

ASTHMA AND ALLERGY FOUNDATION OF AMERICA

FINANCIAL STATEMENTS

December 31, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, flowing style.

Wegner CPAs, LLP
Alexandria, Virginia
March 14, 2025

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash	\$ 598,350	\$ 996,730
Accounts receivable (net of allowance for credit losses of \$0 and \$53,750, respectively)	134,375	23,762
Unconditional promises to give	554,253	463,312
Prepaid expenses	98,222	104,353
Inventory	10,231	21,298
Investments	1,911,875	1,711,383
Operating lease right-of-use asset	-	126,390
Property and equipment, net	37,297	31,912
Deferred compensation asset	154,815	106,170
Security deposit	25,671	11,699
Total assets	\$ 3,525,089	\$ 3,597,009
LIABILITIES		
Accounts payable and accrued expenses	\$ 350,701	\$ 482,966
Deferred revenue	-	73,700
Operating lease liability	-	149,603
Deferred compensation liability	154,815	106,170
Total liabilities	505,516	812,439
NET ASSETS		
Without donor restrictions	533,151	414,066
With donor restrictions	2,486,422	2,370,504
Total net assets	3,019,573	2,784,570
Total liabilities and net assets	\$ 3,525,089	\$ 3,597,009

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE						
Certification Program	\$ 1,257,073	\$ -	\$ 1,257,073	\$ 898,280	\$ -	\$ 898,280
Contributions, sponsorships and grants	2,469,333	2,182,000	4,651,333	3,002,966	1,806,000	4,808,966
In-kind contributions	334,917	-	334,917	341,768	-	341,768
Interest and dividends, net	56,581	-	56,581	35,956	-	35,956
Other income	10,226	-	10,226	3,419	-	3,419
Total support and revenue	4,128,130	2,182,000	6,310,130	4,282,389	1,806,000	6,088,389
OPERATING EXPENSES						
Program Services						
Public Information	2,177,349	-	2,177,349	1,721,455	-	1,721,455
Community and Chapter Outreach	1,401,521	-	1,401,521	1,758,212	-	1,758,212
Research	535,770	-	535,770	398,825	-	398,825
Family and Patient Services and Professional Education	780,955	-	780,955	987,495	-	987,495
Supporting Activities						
Management and General	1,002,407	-	1,002,407	949,743	-	949,743
Fundraising	333,265	-	333,265	315,866	-	315,866
Total expenses	6,231,267	-	6,231,267	6,131,596	-	6,131,596
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of purpose restrictions	2,090,188	(2,090,188)	-	1,650,710	(1,650,710)	-
Change in net assets from operations	(12,949)	91,812	78,863	(198,497)	155,290	(43,207)
OTHER CHANGES						
Net realized/unrealized gain on investments	132,034	24,106	156,140	182,602	22,534	205,136
Change in net assets	119,085	115,918	235,003	(15,895)	177,824	161,929
Net assets at beginning of year	414,066	2,370,504	2,784,570	429,961	2,192,680	2,622,641
Net assets at end of year	\$ 533,151	\$ 2,486,422	\$ 3,019,573	\$ 414,066	\$ 2,370,504	\$ 2,784,570

See accompanying notes.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2024 and 2023

