

ASTHMA AND ALLERGY FOUNDATION OF AMERICA

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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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 statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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.

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
Alexandria, Virginia
April 1, 2024

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 996,730	\$ 933,648
Accounts receivable, net	23,762	314,981
Unconditional promises to give	463,312	429,132
Prepaid expenses	104,353	95,907
Inventory	21,298	25,702
Investments	1,711,383	1,845,358
Operating lease right-of-use asset	126,390	274,742
Property and equipment, net	31,912	51,934
Deferred compensation asset	106,170	74,283
Deposit	11,699	11,699
Total assets	<u>\$ 3,597,009</u>	<u>\$ 4,057,386</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 482,966	\$ 533,009
Deferred revenue	73,700	6,576
Operating lease liability	149,603	320,877
Line of credit	-	500,000
Deferred compensation liability	106,170	74,283
Total liabilities	812,439	1,434,745
NET ASSETS		
Without donor restrictions	414,066	429,961
With donor restrictions	2,370,504	2,192,680
Total net assets	<u>2,784,570</u>	<u>2,622,641</u>
Total liabilities and net assets	<u>\$ 3,597,009</u>	<u>\$ 4,057,386</u>

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE						
Certification Program	\$ 898,280	\$ -	\$ 898,280	\$ 1,248,584	\$ -	\$ 1,248,584
Contributions, sponsorships and grants	2,937,407	1,806,000	4,743,407	2,075,371	1,757,500	3,832,871
In-kind contributions	341,768	-	341,768	411,992	-	411,992
Interest and dividends, net	35,956	-	35,956	65,080	-	65,080
Workplace giving	65,559	-	65,559	43,639	-	43,639
Other income	3,419	-	3,419	18,418	-	18,418
Total support and revenue	4,282,389	1,806,000	6,088,389	3,863,084	1,757,500	5,620,584
OPERATING EXPENSES						
Program Services						
Public Information	1,721,455	-	1,721,455	1,892,420	-	1,892,420
Community and Chapter Outreach	1,758,212	-	1,758,212	1,983,068	-	1,983,068
Research	398,825	-	398,825	434,907	-	434,907
Family and Patient Services and Professional Education	987,495	-	987,495	711,414	-	711,414
Supporting Activities						
Management and General	949,743	-	949,743	854,028	-	854,028
Fundraising	315,866	-	315,866	286,930	-	286,930
Total expenses	6,131,596	-	6,131,596	6,162,767	-	6,162,767
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of purpose restrictions	1,650,710	(1,650,710)	-	2,294,275	(2,294,275)	-
Change in net assets from operations	(198,497)	155,290	(43,207)	(5,408)	(536,775)	(542,183)
OTHER CHANGES						
Net realized/unrealized gain (loss) on investments	182,602	22,534	205,136	(505,747)	(41,843)	(547,590)
Change in net assets	(15,895)	177,824	161,929	(511,155)	(578,618)	(1,089,773)
Net assets at beginning of year	429,961	2,192,680	2,622,641	941,116	2,771,298	3,712,414
Net assets at end of year	\$ 414,066	\$ 2,370,504	\$ 2,784,570	\$ 429,961	\$ 2,192,680	\$ 2,622,641

