled \$131,627.

Employment agreement: The Foundation has an employment agreement with its Chief Executive Officer, which expires December 2023. In certain circumstances, the Chief Executive Officer may be entitled to severance payments as stipulated by his employment agreement.

Note 12. COVID-19 Pandemic

The continued global pandemic in 2020 and 2021 has created substantial volatility in financial markets and the economy, including the geographic areas in which the Foundation operates. While the Foundation has worked to mitigate the financial impact to its operations, it is unknown how long these conditions will last. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

As part of its response to the pandemic, the Foundation applied for a federal Paycheck Protection Program (PPP) loan in March 2020. The Foundation's application was approved and a PPP loan of \$352,219 was received in May 2020. The Foundation has elected to account for the loan as a financial liability until the time at which forgiveness is received. In June 2021, the Foundation received full forgiveness of this loan and accrued interest.

In January 2021, the Foundation applied for and received an additional \$407,434 PPP loan. The loan bears interest at a fixed rate of 1%, and is due in January 2026. The loan is not secured by any property of the Foundation. The Foundation believes that most, if not all, of this PPP loan will meet the requirements for forgiveness.

Asthma and Allergy Foundation of America

Notes to Financial Statements

Note 12. COVID-19 Pandemic (Continued)

Also as part of its response to the pandemic, the Foundation has applied for the Employee Retention Credit (ERC) offered by the United States government. As a result, ERC revenue of \$105,055 has been recognized and included within contribution revenue for the year ended December 31, 2020.

Note 13 Adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606)

During the year ended December 31, 2019, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective approach. As a result, revenue recognition changed for certification revenue. Previously, certification revenue was recognized over the license period. Effective January 1, 2019, the Foundation concluded that the performance obligation is satisfied upon the granting of the license under the new criteria of ASU 2014-09. Thus, revenue related to certification activities is now recognized at the point in time the license is granted. The cumulative effect of the adoption of the ASU was presented as an adjustment of \$406,630 to the January 1, 2019 net assets.