	Program Services				Supporting Activities		
	Public Information	Community and Chapter Outreach	Research	Family and Patient Services and Professional Education	Management and General	Fundraising	Total Expenses
2024							
Personnel	\$ 1,066,589	\$ 866,886	\$ 264,533	\$ 551,852	\$ 506,295	\$ 261,345	\$ 3,517,500
Professional fees	841,924	69,268	22,129	70,316	345,004	19,595	1,368,236
Meetings, conferences, and travel	70,633	17,074	15,686	35,569	28,809	19,146	186,917
Occupancy	51,362	44,572	15,804	28,190	33,091	13,237	186,256
Grants and assistance	-	327,500	91,690	-	-	-	419,190
Dues and subscriptions	85,686	31,928	116,250	47,908	22,793	3,543	308,108
Office expenses	23,248	22,099	2,962	33,428	36,264	7,046	125,047
Depreciation	6,138	5,203	1,612	3,278	3,274	1,560	21,065
Insurance	14,681	12,568	3,701	7,975	7,587	3,738	50,250
Miscellaneous	17,088	4,423	1,403	2,439	19,290	4,055	48,698
Total expenses	\$ 2,177,349	\$ 1,401,521	\$ 535,770	\$ 780,955	\$ 1,002,407	\$ 333,265	\$ 6,231,267
	Program Services				Supporting Activities		
	Public Information	Community and Chapter Outreach	Research	Family and Patient Services and Professional Education	Management and General	Fundraising	Total Expenses
2023							
Personnel	\$ 850,821	\$ 1,169,106	\$ 243,857	\$ 541,864	\$ 392,842	\$ 257,185	\$ 3,455,675
Professional fees	692,530	48,912	12,109	310,949	358,823	11,135	1,434,458
Meetings, conferences, and travel	22,193	20,356	10,572	20,804	16,904	3,924	94,753
Occupancy	46,945	62,911	13,456	29,653	34,198	14,431	201,594
Grants and assistance	-	328,750	-	-	-	-	328,750
Dues and subscriptions	60,428	47,953	105,084	38,732	18,141	6,077	276,415
Office expenses	27,076	48,984	7,111	33,233	46,135	16,193	178,732
Depreciation	6,162	8,177	1,840	3,919	2,930	1,995	25,023
Insurance	13,156	18,329	4,610	8,341	6,840	3,751	55,027
Miscellaneous	2,144	4,734	186	-	72,930	1,175	81,169
Total expenses	\$ 1,721,455	\$ 1,758,212	\$ 398,825	\$ 987,495	\$ 949,743	\$ 315,866	\$ 6,131,596

See accompanying notes.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 235,003	\$ 161,929
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	21,065	25,023
Loss on disposal of assets	449	3,023
Provision for bad debt	-	53,750
Net realized and unrealized gain on investments	(156,140)	(205,136)
Amortization of operating lease right-of-use asset	126,390	148,352
(Increase) decrease in assets		
Accounts receivable	(110,613)	237,469
Unconditional promises to give	(90,941)	(34,180)
Prepaid expenses	6,131	(8,446)
Inventory	11,067	4,404
Deferred compensation asset	(48,645)	(31,887)
Security deposit	(13,972)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(132,265)	(50,043)
Deferred revenue	(73,700)	67,124
Operating lease liability	(149,603)	(171,274)
Deferred compensation liability	48,645	31,887
Net cash flows from operating activities	(327,129)	231,995
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	387,044
Purchases of and interest retained in investments	(44,352)	(47,933)
Purchases of property and equipment	(26,899)	(8,024)
Net cash flows from investing activities	(71,251)	331,087
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing on line of credit	-	400,000
Repayments of borrowing on line of credit	-	(900,000)
Net cash flows from financing activities	-	(500,000)
Change in cash	(398,380)	63,082
Cash at beginning of year	996,730	933,648
Cash at end of year	<u>\$ 598,350</u>	<u>\$ 996,730</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ -	\$ 56,867

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023

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.

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.

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. 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.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AAFA's contract assets and liabilities from contracts with customers are as follows:

	2024	2023
Accounts receivable at beginning of year	\$ 23,762	\$ 314,981
Accounts receivable at end of year	134,375	23,762
Deferred revenue at beginning of year	\$ 73,700	\$ 6,576
Deferred revenue at end of year	-	73,700

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, and depreciation, 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.

Reclassifications

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

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 March 14, 2025, 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, 2024 and 2023, AAFA's uninsured cash balances totaled approximately \$348,000 and \$747,000, respectively.

NOTE 3—PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	2024	2023
Leasehold improvements	\$ -	\$ 70,138
Computer equipment	56,985	56,986
Furniture and fixtures	31,998	5,648
Accumulated depreciation and amortization	(51,686)	(100,860)
Property and equipment, net	<u>\$ 37,297</u>	<u>\$ 31,912</u>

NOTE 4—LINE OF CREDIT

AAFA has a \$1,000,000 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. The line is secured by the business assets of AAFA.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 5—INVESTMENTS

Investments are comprised of the following:

	2024	2023
Money market funds	\$ 607,592	\$ 86,018
Equity mutual funds	936,491	982,632
Fixed income mutual funds	367,792	642,733
Investments	<u>\$ 1,911,875</u>	<u>\$ 1,711,383</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:

