

ASTHMA AND ALLERGY FOUNDATION OF AMERICA

FINANCIAL STATEMENTS

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Asthma and Allergy Foundation of America
Arlington, Virginia

Opinion

We have audited the financial statements of Asthma and Allergy Foundation of America, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Asthma and Allergy Foundation of America as of December 31, 2021, and the changes 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Asthma and Allergy Foundation of America 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.

Prior Period Financial Statements

The financial statements of Asthma and Allergy Foundation of America as of December 31, 2020 were audited by other auditors whose report dated August 10, 2021 expressed an unmodified opinion on those statements.

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 Asthma and Allergy Foundation of America's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Asthma and Allergy Foundation of America'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 Asthma and Allergy Foundation of America'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.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
August 25, 2022

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	\$ 1,653,636	\$ 627,081
Accounts receivable	381,409	259,769
Note receivable	2,500	30,000
Unconditional promises to give	183,720	252,858
Prepaid expenses	163,317	294,534
Inventory	21,654	21,654
Investments	2,550,588	2,264,897
Property and equipment, net	68,404	94,752
Deferred compensation asset	77,054	53,025
Deposit	11,699	11,699
Total assets	\$ 5,113,981	\$ 3,910,269
LIABILITIES		
Accounts payable and accrued expenses	\$ 839,671	\$ 649,925
Deferred revenue	70,921	395,000
Refundable advances	50,000	250,000
Paycheck Protection Program loan	-	352,219
Line of credit	300,000	200,000
Deferred compensation liability	77,054	53,025
Deferred rent	63,921	76,721
Total liabilities	1,401,567	1,976,890
NET ASSETS		
Without donor restrictions	941,116	743,574
With donor restrictions	2,771,298	1,189,805
Total net assets	3,712,414	1,933,379
Total liabilities and net assets	\$ 5,113,981	\$ 3,910,269

See accompanying notes.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Certifications	\$ 1,217,737	\$ 1,161,295
Contributions, sponsorships and grants	1,602,678	1,150,278
In-kind contributions	328,188	476,455
Investment return, net	269,003	247,427
Workplace giving	51,534	57,932
Other income	28,887	25,816
Paycheck Protection Program loan forgiveness	759,653	-
Net assets released from restrictions	<u>883,784</u>	<u>908,465</u>
 Total support and revenue	 5,141,464	 4,027,668
EXPENSES		
Program Services		
Public Information	1,558,480	1,666,697
Community and Chapter Outreach	966,689	720,702
Research	631,485	677,880
Family and Patient Services and Professional Education	472,824	372,835
Supporting Activities		
Management and General	851,414	902,948
Fundraising	<u>463,030</u>	<u>493,719</u>
 Total expenses	 <u>4,943,922</u>	 <u>4,834,781</u>
 Change in net assets without donor restrictions	 197,542	 (807,113)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions, sponsorships and grants	2,447,351	1,205,000
Investment return, net	17,926	18,780
Satisfaction of purpose restrictions	<u>(883,784)</u>	<u>(908,465)</u>
 Change in net assets with donor restrictions	 <u>1,581,493</u>	 <u>315,315</u>
 Change in net assets	 1,779,035	 (491,798)
Net assets at beginning of year	<u>1,933,379</u>	<u>2,425,177</u>
 Net assets at end of year	 <u><u>\$ 3,712,414</u></u>	 <u><u>\$ 1,933,379</u></u>

See accompanying notes.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2021 and 2020

