

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**

FINANCIAL STATEMENTS

December 31, 2022 and 2021

## CONTENTS

|   |   |
|---|---|
| Independent Auditor's Report .....      | 1 |
| Statements of Financial Position.....   | 3 |
| Statements of Activities.....           | 4 |
| Statements of Functional Expenses ..... | 5 |
| Statements of Cash Flows .....          | 6 |
| Notes to Financial Statements .....     | 7 |

## 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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Asthma and Allergy Foundation of America as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Asthma and Allergy Foundation of America and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Adoption of New Accounting Guidance**

As discussed in Note 1 to the financial statements, Asthma and Allergy Foundation of America adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs and ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of January 1, 2022. Our opinion is not modified with respect to this matter.

**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  
June 13, 2023

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2022 and 2021

|   | <u>2022</u>                | <u>2021</u>                |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>                           |                            |                            |
| Cash                                    | \$ 933,648                 | \$ 1,653,636               |
| Accounts receivable                     | 314,981                    | 190,706                    |
| Note receivable                         | -                          | 2,500                      |
| Unconditional promises to give          | 429,132                    | 183,720                    |
| Prepaid expenses                        | 95,907                     | 163,317                    |
| Inventory                               | 25,702                     | 21,654                     |
| Investments                             | 1,845,358                  | 2,550,588                  |
| Operating lease right-of-use asset      | 274,742                    | -                          |
| Property and equipment, net             | 51,934                     | 68,404                     |
| Deferred compensation asset             | 74,283                     | 77,054                     |
| Deposit                                 | 11,699                     | 11,699                     |
| <b>Total assets</b>                     | <u><u>\$ 4,057,386</u></u> | <u><u>\$ 4,923,278</u></u> |
| <b>LIABILITIES</b>                      |                            |                            |
| Accounts payable and accrued expenses   | \$ 533,009                 | \$ 648,968                 |
| Deferred revenue                        | 6,576                      | 70,921                     |
| Refundable advances                     | -                          | 50,000                     |
| Operating lease liability               | 320,877                    | -                          |
| Line of credit                          | 500,000                    | 300,000                    |
| Deferred compensation liability         | 74,283                     | 77,054                     |
| Deferred rent                           | -                          | 63,921                     |
| <b>Total liabilities</b>                | <u>1,434,745</u>           | <u>1,210,864</u>           |
| <b>NET ASSETS</b>                       |                            |                            |
| Without donor restrictions              | 429,961                    | 941,116                    |
| With donor restrictions                 | <u>2,192,680</u>           | <u>2,771,298</u>           |
| <b>Total net assets</b>                 | <u>2,622,641</u>           | <u>3,712,414</u>           |
| <b>Total liabilities and net assets</b> | <u><u>\$ 4,057,386</u></u> | <u><u>\$ 4,923,278</u></u> |

See accompanying notes.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2022 and 2021