	2024	2023
Investments included in net assets with donor restrictions	\$ 400,557	\$ 376,451
Investments included in net assets without donor restrictions	1,511,318	1,334,932
Investments	<u>\$ 1,911,875</u>	<u>\$ 1,711,383</u>

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 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, 2024 and 2023, AAFA's expenses related to the plans totaled \$116,225 and \$129,345, respectively.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 7—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, 2024 and 2023, the Program generated gross revenue of \$2,514,147 and \$1,796,560, respectively. For the years ended December 31, 2024 and 2023, AAFA's net share of the revenue totaled, \$1,257,073 and \$898,280, respectively, and is reported in the statements of activities as certification program revenue. As of December 31, 2024 and 2023, AAFA owed ASL amounts due under this program of \$134,375 and \$64,512, respectively.

NOTE 8—NET ASSETS

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Community and Chapter Outreach	\$ 1,089,711	\$ 1,284,634
Family and Patient Services and		
Professional Education	242,350	24,237
Research	753,804	685,182
Restricted for endowment fund		
Endowment fund for research	<u>400,557</u>	<u>376,451</u>
Net assets with donor restrictions	<u>\$ 2,486,422</u>	<u>\$ 2,370,504</u>

NOTE 9—ENDOWMENT

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

The board of directors of AAFA has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, AAFA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 9—ENDOWMENT (continued)

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, 2024 and 2023, there are no donor-restricted endowment funds with deficiencies.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 9—ENDOWMENT (continued)

Endowment net asset composition by type of fund as of December 31, 2024 and 2023 is as follows:

	2024	2023
Donor-restricted endowment funds:		
Original donor-restricted gift amount	\$ 160,000	\$ 160,000
Accumulated investment gains	240,557	216,451
	<u>\$ 400,557</u>	<u>\$ 376,451</u>
Total endowment funds	<u>\$ 400,557</u>	<u>\$ 376,451</u>

Changes in endowment net assets for the year ended December 31, 2024 and 2023 are as follows:

	2024	2023
Endowment net assets at beginning of year	\$ 376,451	\$ 353,917
Investment return, net	24,106	22,534
	<u>\$ 400,557</u>	<u>\$ 376,451</u>
Endowment net assets at end of year	<u>\$ 400,557</u>	<u>\$ 376,451</u>

NOTE 10—LEASE

In May 2019, AAFA entered into an office lease for its national headquarters' office space, which expired in October 2024.

For the years ended December 31, 2024 and 2023, lease cost totaled \$127,823 and \$153,387, respectively.

Other information related to leases is as follows:

	2024	2023
Cash paid for amounts included in measurement of lease liability		
Operating cash flows from operating activities	\$ 151,035	\$ 176,309
Weighted-average remaining lease term	N/A	0.66 years
Weighted-average discount rate	N/A	2.70%

In December 2024, AAFA entered into an operating lease for office space with a lease term of 66 months to begin on January 1, 2025, the time at which AAFA has the right to use the space. Future minimum payments on this operating lease total approximately \$900,000.

ASTHMA AND ALLERGY FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS
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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.

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.

	2024	2023
Financial assets at year-end:		
Cash	\$ 598,350	\$ 996,730
Accounts receivable	134,375	23,762
Unconditional promises to give	554,253	463,312
Investments	1,911,875	1,711,383
Deferred compensation asset	154,815	106,170
Total financial assets	3,353,668	3,301,357
Less those unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(2,085,865)	(1,994,053)
Restricted for endowment fund	(400,557)	(376,451)
Investments designated for future payment of retirement obligations	(154,815)	(106,170)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 712,431</u>	<u>\$ 824,683</u>

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NOTE 12—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 13—IN-KIND CONTRIBUTIONS

In-kind contributions recognized within the statements of activities:

	<u>2024</u>	<u>2023</u>
Advertising	\$ 167,241	\$ 155,801
Legal services	<u>167,676</u>	<u>185,967</u>
In-kind contributions	<u>\$ 334,917</u>	<u>\$ 341,768</u>

AAFA recognized in-kind contributions of advertising 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.

Donated legal services comprise professional services from a law firm for general legal counsel and contract negotiations. Donated 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.