

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2023**

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

Opinion

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, 2024, 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.

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, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the AASLD Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the AASLD Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the AASLD 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 the AASLD 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.

Report on Summarized Comparative Information

We have previously audited the AASLD Foundation's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 20, 2024

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 575,965	\$ 876,091
Investments	16,334,503	14,861,826
Contributions receivable	5,349,050	346,250
Accounts receivable	110,000	100,000
Due from related party, net	184,990	111,145
Prepaid expenses	<u>14,400</u>	<u>27,113</u>
Total current assets	22,568,908	16,322,425
OTHER ASSETS		
Contributions receivable, net	<u>16,950,374</u>	<u>735,987</u>
TOTAL ASSETS	<u>\$ 39,519,282</u>	<u>\$ 17,058,412</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 68,064	\$ 298,495
Awards payable	3,528,046	2,638,076
Deferred revenue	<u>50,000</u>	<u>-</u>
Total liabilities	<u>3,646,110</u>	<u>2,936,571</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	6,907,613	6,081,269
Board designated	<u>4,384,650</u>	<u>4,323,225</u>
Total without donor restrictions	11,292,263	10,404,494
With donor restrictions	<u>24,580,909</u>	<u>3,717,347</u>
Total net assets	<u>35,873,172</u>	<u>14,121,841</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,519,282</u>	<u>\$ 17,058,412</u>

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Research and fellowship grants	\$ 73,425	\$ 21,560,568	\$ 21,633,993	\$ 911,386
Contributions	1,653,025	-	1,653,025	1,681,536
Sponsorships	570,000	-	570,000	550,000
Net assets released from donor restrictions	<u>921,568</u>	<u>(921,568)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>3,218,018</u>	<u>20,639,000</u>	<u>23,857,018</u>	<u>3,142,922</u>
EXPENSES				
Program Services:				
Awards	2,854,184	-	2,854,184	2,129,577
Liver Leaders Council	234,687	-	234,687	98,961
Emerging Liver Scholars	133,165	-	133,165	90,532
Public Awareness	<u>132,298</u>	<u>-</u>	<u>132,298</u>	<u>130,535</u>
Total program services	<u>3,354,334</u>	<u>-</u>	<u>3,354,334</u>	<u>2,449,605</u>
Supporting Services:				
Leadership and Administration	357,172	-	357,172	413,589
Fundraising	<u>323,132</u>	<u>-</u>	<u>323,132</u>	<u>410,270</u>
Total supporting services	<u>680,304</u>	<u>-</u>	<u>680,304</u>	<u>823,859</u>
Total expenses	<u>4,034,638</u>	<u>-</u>	<u>4,034,638</u>	<u>3,273,464</u>
Change in net assets before other item	(816,620)	20,639,000	19,822,380	(130,542)
OTHER ITEM				
Investment income, net	<u>1,704,389</u>	<u>224,562</u>	<u>1,928,951</u>	<u>1,290,583</u>
Change in net assets	887,769	20,863,562	21,751,331	1,160,041
Net assets at beginning of year	<u>10,404,494</u>	<u>3,717,347</u>	<u>14,121,841</u>	<u>12,961,800</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,292,263</u>	<u>\$ 24,580,909</u>	<u>\$ 35,873,172</u>	<u>\$ 14,121,841</u>

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024								2023	
	Program Services				Supporting Services				Total Expenses	Total Expenses
	Awards	Emerging Liver Scholars	Public Awareness	Liver Leaders Council	Total Program Services	Leadership and Administration	Fundraising	Total Supporting Services		
Awards	\$ 2,414,500	\$ -	\$ -	\$ -	\$ 2,414,500	\$ -	\$ -	\$ -	\$ 2,414,500	\$ 1,740,369
Salaries and benefits	242,758	-	37,464	145,099	425,321	194,343	164,011	358,354	783,675	718,737
Professional and legal fees	-	-	31,250	12,600	43,850	67,373	100,573	167,946	211,796	295,158
Travel	49,146	88,983	-	3,541	141,670	7,049	-	7,049	148,719	84,968
Office condominium	30,559	-	4,758	18,474	53,791	24,228	21,055	45,283	99,074	98,404
Food/beverages	37,324	14,842	5,606	14,714	72,486	8,974	3,665	12,639	85,125	77,055
Software	33,915	-	2,363	8,855	45,133	12,532	23,542	36,074	81,207	75,223
Marketing	15,834	-	20,427	3,281	39,542	2,250	6,380	8,630	48,172	24,499
Membership fees	22,455	23,040	-	-	45,495	171	410	581	46,076	52,409
Audio visual aids	1,127	-	2,601	21,617	25,345	10,911	-	10,911	36,256	43,772
Meeting services	2,335	6,300	22,253	65	30,953	65	-	65	31,018	19,278
Stipend	-	-	-	-	-	15,000	-	15,000	15,000	15,000
Printing/duplicating	1,753	-	5,242	5,010	12,005	598	1,971	2,569	14,574	147
Bank charges	-	-	-	-	-	10,303	-	10,303	10,303	16,794
Telephone	2,096	-	316	1,303	3,715	1,708	1,428	3,136	6,851	7,458
Staff development and recognition	-	-	-	-	-	1,219	-	1,219	1,219	492
Supplies	214	-	-	61	275	119	-	119	394	562
Maintenance	111	-	18	67	196	88	82	170	366	337
Postage and mailing	57	-	-	-	57	241	15	256	313	579
Agency temporaries	-	-	-	-	-	-	-	-	-	2,223
TOTAL	\$ 2,854,184	\$ 133,165	\$ 132,298	\$ 234,687	\$ 3,354,334	\$ 357,172	\$ 323,132	\$ 680,304	\$ 4,034,638	\$ 3,273,464