|  | 2022                          |                            |                     | 2021                          |                            |                     |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| <b>OPERATING SUPPORT AND REVENUE</b>                   |                               |                            |                     |                               |                            |                     |
| Certifications   | \$ 1,248,584                  | \$ -                       | \$ 1,248,584        | \$ 1,217,737                  | \$ -                       | \$ 1,217,737        |
| Contributions, sponsorships and grants                 | 2,075,371                     | 1,757,500                  | 3,832,871           | 1,602,678                     | 2,447,351                  | 4,050,029           |
| In-kind contributions                                  | 411,992                       | -                          | 411,992             | 328,188                       | -                          | 328,188             |
| Interest and dividends, net                            | 65,080                        | -                          | 65,080              | 82,647                        | -                          | 82,647              |
| Workplace giving                                       | 43,639                        | -                          | 43,639              | 51,534                        | -                          | 51,534              |
| Other income   | 18,418                        | -                          | 18,418              | 28,887                        | -                          | 28,887              |
| Paycheck Protection Program loan forgiveness           | -                             | -                          | -                   | 759,653                       | -                          | 759,653             |
| <b>Total support and revenue</b>                       | <b>3,863,084</b>              | <b>1,757,500</b>           | <b>5,620,584</b>    | <b>4,071,324</b>              | <b>2,447,351</b>           | <b>6,518,675</b>    |
| <b>OPERATING EXPENSES</b>                              |                               |                            |                     |                               |                            |                     |
| <b>Program Services</b>                                |                               |                            |                     |                               |                            |                     |
| Public Information                                     | 1,892,420                     | -                          | 1,892,420           | 1,558,479                     | -                          | 1,558,479           |
| Community and Chapter Outreach                         | 1,983,068                     | -                          | 1,983,068           | 966,689                       | -                          | 966,689             |
| Research   | 434,907                       | -                          | 434,907             | 631,485                       | -                          | 631,485             |
| Family and Patient Services and Professional Education | 711,414                       | -                          | 711,414             | 472,824                       | -                          | 472,824             |
| <b>Supporting Activities</b>                           |                               |                            |                     |                               |                            |                     |
| Management and General                                 | 854,028                       | -                          | 854,028             | 851,415                       | -                          | 851,415             |
| Fundraising  | 286,930                       | -                          | 286,930             | 463,030                       | -                          | 463,030             |
| <b>Total expenses</b>                                  | <b>6,162,767</b>              | <b>-</b>                   | <b>6,162,767</b>    | <b>4,943,922</b>              | <b>-</b>                   | <b>4,943,922</b>    |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>           |                               |                            |                     |                               |                            |                     |
| Satisfaction of purpose restrictions                   | 2,294,275                     | (2,294,275)                | -                   | 883,784                       | (883,784)                  | -                   |
| <b>Change in net assets from operations</b>            | <b>(5,408)</b>                | <b>(536,775)</b>           | <b>(542,183)</b>    | <b>11,186</b>                 | <b>1,563,567</b>           | <b>1,574,753</b>    |
| <b>OTHER CHANGES</b>                                   |                               |                            |                     |                               |                            |                     |
| Net realized/unrealized gain (loss) on investments     | (505,747)                     | (41,843)                   | (547,590)           | 186,356                       | 17,926                     | 204,282             |
| <b>Change in net assets</b>                            | <b>(511,155)</b>              | <b>(578,618)</b>           | <b>(1,089,773)</b>  | <b>197,542</b>                | <b>1,581,493</b>           | <b>1,779,035</b>    |
| Net assets at beginning of year                        | 941,116                       | 2,771,298                  | 3,712,414           | 743,574                       | 1,189,805                  | 1,933,379           |
| <b>Net assets at end of year</b>                       | <b>\$ 429,961</b>             | <b>\$ 2,192,680</b>        | <b>\$ 2,622,641</b> | <b>\$ 941,116</b>             | <b>\$ 2,771,298</b>        | <b>\$ 3,712,414</b> |

See accompanying notes.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended December 31, 2022 and 2021

|                                  | Program Services    |                                |                   |  | Supporting Activities  |                   | Total Expenses      |
|----------------------------------|---------------------|--------------------------------|-------------------|--|------------------------|-------------------|---------------------|
|                                  | Public Information  | Community and Chapter Outreach | Research          | Family and Patient Services and Professional Education | Management and General | Fundraising       |                     |
| <u>2022</u>                      |                     |                                |                   |  |                        |                   |                     |
| Personnel                        | \$ 688,103          | \$ 1,109,480                   | \$ 288,589        | \$ 476,558   | \$ 472,544             | \$ 231,507        | \$ 3,266,781        |
| Professional fees                | 1,001,352           | 168,228                        | 14,871            | 153,063  | 195,574                | 17,262            | 1,550,350           |
| Office expenses                  | 11,458              | 48,379                         | 3,648             | 16,864   | 57,312                 | 11,365            | 149,026             |
| Conferences and meetings         | -                   | 203,768                        | -                 | -  | 658                    | 582               | 205,008             |
| Insurance                        | 19,774              | 10,444                         | 2,897             | 4,769  | 6,892                  | 2,296             | 47,072              |
| Occupancy                        | 35,346              | 46,121                         | 13,929            | 21,935   | 24,163                 | 11,031            | 152,525             |
| Advertising                      | 28,779              | -                              | 4,800             | 5,100  | 1,245                  | -                 | 39,924              |
| Travel                           | 16,188              | 15,449                         | 2,899             | 24   | 12,400                 | 4,996             | 51,956              |
| Interest                         | 935                 | 1,900                          | 264               | 868  | 11,119                 | 194               | 15,280              |
| Depreciation                     | 6,129               | 7,018                          | 2,547             | 3,593  | 3,783                  | 1,815             | 24,885              |
| Miscellaneous                    | 1,794               | 1,245                          | 348               | 611  | 2,765                  | 327               | 7,090               |
| Grants and assistance            | -                   | 287,500                        | -                 | -  | -                      | -                 | 287,500             |
| Equipment rental and maintenance | 5,451               | 8,002                          | 2,298             | 3,353  | 9,943                  | 1,525             | 30,572              |
| Dues and subscriptions           | 77,111              | 75,534                         | 97,817            | 24,676   | 24,557                 | 4,030             | 303,725             |
| Other expenses                   | -                   | -                              | -                 | -  | 31,073                 | -                 | 31,073              |
| <b>Total expenses</b>            | <b>\$ 1,892,420</b> | <b>\$ 1,983,068</b>            | <b>\$ 434,907</b> | <b>\$ 711,414</b>                                      | <b>\$ 854,028</b>      | <b>\$ 286,930</b> | <b>\$ 6,162,767</b> |
|                                  | Program Services    |                                |                   |  | Supporting Activities  |                   |                     |
|                                  | Public Information  | Community and Chapter Outreach | Research          | Family and Patient Services and Professional Education | Management and General | Fundraising       | Total Expenses      |
| <u>2021</u>                      |                     |                                |                   |  |                        |                   |                     |
| 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                        | 37,310              | 26,451                         | 27,752            | 19,701   | 30,992                 | 22,694            | 164,900             |
| Advertising                      | 5,196               | 246                            | 632               | 10,343   | -                      | -                 | 16,417              |
| Travel                           | 7                   | 3,584                          | 335               | 81   | 1,878                  | 1,186             | 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                          | 2,115             | 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             |
| <b>Total expenses</b>            | <b>\$ 1,558,479</b> | <b>\$ 966,689</b>              | <b>\$ 631,485</b> | <b>\$ 472,824</b>                                      | <b>\$ 851,415</b>      | <b>\$ 463,030</b> | <b>\$ 4,943,922</b> |

