

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
American Association for the Study of Liver Diseases Foundation
Alexandria, Virginia

We have audited the accompanying financial statements of the American Association for the Study of Liver Diseases Foundation (the AASLD Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AASLD Foundation as of June 30, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

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Report on Summarized Comparative Information

We have previously audited the AASLD Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

September 28, 2021

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 817,489	\$ 888,555
Investments	17,465,373	15,727,127
Contributions receivable, current portion	404,400	848,875
Due from related party, net	76,427	-
Prepaid expenses	<u>19,078</u>	<u>21,426</u>
Total current assets	18,782,767	17,485,983
OTHER ASSETS		
Contributions receivable, net of discount	<u>753,462</u>	<u>802,144</u>
TOTAL ASSETS	<u>\$ 19,536,229</u>	<u>\$ 18,288,127</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 68,237	\$ 178,767
Awards payable	3,881,814	4,297,724
Due to related party, net	<u>-</u>	<u>147,205</u>
Total liabilities	<u>3,950,051</u>	<u>4,623,696</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	6,479,713	4,799,559
Board designated	<u>4,433,075</u>	<u>3,801,200</u>
Total without donor restrictions	10,912,788	8,600,759
With donor restrictions	<u>4,673,390</u>	<u>5,063,672</u>
Total net assets	<u>15,586,178</u>	<u>13,664,431</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,536,229</u>	<u>\$ 18,288,127</u>

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 1,455,124	\$ -	\$ 1,455,124	\$ 1,590,862
Research and Fellowship Grants	137,737	614,088	751,825	2,121,133
Net assets released from donor restrictions	<u>1,355,000</u>	<u>(1,355,000)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,947,861</u>	<u>(740,912)</u>	<u>2,206,949</u>	<u>3,711,995</u>
EXPENSES				
Program Services:				
Awards	3,056,035	-	3,056,035	2,773,567
Emerging Liver Scholars	2,512	-	2,512	132,898
Fundamentals of Liver Disease	18,696	-	18,696	35,631
Public Awareness	<u>35,967</u>	<u>-</u>	<u>35,967</u>	<u>96,823</u>
Total program services	<u>3,113,210</u>	<u>-</u>	<u>3,113,210</u>	<u>3,038,919</u>
Supporting Services:				
Leadership and Administration	368,363	-	368,363	386,073
Fundraising	311,328	-	311,328	317,940
Fundraising Campaign	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,247</u>
Total supporting services	<u>679,691</u>	<u>-</u>	<u>679,691</u>	<u>770,260</u>
Total expenses	<u>3,792,901</u>	<u>-</u>	<u>3,792,901</u>	<u>3,809,179</u>
Change in net assets before other item	(845,040)	(740,912)	(1,585,952)	(97,184)
OTHER ITEM				
Investment income, net	<u>3,157,069</u>	<u>350,630</u>	<u>3,507,699</u>	<u>512,594</u>
Change in net assets	2,312,029	(390,282)	1,921,747	415,410
Net assets at beginning of year	<u>8,600,759</u>	<u>5,063,672</u>	<u>13,664,431</u>	<u>13,249,021</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,912,788</u>	<u>\$ 4,673,390</u>	<u>\$ 15,586,178</u>	<u>\$ 13,664,431</u>

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021								2020	
	Program Services				Supporting Services				Total Expenses	Total Expenses
	Awards	Emerging Liver Scholars	Fundamentals of Liver Disease	Public Awareness	Total Program Services	Leadership and Administration	Fundraising	Total Supporting Services		
Awards	\$ 2,713,959	\$ -	\$ -	\$ -	\$ 2,713,959	\$ -	\$ -	\$ -	\$ 2,713,959	\$ 2,236,740
Salaries and benefits	267,673	-	10,306	12,168	290,147	214,899	140,985	355,884	646,031	785,223
Professional services	-	-	5,650	7,510	13,160	61,115	133,925	195,040	208,200	184,786
Office condominium expenses	39,737	-	1,557	1,783	43,077	32,781	21,268	54,049	97,126	134,259
Software	19,770	-	840	862	21,472	17,483	10,381	27,864	49,336	92,024
Marketing expenses	7,526	1,562	250	5,668	15,006	544	3,300	3,844	18,850	53,805
Stipend	-	-	-	-	-	15,000	-	15,000	15,000	15,000
Recruitment	-	-	-	-	-	12,852	-	12,852	12,852	95
Bank and credit card charges	-	-	-	-	-	9,964	-	9,964	9,964	2,352
Meeting services	-	-	-	7,843	7,843	-	-	-	7,843	51,347
Telephone and fax	2,334	-	86	108	2,528	1,875	1,219	3,094	5,622	11,842
Membership dues	4,025	950	-	-	4,975	500	130	630	5,605	174
Staff development and recognition	881	-	-	-	881	139	-	139	1,020	1,294
Postage and delivery	-	-	-	20	20	372	47	419	439	60,117
Stationery and supplies	-	-	-	-	-	332	-	332	332	2,497
Maintenance and repairs	130	-	7	5	142	104	73	177	319	865
Travel	-	-	-	-	-	301	-	301	301	98,970
Other	-	-	-	-	-	102	-	102	102	77,789
TOTAL	\$ 3,056,035	\$ 2,512	\$ 18,696	\$ 35,967	\$ 3,113,210	\$ 368,363	\$ 311,328	\$ 679,691	\$ 3,792,901	\$ 3,809,179