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, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 21,751,331	\$ 1,160,041
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized gain, net	(1,505,638)	(857,722)
Realized gain and capital gains	(100,114)	(135,621)
Contributions restricted in perpetuity	(10,300)	(1,000)
Change in net present value discount for contributions receivable	3,576,913	32,286
(Increase) decrease in:		
Contributions receivable	(24,794,100)	(217,400)
Accounts receivable	(10,000)	(100,000)
Due from related party, net	(73,845)	(111,145)
Prepaid expenses	12,713	(2,460)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(230,431)	190,142
Awards payable	889,970	(450,409)
Due to related party, net	-	(170,863)
Deferred revenue	<u>50,000</u>	<u>-</u>
Net cash used by operating activities	<u>(443,501)</u>	<u>(664,151)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(366,925)	(338,974)
Proceeds from sales of investments	<u>500,000</u>	<u>1,300,000</u>
Net cash provided by investing activities	<u>133,075</u>	<u>961,026</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted in perpetuity	<u>10,300</u>	<u>1,000</u>
Net cash provided by financing activities	<u>10,300</u>	<u>1,000</u>
Net (decrease) increase in cash and cash equivalents	(300,126)	297,875
Cash and cash equivalents at beginning of year	<u>876,091</u>	<u>578,216</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 575,965</u>	<u>\$ 876,091</u>

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

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 AASLD Foundation and provides shared office space, personnel and other resources with the AASLD Foundation, and as a result, they incur costs on behalf of one another.

Program Services -

Awards - The Foundation makes grants to institutions to support Liver Disease research; clinical training awards for advanced training for hepatology fellows, nurse practitioner and physician assistant; abstract awards to enable young investigators to attend and present the results of promising research at premier hepatology scientific meetings.

Emerging Liver Scholars (ELS) - The emerging liver scholars (ELS) program promotes the study of hepatology among medical, surgical and pediatric residents who have the potential for a career in academic medicine and who haven't yet determined their long long-term career goals.

Public Awareness - The Foundation works to increase public awareness for liver disease by maintaining information on its website and by exhibiting and distributing information at meetings and conventions focused on liver disease.

Liver Leader Council - The Liver Leaders Council (LLC) is a corporate partnership program launched by the AASLD Foundation in 2023 which will engage industry partners annually through a portfolio of benefits, services, and strategic stakeholder conversations offered by both the Association and the AASLD Foundation.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit 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 temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions** (continued) - 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, 2024, 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, 2023, from which the summarized information was derived.

New accounting pronouncements adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by AASLD Foundation that are subject to the guidance in FASB ASC 326 are trade accounts receivable. AASLD Foundation implemented the ASU on July 1, 2023, using a modified retrospective approach. However, the adoption of the new standard had no significant effect on AASLD Foundation's financial statements.

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 \$735,598 as of June 30, 2024.

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.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Contributions receivable -

Contributions receivable include unconditional promises to give that are expected to be collected in future years. Contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions. As of June 30, 2024, all contributions receivable are deemed by management to be fully collectable; therefore, no allowance for doubtful accounts has been established.

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to sponsorships revenue. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs.

Awards payable -

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

Income taxes -

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

Revenue from contracts with customers -

Sponsorships are treated as exchange transaction revenue, which follows following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. AASLD Foundation has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. AASLD Foundation's contracts with customers generally have initial terms of one year or less.

Sponsorships are recognized as revenue during the period of time when the related events are held.

Revenue and support -

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 are recognized in the appropriate category of net assets in the period received.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Revenue and support (continued) -

Contributions and research and fellowship grants (continued) -

The AASLD Foundation performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions and grants 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, including grants qualifying as contributions, that are unconditional but 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. Contributions and grants with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions and grants that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions and grants contain a right of return and a measurable barrier. Contributions and grants are recognized when conditions have been satisfied. Conditional contributions and grants received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, the AASLD Foundation had no refundable advances as of June 30, 2024.