See accompanying notes.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2022 and 2021

|   | <u>2022</u>        | <u>2021</u>         |
|---|--------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                    |                     |
| Change in net assets  | \$ (1,089,773)     | \$ 1,779,035        |
| Adjustments to reconcile change in net assets to net cash flows from operating activities |                    |                     |
| Depreciation  | 24,885             | 26,346              |
| Bad debt expense  | -                  | 245                 |
| Net realized and unrealized (gain) loss on investments                                    | 547,590            | (204,282)           |
| Amortization of operating lease right-of-use asset  | 144,905            | -                   |
| Forgiveness of Paycheck Protection Program loan   | -                  | (759,653)           |
| (Increase) decrease in assets   |                    |                     |
| Accounts receivable   | (124,275)          | (121,885)           |
| Unconditional promises to give  | (245,412)          | 69,138              |
| Prepaid expenses  | 67,410             | 131,217             |
| Inventory   | (4,048)            | -                   |
| Deferred compensation asset   | 2,771              | (24,029)            |
| Increase (decrease) in liabilities  |                    |                     |
| Accounts payable and accrued expenses   | (115,959)          | 189,746             |
| Deferred revenue  | (64,345)           | (324,079)           |
| Refundable advances   | (50,000)           | (200,000)           |
| Operating lease liability   | (162,691)          | -                   |
| Deferred compensation liability   | (2,771)            | 24,029              |
| Deferred rent   | -                  | (12,800)            |
| Net cash flows from operating activities  | <u>(1,071,713)</u> | <u>573,028</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                    |                     |
| Proceeds from sales of investments  | 234,144            | 278,856             |
| Purchases of and interest retained in investments   | (76,504)           | (360,263)           |
| Purchases of property and equipment   | (8,415)            | -                   |
| Collections on note receivable  | 2,500              | 27,500              |
| Net cash flows from investing activities  | <u>151,725</u>     | <u>(53,907)</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                    |                     |
| Proceeds from borrowing on line of credit   | 500,000            | 470,000             |
| Repayments of borrowing on line of credit   | (300,000)          | (370,000)           |
| Proceeds from Paycheck Protection Program loan  | -                  | 407,434             |
| Net cash flows from financing activities  | <u>200,000</u>     | <u>507,434</u>      |
| <b>Change in cash</b>   | <u>(719,988)</u>   | <u>1,026,555</u>    |
| Cash at beginning of year   | <u>1,653,636</u>   | <u>627,081</u>      |
| <b>Cash at end of year</b>  | <u>\$ 933,648</u>  | <u>\$ 1,653,636</u> |
| <b>SUPPLEMENTAL DISCLOSURES</b>   |                    |                     |
| Cash paid for interest  | \$ 15,280          | \$ 7,334            |

See accompanying notes.