See accompanying notes to financial statements.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,921,747	\$ 415,410
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized gain	(2,719,182)	(68,989)
Realized gain and capital gains	(466,333)	(40,124)
Contributions restricted in perpetuity	(100)	(24,025)
Change in net present value discount for contributions receivable	(22,988)	(55,611)
Decrease (increase) in:		
Contributions receivable	516,145	392,500
Due from related party, net	(76,427)	60,807
Prepaid expenses	2,348	(7,161)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(110,530)	165,498
Awards payable	(415,910)	(1,670,406)
Due to related party, net	<u>(147,205)</u>	<u>147,205</u>
Net cash used by operating activities	<u>(1,518,435)</u>	<u>(684,896)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(369,400)	(699,191)
Proceeds from sales of investments	<u>1,816,669</u>	<u>1,900,000</u>
Net cash provided by investing activities	<u>1,447,269</u>	<u>1,200,809</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted in perpetuity	<u>100</u>	<u>24,025</u>
Net cash provided by financing activities	<u>100</u>	<u>24,025</u>
Net (decrease) increase in cash and cash equivalents	(71,066)	539,938
Cash and cash equivalents at beginning of year	<u>888,555</u>	<u>348,617</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 817,489</u>	<u>\$ 888,555</u>

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Association for the Study of Liver Diseases Foundation (the AASLD Foundation), an affiliate controlled by the American Association for the Study of Liver Diseases (the Association), was established in 2014 to support liver research and provide education about liver disease and its treatment to those providing care to patients. Core programs of the AASLD Foundation include providing research support for young investigators, advanced training and career development and the dissemination of educational materials for the non-hepatologist.

The mission of the AASLD Foundation is to invest in innovative Hepatology research and in the people who study and treat liver disease. The vision is to prevent and cure liver disease.

The Association has the authority to appoint the members of the Board of Trustees for the Foundation and provides shared office space, personnel and other resources with the Foundation, and as a result, they incur costs on behalf of one another.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the AASLD Foundation mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The accompanying financial statements represent the activity of the AASLD Foundation only. For the year ended June 30, 2021, the financial statements of the AASLD Foundation have been consolidated with the Association in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. The consolidated financial statements are available at the AASLD Foundation's headquarters.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the AASLD Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Cash and cash equivalents -

The AASLD Foundation considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$256,761 as of June 30, 2021.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the AASLD Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, unrealized and realized gains and losses, short-term and long-term capital gains, net of investment custodian and advisor fees are included in investment income in the Statement of Activities and Change in Net Assets.

Contributions receivable -

Contributions receivable that are expected to be collected within one-year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional contributions are not included as support until the conditions are substantially met. As of June 30, 2021, all contributions receivable are deemed by management to be fully collectible; therefore, no allowance for doubtful accounts has been established.

Awards payable -

Awards are recorded as a liability when the commitment has been made by the AASLD Foundation.

Contributions and research and fellowship grants -

The majority of the AASLD Foundation's revenue is received through contributions and research and fellowship grants. Contributions and grants received are recognized in the appropriate category of net assets in the period received. The AASLD Foundation performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. There were no unrecognized conditional contributions as of June 30, 2021.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the AASLD Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Awards expenses include research and travel awards as well as supporting expenses such as awards marketing, advertising and promotions, research awards committee travel and meeting expenses and staff time supporting the awards. The Emerging Liver Scholars program represents the direct expenses. All other costs related to this program are under the Association.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income taxes -

The AASLD Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The AASLD Foundation is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2021, the AASLD Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Risks and uncertainties -

The AASLD Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 financial statements.

Fair value measurement -

The AASLD Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The AASLD Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the AASLD Foundation's operations. The overall potential impact is unknown at this time.

2. **INVESTMENTS**

Investments consisted of the following at June 30, 2021:

Money Market Funds	\$ 256,761
Mutual Funds:	
Domestic Large Cap Value and Growth	6,924,921
Domestic Small Cap Value and Growth	587,308
Fixed Income	5,801,212
International Developed Equity	2,988,421
Emerging Markets Equity	<u>906,750</u>
TOTAL INVESTMENTS	<u>\$ 17,465,373</u>

Included in investment income, net are the following for the year ended June 30, 2021:

Interest and dividends	\$ 373,507
Unrealized gain	2,719,182
Realized gain	464,815
Long-term capital gains	<u>1,518</u>
Subtotal	3,559,022
Less: Investment custodian and advisor fees	<u>(51,323)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 3,507,699</u>

3. **CONTRIBUTIONS RECEIVABLE**

Contributions due in more than one year have been recorded at the net present value of the estimated cash flows, using a discount rate between 3.25% - 5.50%.