	Program Services				Supporting Activities		Total Expenses
	Public Information	Community and Chapter Outreach	Research	Family and Patient Services and Professional Education	Management and General	Fundraising	
2021							
Personnel	\$ 650,953	\$ 602,077	\$ 332,931	\$ 324,048	\$ 512,956	\$ 390,390	\$ 2,813,355
Professional fees	750,128	59,819	119,262	34,050	211,459	16,396	1,191,114
Office expenses	18,014	13,610	5,066	20,602	41,158	8,218	106,668
Conferences and meetings	250	57,188	60,614	-	-	-	118,052
Insurance	9,284	6,551	7,143	5,014	7,896	5,598	41,486
Occupancy	37,309	26,451	27,752	19,701	30,992	22,694	164,900
Advertising	5,195	246	632	10,343	-	-	16,417
Travel	7	3,584	335	81	1,878	1,185	7,071
Interest	-	-	-	-	7,334	-	7,334
Depreciation	5,818	3,969	4,743	3,194	5,169	3,453	26,346
Miscellaneous	2,057	5,520	6,728	2,697	6,979	438	24,419
Bad debt expense	-	-	-	-	245	-	245
Grants and assistance	-	12,500	20,000	-	-	-	32,500
Equipment rental and maintenance	3,088	2,151	2,114	1,495	2,564	1,735	13,148
Publications	-	250	-	-	-	-	250
Dues and subscriptions	76,374	172,773	44,164	51,599	22,785	12,922	380,617
Total expenses	\$ 1,558,480	\$ 966,689	\$ 631,485	\$ 472,824	\$ 851,414	\$ 463,030	\$ 4,943,922
	Program Services				Supporting Activities		Total Expenses
2020	Public Information	Community and Chapter Outreach	Research	Family and Patient Services and Professional Education	Management and General	Fundraising	
Personnel	\$ 689,652	\$ 426,322	\$ 304,394	\$ 287,264	\$ 483,476	\$ 407,631	\$ 2,598,739
Professional fees	816,351	152,861	98,973	14,716	292,287	22,555	1,397,743
Office expenses	34,061	21,055	15,033	14,188	23,879	20,133	128,349
Conferences and meetings	11,682	899	5,053	1,318	5,179	803	24,934
Insurance	10,307	6,371	4,549	4,293	7,225	6,092	38,837
Occupancy	48,354	29,891	21,342	20,141	33,898	28,580	182,206
Advertising	1,733	82	211	3,450	-	-	5,476
Travel	11,481	884	4,966	1,295	5,089	789	24,504
Interest	-	-	-	-	7,052	-	7,052
Depreciation	8,463	5,232	3,735	3,525	5,933	5,002	31,890
Miscellaneous	-	-	-	-	20,227	-	20,227
Bad debt expense	-	-	-	-	2,050	-	2,050
Grants and assistance	-	-	200,000	-	-	250	200,250
Equipment rental and maintenance	2,857	1,766	1,261	1,190	3,495	195	10,764
Publications	-	3,500	-	-	-	-	3,500
Dues and subscriptions	31,756	71,839	18,363	21,455	13,158	1,689	158,260
Total expenses	\$ 1,666,697	\$ 720,702	\$ 677,880	\$ 372,835	\$ 902,948	\$ 493,719	\$ 4,834,781

See accompanying notes.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,779,035	\$ (491,798)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	26,346	31,890
Bad debt expense	245	2,050
Net realized and unrealized gain on investments	(204,282)	(212,815)
Forgiveness of Paycheck Protection Program loan	(759,653)	-
(Increase) decrease in assets		
Accounts receivable	(121,885)	(36,810)
Unconditional promises to give	69,138	(60,742)
Prepaid expenses	131,217	(184,645)
Deferred compensation asset	(24,029)	(21,514)
Deposit	-	7,355
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	189,746	(222,630)
Deferred revenue	(324,079)	370,000
Refundable advances	(200,000)	-
Deferred compensation liability	24,029	21,514
Deferred rent	(12,800)	(7,961)
Net cash flows from operating activities	<u>573,028</u>	<u>(806,106)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	278,856	401,756
Purchases of and interest retained in investments	(360,263)	(203,669)
Purchases of property and equipment	-	(37,752)
Issuance of note receivable	-	(30,000)
Collections on note receivable	27,500	-
Net cash flows from investing activities	<u>(53,907)</u>	<u>130,335</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing on line of credit	470,000	500,000
Repayments of borrowing on line of credit	(370,000)	(300,000)
Proceeds from Paycheck Protection Program loan	407,434	352,219
Net cash flows from financing activities	<u>507,434</u>	<u>552,219</u>
Change in cash	<u>1,026,555</u>	<u>(123,552)</u>
Cash at beginning of year	<u>627,081</u>	<u>750,633</u>
Cash at end of year	<u><u>\$ 1,653,636</u></u>	<u><u>\$ 627,081</u></u>

See accompanying notes.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Asthma and Allergy Foundation of America (AAFA) 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. AAFA is supported primarily by contributions, grants, sponsorships, and certification revenue.

Accounts Receivable

Accounts receivable consist of amounts due from customers related to the certification program. Accounts receivable are reported at the amount management expects to collect from outstanding balances. As of December 31, 2021 and 2020, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise become unconditional. At December 31, 2021 and 2020, all unconditional promises to give are collectible within one year.

Investments

AAFA reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Inventory

Inventory consists of AAFA logo merchandise and is stated at the lower of cost or market, based on the FIFO (first-in, first-out) method of accounting.