**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021

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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.

**Donated Services**

Donated services 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.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Adoption of New Accounting Guidance**

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, Leases, and creates FASB ASC Topic 842, Leases. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

AAFA adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows AAFA to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. AAFA's reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

AAFA elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed AAFA to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of operating lease right-of-use assets of \$419,646 and operating lease liabilities of \$483,567 as of January 1, 2022. The adoption of Topic 842 did not have a material effect on AAFA's change in net assets or cash flows.

Also, on September 17, 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as in-kind contributions) received by not-for-profit entities. This Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. AAFA adopted the requirements of this Update effective January 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

**Advertising**

Advertising costs are expensed in the period the advertising occurs.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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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.

**Leases**

AAFA does not recognize short-term leases in the statements of financial position. For these leases, AAFA recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. AAFA also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, AAFA uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

**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)

**Date of Management's Review**

Management has evaluated subsequent events through June 13, 2023, 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. As of December 31, 2022 and 2021, AAFA's uninsured cash balances totaled approximately \$550,000 and \$1,360,000, respectively.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE 3—INVESTMENTS**

Investments are comprised of the following:

|                           | <u>2022</u>         | <u>2021</u>         |
|---------------------------|---------------------|---------------------|
| Money market funds        | \$ 63,480           | \$ 70,587           |
| Equity mutual funds       | 522,213             | 582,471             |
| Fixed income mutual funds | <u>1,259,665</u>    | <u>1,897,530</u>    |
| Investments               | <u>\$ 1,845,358</u> | <u>\$ 2,550,588</u> |

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.

Investments have been internally segregated for the following purposes:

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| Investments included in net assets with donor restrictions    | \$ 353,917          | \$ 395,760          |
| Investments included in net assets without donor restrictions | <u>1,491,441</u>    | <u>2,154,828</u>    |
| Investments   | <u>\$ 1,845,358</u> | <u>\$ 2,550,588</u> |

**NOTE 4—PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following:

|                             | <u>2022</u>      | <u>2021</u>      |
|-----------------------------|------------------|------------------|
| Leasehold improvements      | \$ 70,138        | \$ 70,138        |
| Computer equipment          | 118,348          | 109,933          |
| Furniture and fixtures      | 54,266           | 54,266           |
| Accumulated depreciation    | <u>(190,818)</u> | <u>(165,933)</u> |
| Property and equipment, net | <u>\$ 51,934</u> | <u>\$ 68,404</u> |

**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. The note was paid in full during the year ended December 31, 2022.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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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.

**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, 2022 and 2021, AAFA's expenses related to the plans totaled \$127,242 and \$130,421, 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, 2022 and 2021, the program generated gross revenue of \$2,477,158 and \$2,435,474, respectively. For the years ended December 31, 2022 and 2021, AAFA's net share of the revenue totaled, \$1,248,584 and \$1,217,737, respectively, and is reported in the statements of activities as certification revenue. As of December 31, 2022 and 2021, AAFA owed ASL amounts due under this program of \$307,868 and \$190,703, respectively.

NOTE 8—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 9—CONDITIONAL GRANTS

AAFA has grants that are conditioned upon AAFA incurring qualifying expenses under the grant programs. At December 31, 2021, these conditional grants totaled \$50,000. At December 31, 2022, there were no conditional grants. These conditional grants are recognized as revenue when the respective conditions are met in future years.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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NOTE 10—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, 2022 and 2021, there are no donor-restricted endowment funds with deficiencies.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

NOTE 10—ENDOWMENT (continued)

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 is as follows:

|                                       | <u>2022</u>       | <u>2021</u>       |
|---------------------------------------|-------------------|-------------------|
| Donor-restricted endowment funds:     |                   |                   |
| Original donor-restricted gift amount | \$ 160,000        | \$ 160,000        |
| Accumulated investment gains          | <u>193,917</u>    | <u>235,760</u>    |
| Total endowment funds                 | <u>\$ 353,917</u> | <u>\$ 395,760</u> |

Changes in endowment net assets for the year ended December 31, 2022 and 2021 are as follows:

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| Endowment net assets at beginning of year | \$ 395,760        | \$ 384,234        |
| Investment return, net                    | (41,843)          | 17,926            |
| Amounts appropriated                      | <u>-</u>          | <u>(6,400)</u>    |
| Endowment net assets at end of year       | <u>\$ 353,917</u> | <u>\$ 395,760</u> |

NOTE 11—NET ASSETS

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

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Subject to expenditure for specified purpose:          |                     |                     |
| Community and Chapter Outreach                         | \$ 1,385,635        | \$ 2,055,815        |
| Family and Patient Services and Professional Education | 208,409             | 162,228             |
| Research   | 244,719             | 157,495             |
| Subject to AAFA's spending policy and appropriation    |                     |                     |
| Endowment fund for research                            | <u>353,917</u>      | <u>395,760</u>      |
| Net assets with donor restrictions                     | <u>\$ 2,192,680</u> | <u>\$ 2,771,298</u> |

NOTE 12—OFFICE LEASE

In May 2019, AAFA entered into an 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 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.

For the years ended December 31, 2022 and 2021, components of lease costs totaled \$153,387 each year.



**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

NOTE 12—OFFICE LEASE (continued)

Other information related to leases is as follows:

|  |            |
|--|------------|
| Cash paid for amounts included in measurement of lease liabilities |            |
| Operating cash flows from operating activities                     | \$ 171,174 |
| Right-of-use assets obtained in exchange for new lease liabilities | 419,646    |
| Weighted-average remaining lease terms                             | 1.83 years |
| Weighted-average discount rate                                     | 2.70%      |

The maturities of lease liabilities as of December 31, 2022 are as follows:

|                              |                   |
|------------------------------|-------------------|
| Year ending December 31:     |                   |
| 2023                         | \$ 176,309        |
| 2024                         | <u>151,035</u>    |
| Total minimum lease payments | 327,344           |
| Imputed interest             | <u>(6,467)</u>    |
| Total lease liabilities      | <u>\$ 320,877</u> |

NOTE 13—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.

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Financial assets at year-end:  |                     |                     |
| Cash   | \$ 933,648          | \$ 1,653,636        |
| Accounts receivable  | 314,981             | 190,706             |
| Note receivable  | -                   | 2,500               |
| Unconditional promises to give   | 429,132             | 183,720             |
| Investments  | 1,845,358           | 2,550,588           |
| Deferred compensation asset  | <u>74,283</u>       | <u>77,054</u>       |
| Total financial assets   | 3,597,402           | 4,658,204           |
| Less those unavailable for general expenditures within one year due to:                |                     |                     |
| Restricted by donors with purpose restrictions   | (1,838,763)         | (2,375,538)         |
| Subject to AAFA's spending policy  | (353,917)           | (395,760)           |
| Investments designated for future payment of retirement obligations                    | <u>(74,283)</u>     | <u>(77,054)</u>     |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,330,439</u> | <u>\$ 1,809,852</u> |

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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NOTE 13—LIQUIDITY AND AVAILABILITY (continued)

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 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—IN-KIND CONTRIBUTIONS

In-kind contributions recognized within the statements of activities:

|                                   | 2022       | 2021       |
|-----------------------------------|------------|------------|
| Advertising                       | \$ 266,804 | \$ 328,188 |
| Consulting and licensing services | 33,988     | -          |
| Legal services                    | 111,200    | -          |
| In-kind contributions             | \$ 411,992 | \$ 328,188 |

AAFA recognized in-kind contributions of advertising, consulting and licensing, and legal services in the statements of activities. Unless otherwise noted, in-kind contributions did not have donor-imposed restrictions.

Donated advertising relates to promotion of AAFA's programming, as well as solicitations for contributions. The donated advertising is allocated to AAFA's programs and supporting activities depending on whether the advertising is informational (program in nature) or asks for donations (fundraising in nature) and is valued based on current rates for similar advertising services charged by Google.

**ASTHMA AND ALLERGY FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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**NOTE 15—IN-KIND CONTRIBUTIONS (continued)**

Donated consulting and licensing comprise professional services from various consultants related to software licensing and internal coaching services. Donated legal services comprise professional services from a law firm for general legal counsel and contract negotiations. Donated consulting, licensing, and legal services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services and are considered management and general activities.

**NOTE 16—OTHER EXPENSES**

Management has identified \$31,073 of expenses incurred by a terminated employee as potentially fraudulent and is conducting an ongoing internal investigation to determine if there is fraudulent activity by this employee.