Contributions are due as follows at June 30, 2021:

Less than one year	\$ 404,400
One to five years	729,730
Beyond five years	<u>150,100</u>
Total	1,284,230
Less: Allowance to discount balance to present value	<u>(126,368)</u>
CONTRIBUTIONS RECEIVABLE, NET	<u>\$ 1,157,862</u>

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. NET ASSETS WITHOUT DONOR RESTRICTIONS

As of June 30, 2021, net assets have been designated by the Board of Trustees for the following purposes:

Undesignated	\$ 6,479,713
Board designated endowment	3,893,075
Board designated for research grants	<u>540,000</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 10,912,788</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2021:

Subject to expenditure for specified purpose:	
Accumulated Endowment Earnings	\$ 504,408
Research and Fellowship Grants	2,292,632
Memorial Travel Grants	25,020
Endowment contributions restricted in perpetuity	<u>1,851,330</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 4,673,390</u>

The following net assets with donor restrictions were released, for the year ended June 30, 2021, by incurring expenses, which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Research and Fellowship Grants	\$ 1,105,000
Accumulated earnings from endowment authorized for spending	<u>250,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,355,000</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following at June 30, 2021:

Cash and cash equivalents	\$ 817,489
Investments	17,465,373
Contributions receivable	<u>1,157,862</u>
Subtotal financial assets available	19,440,724
Less: Donor restricted funds	(4,673,390)
Less: Board designated endowment	(3,893,075)
Less: Board designated for research awards	<u>(540,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 10,334,259</u>

The AASLD Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2021, the AASLD Foundation has liquid financial assets equal to approximately 32 months of average annual operating expenses. The AASLD Foundation also has an operating reserve that can be drawn upon if needed.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

7. RELATED PARTY

The American Association for the Study of Liver Diseases (the Association) has the authority to appoint the members of the Board of Trustees for the AASLD Foundation and provides shared office space, personnel and other resources to the AASLD Foundation and as a result, they incur costs on behalf of one another which is based upon appropriate apportionment methods. These costs are subsequently reimbursed between the two organizations.

As of June 30, 2021, the Association owed the Foundation \$76,427, net of payable, as a result of these activities.

During the year ended June 30, 2021, the AASLD Foundation received a grant in the amount of \$1,000,000 from the Association which is recorded in the Statement of Activities and Change in Net Assets. In addition, the Association donated \$1,500 received from in-kind contributions for honoraria and stipends.

8. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the AASLD Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the AASLD Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2021. There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market fund is an open-end fund that is registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the AASLD Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the AASLD Foundation are deemed to be actively traded.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

8. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the AASLD Foundation's investments as of June 30, 2021:

Asset Class:	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 256,761	\$ -	\$ -	\$ 256,761
Mutual Funds:				
Domestic Large Cap Value and Growth	6,924,921	-	-	6,924,921
Domestic Small Cap Value and Growth	587,308	-	-	587,308
Fixed Income	5,801,212	-	-	5,801,212
International Developed Equity	2,988,421	-	-	2,988,421
Emerging Markets Equity	906,750	-	-	906,750
TOTAL INVESTMENTS	\$ 17,465,373	\$ -	\$ -	\$ 17,465,373

9. ENDOWMENT

The AASLD Foundation's endowment consists of donor-restricted endowment funds and funds designated by the Foundation's Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Foundation's Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. In relation to the endowment, the Foundation's Board of Trustees is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the Foundation's Board of Trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

The Foundation's Board of Trustees has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the AASLD Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The AASLD Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the AASLD 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 purpose of the AASLD Foundation and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the AASLD Foundation.

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**NOTES TO FINANCIAL STATEMENTS
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9. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board Designated Endowment Funds	\$ 3,893,075	\$ -	\$ 3,893,075
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,851,330	1,851,330
Accumulated investment earnings	<u>-</u>	<u>504,408</u>	<u>504,408</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 3,893,075</u>	<u>\$ 2,355,738</u>	<u>\$ 6,248,813</u>

Changes in endowment net assets for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,226,200	\$ 2,255,008	\$ 5,481,208
Investment return, net	666,875	350,630	1,017,505
Contributions	-	100	100
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 3,893,075</u>	<u>\$ 2,355,738</u>	<u>\$ 6,248,813</u>

Contributions restricted in perpetuity consisted of the following at June 30, 2021:

Foundation Campaign	<u>\$ 1,851,330</u>
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Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported in unrestricted net assets.

Return Objectives and Risk Parameters -

The AASLD 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 organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

9. ENDOWMENT (Continued)

Return Objectives and Risk Parameters (continued) -

Under this policy, as approved by the Foundation's Board of Trustees, the investment objectives are:

- A. Preservation of capital;
- B. The achievement of a favorable rate of return over time, within acceptable parameters of risk; and
- C. Sufficient liquidity to provide for the necessary cash flow requirements.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the AASLD 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 AASLD 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The AASLD Foundation has a policy of appropriating for distribution each year an amount not to exceed earnings from dividends, interest and realized gains and losses. This is consistent with the AASLD Foundation's objective to maintain the purchasing power of the endowment assets held in-perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. SUBSEQUENT EVENTS

In preparing these financial statements, the AASLD Foundation has evaluated events and transactions for potential recognition or disclosure through September 28, 2021, the date the financial statements were issued.