See accompanying notes.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

	Program Services				Supporting Activities			Total Expenses
	Public Information	Community and Chapter Outreach	Research	Family and Patient Services and Professional Education	Management and General	Fundraising		
2023								
Personnel	\$ 850,821	\$ 1,169,106	\$ 243,857	\$ 541,864	\$ 392,842	\$ 257,185	\$ 3,455,675	
Professional fees	684,116	48,750	12,109	286,608	358,823	8,375	1,398,781	
Office expenses	15,170	28,721	3,523	26,059	18,010	13,449	104,932	
Conferences and meetings	2,814	500	-	5,829	27,952	606	37,701	
Insurance	13,156	18,329	4,610	8,340	6,840	3,751	55,026	
Occupancy	37,409	51,093	11,116	24,086	25,786	11,367	160,857	
Advertising	8,414	162	-	24,342	-	2,759	35,677	
Travel	19,379	19,856	10,572	14,975	8,506	3,318	76,606	
Interest	13,919	18,556	4,187	9,118	6,833	4,254	56,867	
Depreciation	6,161	8,177	1,840	3,918	2,932	1,995	25,023	
Miscellaneous	2,144	4,735	186	-	725	1,177	8,967	
Grants and assistance	-	328,750	-	-	-	-	328,750	
Equipment rental and maintenance	5,397	7,570	1,716	3,606	2,717	1,592	22,598	
Dues and subscriptions	62,555	53,907	105,109	38,750	25,574	6,038	291,933	
Bad debt expense	-	-	-	-	53,750	-	53,750	
Other expenses	-	-	-	-	18,453	-	18,453	
Total expenses	\$ 1,721,455	\$ 1,758,212	\$ 398,825	\$ 987,495	\$ 949,743	\$ 315,866	\$ 6,131,596	
	Program Services				Supporting Activities			
	Public Information	Community and Chapter Outreach	Research	Family and Patient Services and Professional Education	Management and General	Fundraising	Total Expenses	
2022								
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	
Total expenses	\$ 1,892,420	\$ 1,983,068	\$ 434,907	\$ 711,414	\$ 854,028	\$ 286,930	\$ 6,162,767	

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 161,929	\$ (1,089,773)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	25,023	24,885
Loss on disposal of assets	3,023	-
Provision for bad debt	53,750	-
Net realized and unrealized (gain) loss on investments	(205,136)	547,590
Amortization of operating lease right-of-use asset	148,352	144,905
(Increase) decrease in assets		
Accounts receivable	237,469	(124,275)
Unconditional promises to give	(34,180)	(245,412)
Prepaid expenses	(8,446)	67,410
Inventory	4,404	(4,048)
Deferred compensation asset	(31,887)	2,771
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(50,043)	(115,959)
Deferred revenue	67,124	(64,345)
Refundable advances	-	(50,000)
Operating lease liability	(171,274)	(162,691)
Deferred compensation liability	31,887	(2,771)
Net cash flows from operating activities	231,995	(1,071,713)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	387,044	234,144
Purchases of and interest retained in investments	(47,933)	(76,504)
Purchases of property and equipment	(8,024)	(8,415)
Collections on note receivable	-	2,500
Net cash flows from investing activities	331,087	151,725
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing on line of credit	400,000	500,000
Repayments of borrowing on line of credit	(900,000)	(300,000)
Net cash flows from financing activities	(500,000)	200,000
Change in cash	63,082	(719,988)
Cash at beginning of year	933,648	1,653,636
Cash at end of year	<u>\$ 996,730</u>	<u>\$ 933,648</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 56,867	\$ 15,280

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 *asthma & allergy friendly*® certification program revenue.

Accounts Receivable

Accounts receivable primarily consist of amounts due from customers related to the *asthma & allergy friendly*® certification program. AAFA uses historical loss information based on the aging of accounts receivable as the basis to determine expected credit losses for accounts receivable and believes the composition of accounts receivable at the end of year is consistent with historical conditions because credit terms and practices and the client base has not changed significantly.

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, 2023 and 2022, 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, 2023 and 2022

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 6, 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. As of December 31, 2023, AAFA had a credit loss on receivables arising from contracts with customers of \$53,750. There was no estimation of credit losses at December 31, 2022. There are 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 create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise need to be purchased by AAFA.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed in the period the advertising occurs.

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 April 1, 2024, the date which the financial statements were available to be issued.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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, 2023 and 2022, AAFA's uninsured cash balances totaled approximately \$747,000 and \$684,000, respectively.

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 86,018	\$ 63,480
Equity mutual funds	982,632	522,213
Fixed income mutual funds	<u>642,733</u>	<u>1,259,665</u>
Investments	<u>\$ 1,711,383</u>	<u>\$ 1,845,358</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>2023</u>	<u>2022</u>
Investments included in net assets with donor restrictions	\$ 376,451	\$ 353,917
Investments included in net assets without donor restrictions	<u>1,334,932</u>	<u>1,491,441</u>
Investments	<u>\$ 1,711,383</u>	<u>\$ 1,845,358</u>

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 70,138	\$ 70,138
Computer equipment	56,986	118,348
Furniture and fixtures	5,648	54,266
Accumulated depreciation and amortization	<u>(100,860)</u>	<u>(190,818)</u>
Property and equipment, net	<u>\$ 31,912</u>	<u>\$ 51,934</u>

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5—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 6% 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, 2023 and 2022, AAFA's expenses related to the plans totaled \$129,345 and \$127,242, respectively.

