

**AMERICAN LEPROSY MISSIONS, INC.**

***FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**JUNE 30, 2019**

# AMERICAN LEPROSY MISSIONS, INC.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors  
American Leprosy Missions, Inc.  
Greenville, South Carolina**

We have audited the accompanying financial statements of American Leprosy Missions, Inc. (“ALM”), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor’s Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Leprosy Missions, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Directors  
American Leprosy Missions, Inc.  
Greenville, South Carolina**

***Report on Summarized Comparative Information***

We have previously audited American Leprosy Missions, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
October 23, 2019**

# AMERICAN LEPROSY MISSIONS, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2019 And 2018

	<b>Total</b>	
	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,003,779	\$ 369,623
Accrued interest receivable	5,621	8,284
Accounts receivable and advances	4,916	3,396
Grants receivable	23,842	-
Prepaid expenses and deposits	<u>150,803</u>	<u>184,686</u>
<b>Total current assets</b>	<u>1,188,961</u>	<u>565,989</u>
<b>OTHER ASSETS</b>		
Building and equipment ( <i>Note 2</i> )	116,518	122,761
Investments ( <i>Note 3</i> )	9,129,114	9,431,996
Beneficial interest in perpetual trusts ( <i>Note 5</i> )	6,151,134	6,085,392
Other	<u>39,181</u>	<u>39,181</u>
<b>Total other assets</b>	<u>15,435,947</u>	<u>15,679,330</u>
<b>Total assets</b>	<u>\$ 16,624,908</u>	<u>\$ 16,245,319</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 196,169	\$ 162,950
Deferred revenue	<u>167,851</u>	<u>-</u>
<b>Total current liabilities</b>	<u>364,020</u>	<u>162,950</u>
<b>OTHER LIABILITIES</b>		
Annuity obligations	<u>134,329</u>	<u>142,685</u>
<b>Total liabilities</b>	<u>498,349</u>	<u>305,635</u>
<b>NET ASSETS (<i>Note 5</i>)</b>		
Without donor restrictions		
Operating	7,009,344	6,444,565
Reserve	<u>1,704,447</u>	<u>2,203,259</u>
<b>Total without donor restrictions</b>	8,713,791	8,647,824
With donor restrictions	<u>7,412,768</u>	<u>7,291,860</u>
<b>Total net assets</b>	<u>16,126,559</u>	<u>15,939,684</u>
<b>Total liabilities and net assets</b>	<u>\$ 16,624,908</u>	<u>\$ 16,245,319</u>

# AMERICAN LEPROSY MISSIONS, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019 With Summarized Information For 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Public support and revenue</b>				
<b>Public support</b>				
Contributions and grants	\$ 5,240,606	\$ -	\$ 5,240,606	\$ 10,747,731
Contributions (In-Kind)	5,408,051	-	5,408,051	6,333,138
U.S. Government grants	264,115	-	264,115	32,046
Income from outside trusts	242,651	-	242,651	235,288
Legacies and bequests	1,952,417	-	1,952,417	1,492,692
Special events	357,476	-	357,476	436,174
Net assets released ( <i>Note 5</i> )	10,488	(10,488)	-	-
<b>Total public support</b>	<u>13,475,804</u>	<u>(10,488)</u>	<u>13,465,316</u>	<u>19,277,069</u>
<b>Revenue</b>				
Investment income, net of expenses	83,457	35,245	118,702	126,348
Other	8,348	-	8,348	1,180
<b>Total revenue</b>	<u>91,805</u>	<u>35,245</u>	<u>127,050</u>	<u>127,528</u>
<b>Total support and revenue</b>	<u>13,567,609</u>	<u>24,757</u>	<u>13,592,366</u>	<u>19,404,597</u>
<b>Expenses</b>				
Program services	<u>10,517,342</u>	<u>-</u>	<u>10,517,342</u>	<u>11,770,082</u>
<b>Supporting services</b>				
Fund-raising	2,503,629	-	2,503,629	2,345,410
Management and general	621,326	-	621,326	499,083
<b>Total supporting services</b>	<u>3,124,955</u>	<u>-</u>	<u>3,124,955</u>	<u>2,844,493</u>
<b>Total expenses</b>	<u>13,642,297</u>	<u>-</u>	<u>13,642,297</u>	<u>14,614,575</u>
<b>Change in net assets from operations</b>	(74,688)	24,757	(49,931)	4,790,022
<b>Other changes in net assets</b>				
Actuarial loss on annuities	-	(14,334)	(14,334)	(12,868)
Realized and net unrealized gain on investments	140,655	14,054	154,709	126,484
Investment return in excess of amount designated for current operations	-	30,689	30,689	17,945
Change in beneficial interest in perpetual trusts	-	65,742	65,742	355,604
<b>Total other changes</b>	<u>140,655</u>	<u>96,151</u>	<u>236,806</u>	<u>487,165</u>
<b>Changes in net assets</b>	65,967	120,908	186,875	5,277,187
<b>Net assets</b>				
Beginning of year	<u>8,647,824</u>	<u>7,291,860</u>	<u>15,939,684</u>	<u>10,662,497</u>
<b>End of year</b>	<u>\$ 8,713,791</u>	<u>\$ 7,412,768</u>	<u>\$ 16,126,559</u>	<u>\$ 15,939,684</u>