Property and Equipment

AAFA capitalizes all expenditures for property and equipment over \$1,000 that are expected to have useful lives of greater than one year. Purchased property and equipment are carried at cost. Depreciation is computed using the straight-line method.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants

AAFA receives grants from government agencies and others that are conditioned upon AAFA incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by AAFA, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without donor restrictions.

Revenue Recognition

AAFA's earned revenue 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 AAFA's revenue from contracts with customers. Payments are due upon receipt of the invoice. AAFA 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 AAFA. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of AAFA.

In-Kind Contributions

In-kind contributions are recognized as revenue and expense in the statements of activities in accordance with generally accepted accounting principles if the donations (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and (c) would otherwise need to be purchased by AAFA. For the years ended December 31, 2021 and 2020, in-kind contributions consist of donated advertising. The value of donated advertising is included with in-kind contributions on the statements of activities and is classified as a management and general expense.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, office expenses, insurance, occupancy, depreciation, and equipment rental and maintenance, which are allocated on the basis of estimates of time and effort.

Advertising

Advertising costs are expensed in the period the advertising occurs.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

AAFA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to AAFA's tax-exempt purpose is subject to taxation as unrelated business income. In addition, AAFA qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2)

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Date of Management's Review

Management has evaluated subsequent events through August 25, 2022, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATION OF CREDIT RISK

AAFA maintains cash balances at a financial institution located in Arlington, Virginia. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, AAFA's cash balances exceed the FDIC Insurance amount. Management believes the risk in these situations to be minimal.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	2021	2020
Money market funds	\$ 70,587	\$ 62,866
Equity mutual funds	582,471	1,530,206
Fixed income mutual funds	1,897,530	671,825
Investments	\$ 2,550,588	\$ 2,264,897

Fair values of equity mutual funds and fixed income mutual funds are valued at the closing price reported on the active market on which the mutual funds are traded and are considered Level 1 fair value measurements.

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	2021	2020
Leasehold improvements	\$ 70,138	\$ 70,138
Computer equipment	109,933	109,933
Furniture and fixtures	54,266	54,267
Accumulated depreciation	(165,933)	(139,586)
Property and equipment, net	\$ 68,404	\$ 94,752

NOTE 5—NOTE RECEIVABLE

During 2020, AAFA 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.

NOTE 6—RETIREMENT PLANS

Defined Contribution Plan

AAFA 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, AAFA matches an employee's contribution, dollar for dollar, up to 8% of the employee's salary, which is the maximum amount that AAFA contributes. An employee may make contributions of his or her salary up to the statutory limits.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 6—RETIREMENT PLANS (continued)

457(b) Deferred Compensation Plan

During 2018, AAFA established a Section 457(b) deferred compensation plan for its CEO. Under the Section 457(b) plan, AAFA makes certain discretionary contributions into the plan on behalf of the participant, subject to Internal Revenue Code limitations. The deferred compensation plan is invested in a mutual fund. Fair values of mutual funds are valued at the closing price reported on the active market on which the mutual funds are traded and are considered Level 1 fair value measurements.

For the years ended December 31, 2021 and 2020, AAFA's expenses related to the plans totaled \$130,421 and \$106,370, respectively.

NOTE 7—JOINT CERTIFICATION PROGRAM

During 2005, AAFA entered in to a joint certification program (the Program) with Allergy Standards Limited (ASL) to raise awareness of asthma and allergies. The term of this agreement has extended through 2025, however either party can terminate the agreement if certain conditions exist. Under the agreement, AAFA 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, 2021 and 2020, the program generated gross revenue of \$2,435,474 and \$2,374,362, respectively. For the years ended December 31, 2021 and 2020, AAFA's net share of the revenue totaled, \$1,217,737 and \$1,161,295, respectively, and is reported in the statements of activities as certification revenue. As of December 31, 2021 and 2020, AAFA owed ASL amounts due under this program of \$32,716 and \$183,327, respectively.

NOTE 8—NET ASSETS

Net assets with donor restrictions are restricted for the following purposes:

	2021	2020
Subject to expenditure for specified purpose:		
Community and Chapter Outreach	\$ 2,055,815	\$ 474,150
Family and Patient Services and Professional Education	162,228	168,100
Research	157,495	163,321
Subject to AAFA's spending policy and appropriation		
Endowment fund for research	395,760	384,234
Net assets with donor restrictions	\$ 2,771,298	\$ 1,189,805

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 9—ENDOWMENT

AAFA's endowment is a donor-restricted fund established to support research by physician-scientists in the field of allergy and immunology.