In addition, the AASLD Foundation may obtain funding source agreements related to conditional contributions, which will be received in future years. However, the AASLD Foundation had no conditional contributions to be received in future years as of June 30, 2024.

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.

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.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Functional allocation of expenses (continued) -

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.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications had no effect on the previously reported changes in net assets.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2024. There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2024. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are 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.

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 735,598	\$ -	\$ -	\$ 735,598
Mutual Funds:				
Domestic Large Cap Value and Growth	6,851,324	-	-	6,851,324
Fixed Income	5,511,493	-	-	5,511,493
International Developed Equity	2,656,546	-	-	2,656,546
Emerging Markets Equity	<u>579,542</u>	<u>-</u>	<u>-</u>	<u>579,542</u>
TOTAL INVESTMENTS	<u>\$ 16,334,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,334,503</u>

Included in investment income, net are the following for the year ended June 30, 2024:

Interest and dividends	\$ 366,926
Unrealized gain	1,505,638
Realized gain	94,399
Short-term capital gains	1,840
Long-term capital gains	<u>3,875</u>
Subtotal	1,972,678
Less: Investment custodian and advisor fees	<u>(43,727)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 1,928,951</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 5% - 8.5%.

Contributions are due as follows at June 30, 2024:

Less than one year	\$ 5,349,050
One to five years	20,640,700
Beyond five years	<u>3,000</u>
Total	25,992,750
Less: Allowance to discount balance to present value	<u>(3,693,326)</u>
CONTRIBUTIONS RECEIVABLE, NET	<u>\$ 22,299,424</u>

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

4. BOARD DESIGNATED NET ASSETS

As of June 30, 2024, net assets have been designated by the Board of Trustees for the following purposes:

Board designated endowment	\$ 4,193,650
Board designated endowment for research grants	<u>191,000</u>
TOTAL BOARD DESIGNATED NET ASSETS	<u>\$ 4,384,650</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2024:

Subject to expenditure for specified purpose:	
Accumulated Endowment Earnings	\$ 362,915
Research and Fellowship Grants	22,354,364
Foundation endowment restricted in perpetuity	<u>1,863,630</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 24,580,909</u>

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended June 30, 2024

Purpose restrictions accomplished:	
Research and Fellowship Grants	\$ 748,536
Accumulated earnings from endowment authorized for spending	<u>173,032</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 921,568</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, 2024:

Cash and cash equivalents	\$ 575,965
Investments	16,334,503
Contributions receivable	22,299,424
Accounts receivable	110,000
Due from related party, net	<u>184,990</u>
Subtotal financial assets available	39,504,882
Less: Donor restricted funds	(24,580,909)
Less: Board designated endowment	(4,193,650)
Less: Board designated for research awards	<u>(191,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 10,539,323</u>

The AASLD Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. 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, 2024

7. RELATED PARTY

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.

As of June 30, 2024, the Association owed the Foundation \$184,990, net of payables, as a result of these activities.

During the year ended June 30, 2024, the AASLD Foundation received a grant in the amount of \$1,000,000 from the Association which is included under "Contributions" in the Statement of Activities and Change in Net Assets. The Association made additional contributions to the AASLD Foundation totaling \$197,000 during the year ended June 30, 2024.

8. ENDOWMENT

The AASLD Foundation's endowment funds consist of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law -

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.

Additionally, in accordance with UPMIFA, the AASLD Foundation considers the following factors in making a determination to appropriated 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.

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.

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.

AMERICAN ASSOCIATION FOR THE STUDY OF LIVER DISEASES FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

8. ENDOWMENT (Continued)

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.

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 AASLD Foundation to maintain as a fund of perpetual duration. However, there were no funds with deficiencies as of June 30, 2024.

Endowment net asset composition by type of fund as of June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Available for Appropriation</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Board Designated Endowment Funds	\$ 4,384,650	\$ -	\$ -	\$ 4,384,650
Donor-Restricted Endowment Funds	<u>-</u>	<u>362,915</u>	<u>1,863,630</u>	<u>2,226,545</u>
ENDOWMENT FUNDS	<u>\$ 4,384,650</u>	<u>\$ 362,915</u>	<u>\$ 1,863,630</u>	<u>\$ 6,611,195</u>

Changes in endowment net assets for the year ended June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Available for Appropriation</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,323,225	\$ 311,385	\$ 1,853,330	\$ 6,487,940
Contributions	370,425	224,562	10,300	605,287
Appropriation of endowment assets for expenditure	<u>(309,000)</u>	<u>(173,032)</u>	<u>-</u>	<u>(482,032)</u>
ENDOWMENT FUNDS, END OF YEAR	<u>\$ 4,384,650</u>	<u>\$ 362,915</u>	<u>\$ 1,863,630</u>	<u>\$ 6,611,195</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, the AASLD Foundation has evaluated events and transactions for potential recognition or disclosure through November 20, 2024, the date the financial statements were issued.