# AMERICAN LEPROSY MISSIONS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019 With Summarized Information For June 30, 2018

	Program Services	Supporting Services			Total Expenses	
		Fund Raising	Management And General	Total 2019	June 30, 2019	June 30, 2018
Salaries	\$ 1,397,924	\$ 388,178	\$ 152,226	\$ 540,404	\$ 1,938,328	\$ 1,809,306
Payroll taxes	73,661	26,582	10,425	37,007	110,668	89,963
Employee health, retirement, and other benefits	<u>258,652</u>	<u>110,768</u>	<u>43,439</u>	<u>154,207</u>	<u>412,859</u>	<u>414,604</u>
<b>Total salaries and related expenses</b>	1,730,237	525,528	206,090	731,618	2,461,855	2,313,873
Occupancy	49,542	56,620	36,016	92,636	142,178	137,116
Office supplies and program materials	3,703	3,887	2,701	6,588	10,291	8,041
Professional fees and contract service payments	47,105	451,053	229,094	680,147	727,252	415,437
Travel, conferences, conventions and meetings	288,368	47,073	14,993	62,066	350,434	257,519
Printing, postage and publications	133,385	990,137	18,461	1,008,598	1,141,983	1,107,332
Awards, grants and other program disbursements	7,994,290	-	-	-	7,994,290	9,589,858
Media	15,525	99,115	-	99,115	114,640	91,763
New donor costs	7,078	163,829	-	163,829	170,907	209,751
Special events	133,941	23,632	-	23,632	157,573	171,803
Depreciation	14,947	19,929	14,947	34,876	49,823	46,680
Miscellaneous	<u>99,221</u>	<u>122,826</u>	<u>99,024</u>	<u>221,850</u>	<u>321,071</u>	<u>265,402</u>
<b>Total expenses – 2019</b>	<u>\$10,517,342</u>	<u>\$2,503,629</u>	<u>\$621,326</u>	<u>\$3,124,955</u>	<u>\$13,642,297</u>	
<b>Total expenses – 2018</b>	<u>\$11,770,082</u>	<u>\$2,345,410</u>	<u>\$499,083</u>	<u>\$2,844,493</u>		<u>\$14,614,575</u>