The board of directors of AAFA has interpreted the Uniform Prudent Management of Institutional Funds Act (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, AAFA 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. AAFA has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with UPMIFA, AAFA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of AAFA, and (7) AAFA's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies. AAFA 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 AAFA 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. AAFA 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. To satisfy its long-term rate of return objectives, AAFA 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). AAFA targets diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy. At year end, AAFA 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, AAFA considered the long-term expected return of its endowment.

Underwater Endowment Funds. 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 AAFA to retain as a fund of perpetual duration. At December 31, 2021 and 2020, there are no donor-restricted endowment funds with deficiencies.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 9—ENDOWMENT (continued)

Endowment net asset composition by type of fund as of December 31, 2021 and 2020 is as follows:

	2021	2020
Donor-restricted endowment funds:		
Original donor-restricted gift amount	\$ 160,000	\$ 160,000
Accumulated investment gains	235,760	224,234
Total endowment funds	\$ 395,760	\$ 384,234

Changes in endowment net assets for the year ended December 31, 2021 and 2020 are as follows:

	2021	2020
Endowment net assets at beginning of year	\$ 384,234	\$ 371,854
Investment return, net	17,926	18,780
Amounts appropriated	(6,400)	(6,400)
Endowment net assets at end of year	\$ 395,760	\$ 384,234

NOTE 10—OFFICE LEASE

In May 2019, AAFA entered into a new office lease for its national headquarters' office space, which expires in October 2024. The lease agreement includes provisions for rent abatement and annual increases to the base rent and additional rent based on increases in operating expenses and real estate taxes. Under generally accepted accounting principles (GAAP), all rental payments, including rent abatement and fixed rent increase, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and required payments is reflected as deferred rent in the accompanying statements of financial position.

Under the terms of the lease, AAFA received a leasehold improvement allowance of \$48,334, which AAFA used to build out its new space during the year ended December 31, 2019.

Future minimum lease payments for office space are as follows for the years ending December 31:

2022	\$ 171,174
2023	176,309
2024	151,035
	\$ 498,518

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
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NOTE 11—LIQUIDITY AND AVAILABILITY

The following table reflects AAFA’s financial assets as of the date of the statements of financial position reduced by amounts not available for general expenditures within one year of the date of the statements of financial position because of donor-imposed restrictions or internal designations.

	2021	2020
Financial assets at year-end:		
Cash	\$ 1,653,636	\$ 627,081
Accounts receivable	381,409	259,769
Note receivable	2,500	30,000
Unconditional promises to give	183,720	252,858
Investments	2,550,588	2,264,897
Deferred compensation asset	77,054	53,025
Total financial assets	4,848,907	3,487,630
Less those unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(2,375,538)	(805,571)
Subject to AAFA's spending policy	(395,760)	(384,234)
Investments designated for future payment of retirement obligations	(77,054)	(53,025)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,000,555	\$ 2,244,800

AAFA invests cash balances in excess of immediate liquidity needs in accordance with its investment policy. As part of AAFA’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 12—LINE OF CREDIT

AAFA has a \$500,000 commercial line of credit. Under the terms of the line of credit, interest on the outstanding balance is calculated using the prime rate plus 0.50%. The line is secured by the business assets of AAFA.

NOTE 13—CONDITIONAL GRANTS

AAFA has grants that are conditioned upon AAFA incurring qualifying expenses under the grant programs. At December 31, 2021 and 2020, these conditional grants total \$50,000 and \$250,000, respectively. These conditional grants will be recognized as revenue when the respective conditions are met in future years.

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NOTE 14—PAYCHECK PROTECTION PROGRAM LOANS

AAFA received loans totaling \$759,653 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loans accrue interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by AAFA during the covered period. Eligible expenses may include payroll costs, rent, and utilities. Any unforgiven portion is payable over five years. During the year ended December 31, 2021, the SBA preliminarily approved forgiveness of both of AAFA's PPP loans. AAFA must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review AAFA's good-faith certification concerning the necessity of its loan request, whether AAFA calculated the loan amount correctly, whether AAFA used loan proceeds for the allowable uses specified in the CARES Act, and whether AAFA is entitled to loan forgiveness in the amount claimed on its application. If SBA determines AAFA was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 15—SUBSEQUENT EVENT

Subsequent to December 31, 2021, volatility experienced in the financial markets has resulted in a significant decline in the fair value of certain investments. As of August 25, 2022, the fair value of the investment portfolio declined by approximately \$385,000 from December 31, 2021.