NOTE 6—JOINT CERTIFICATION PROGRAM

During 2005, AAFA entered into a joint certification program (the Program) with Allergy Standards Limited (ASL) to raise awareness of asthma and allergies. The term of this agreement 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, 2023 and 2022, the Program generated gross revenue of \$1,796,560 and \$2,477,158, respectively. For the years ended December 31, 2023 and 2022, AAFA's net share of the revenue totaled, \$898,280 and \$1,248,584, respectively, and is reported in the statements of activities as certification program revenue. As of December 31, 2023 and 2022, AAFA owed ASL amounts due under this program of \$64,512 and \$307,868, respectively.

NOTE 7—LINE OF CREDIT

AAFA has a \$1,000,000 (\$500,000 at December 31, 2022) available commercial line of credit. Under the terms of the line of credit, interest on the outstanding balance is calculated using the secured overnight financing rate plus 1.2 percentage points (prime rate plus 0.50% at December 31, 2022). The line is secured by the business assets of AAFA.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 8—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.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 8—ENDOWMENT (continued)

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, 2023 and 2022, there are no donor-restricted endowment funds with deficiencies.

Endowment net asset composition by type of fund as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount	\$ 160,000	\$ 160,000
Accumulated investment gains	<u>216,451</u>	<u>193,917</u>
Total endowment funds	<u>\$ 376,451</u>	<u>\$ 353,917</u>

Changes in endowment net assets for the year ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets at beginning of year	\$ 353,917	\$ 395,760
Investment return, net	<u>22,534</u>	<u>(41,843)</u>
Endowment net assets at end of year	<u>\$ 376,451</u>	<u>\$ 353,917</u>

NOTE 9—NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Community and Chapter Outreach	\$ 1,284,634	\$ 1,385,635
Family and Patient Services and Professional Education	24,237	208,409
Research	685,182	244,719
Subject to AAFA's spending policy and appropriation		
Endowment fund for research	<u>376,451</u>	<u>353,917</u>
Net assets with donor restrictions	<u>\$ 2,370,504</u>	<u>\$ 2,192,680</u>

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NOTE 10—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, 2023 and 2022, components of lease costs totaled \$153,387 each year.

Other information related to leases is as follows:

	2023	2022
Cash paid for amounts included in measurement of lease liability		
Operating cash flows from operating activities	\$ 176,309	\$ 171,174
Right-of-use assets obtained in exchange for new operating lease liability	-	419,646
Weighted-average remaining lease term	0.66 years	1.83 years
Weighted-average discount rate	2.70%	2.70%

As of December 31, 2023, total minimum lease payments were \$151,035, with imputed interest of \$1,432, for a total operating lease liability of \$149,603.

NOTE 11—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.

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NOTE 12—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.

	2023	2022
Financial assets at year-end:		
Cash	\$ 996,730	\$ 933,648
Accounts receivable	23,762	314,981
Unconditional promises to give	463,312	429,132
Investments	1,711,383	1,845,358
Deferred compensation asset	106,170	74,283
Total financial assets	3,301,357	3,597,402
Less those unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(1,994,053)	(1,838,763)
Subject to AAFA’s spending policy	(376,451)	(353,917)
Investments designated for future payment of retirement obligations	(106,170)	(74,283)
Financial assets available to meet cash needs for general expenditures within one year	\$ 824,683	\$ 1,330,439

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 13—IN-KIND CONTRIBUTIONS

In-kind contributions recognized within the statements of activities:

	2023	2022
Advertising	\$ 155,801	\$ 266,804
Legal services	185,967	111,200
Consulting and licensing services	-	33,988
In-kind contributions	\$ 341,768	\$ 411,992

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.

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NOTE 13—IN-KIND CONTRIBUTIONS (continued)

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.

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.