# AMERICAN LEPROSY MISSIONS, INC.

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 And June 30, 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$ 8,209,622	\$ 12,858,147
Interest and dividends received	129,474	144,237
Grants paid	(2,586,239)	(3,256,720)
Cash paid for other expenditures	<u>(5,532,602)</u>	<u>(5,374,901)</u>
<b>Net cash provided by operating activities</b>	<u>220,255</u>	<u>4,370,763</u>
<i>Cash flows from investing activities</i>		
Purchase of building and equipment	(43,580)	(47,416)
Purchase of investments	(10,939,493)	(3,411,209)
Proceeds from sale of investments	6,756,383	3,231,581
Net change in cash and cash equivalents	<u>4,663,281</u>	<u>(4,187,742)</u>
<b>Net cash provided by (used for) investing activities</b>	<u>436,591</u>	<u>(4,414,786)</u>
<i>Cash flows from financing activities</i>		
Payments made to annuitants	(22,690)	(23,297)
Payments made under trust agreements	<u>-</u>	<u>(6,202)</u>
<b>Net cash used for financing activities</b>	<u>(22,690)</u>	<u>(29,499)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	634,156	(73,522)
<i>Cash and cash equivalents</i>		
Beginning of year	<u>369,623</u>	<u>443,145</u>
<b>End of year</b>	<u>\$ 1,003,779</u>	<u>\$ 369,623</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 186,875	\$ 5,277,187
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	49,823	46,680
Gain on sale of investments	(80,289)	(79,579)
Actuarial loss on annuities	14,334	12,868
Change in unrealized gains on investments	(97,000)	(46,905)
Change in beneficial interest in perpetual trusts	(65,742)	(355,604)
(Increase) decrease in		
Accrued interest receivable	2,663	(55)
Accounts receivable and advances	(1,520)	46,931
Grants receivable	(23,842)	-
Prepaid expenses and deposits	33,883	(68,239)
Increase (decrease) in		
Accounts payable and accrued expenses	33,219	(375,556)
Refundable advances	-	(86,965)
Deferred revenue	<u>167,851</u>	<u>-</u>
<b>Net cash provided by operating activities</b>	<u>\$ 220,255</u>	<u>\$ 4,370,763</u>

See notes to financial statements.



# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 And 2018

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **ORGANIZATION AND PURPOSE**

American Leprosy Missions, Inc. (“ALM”) is incorporated pursuant to the provisions of the Not-For-Profit Corporation Law of the State of New York. As a non-profit organization, it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

ALM exists to serve as a channel of Christ’s love to persons affected by leprosy and related diseases, helping them to be healed in body and spirit and restored to lives of dignity and hope.

ALM International LLC was created in 2016 as a PEO (professional employer organization) for ALM’s foreign workers. ALM International LLC is a disregarded identity and is solely owned by ALM.

#### **ACCOUNTING ESTIMATES**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### **INCOME TAX STATUS**

The Organization is a public charity and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Management has reviewed the tax positions for each of the open fiscal tax years (2016 – 2018) or expected to be taken in the organization’s current fiscal year tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

#### **CASH EQUIVALENTS**

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

#### **CONCENTRATION OF CREDIT RISK**

ALM occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“ASC”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

#### **BUILDING AND EQUIPMENT**

Building and equipment is recorded at cost. Equipment acquired prior to January 1, 1974 is recorded at estimated fair market value. Depreciation is provided on the straight-line method over the estimated life of the asset – 3 to 10 years for equipment and 30 years for building.

#### **INVESTMENTS**

Investments consist of marketable securities which are stated at market value with gains and losses, both realized and unrealized, included in the statement of activities.

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### **LIFE INCOME AGREEMENTS**

The funds held subject to life income provisions include amounts held subject to the payment to life beneficiaries of stated amounts in the case of gift annuities. On maturity, the remainder interests revert to the organization. In accordance with provisions of the New York State Insurance Laws and the U.S. Internal Revenue Code, the assets of the segregated gift annuity are segregated from other assets of the organization.

The actuarial valuations of the gift annuities are recorded as annuity obligations. The present value of the segregated gift annuities was determined using discount rates ranging from 1.2% to 7.2%.

### **CONTRIBUTIONS**

ALM reports gifts of cash and other assets as support without donor restrictions if they are received with donor stipulations that limit the use of the donated assets and these donor stipulations are met in the same reporting period. However, all other donor restricted contributions are recorded as restricted support. When the donor restriction expires, that is, when the stipulated time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

### **CONTRIBUTIONS (IN-KIND)**

During the years ended June 30, 2019 and 2018, ALM received various contributions in-kind. These contributions (in-kind) consisted of medical supplies that are used to treat leprosy. Donated supplies are recorded at estimated fair value based upon the pricing source inputs which considers wholesale prices and donor values on date of receipt. During the years ended June 30, 2019 and 2018, ALM received and distributed \$5,408,051 and \$6,333,138, respectively, of various medical supplies. As a result, contributions (in-kind) and expenses include the value of the donated supplies.

### **FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **NET ASSETS**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ALM and changes therein are classified and reported as follows:

**Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing mission of ALM.

**With Donor Restrictions** – Net assets subject to donor-imposed restrictions that will be met either by actions of ALM or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts; pledges; and investment returns on “true” endowment funds. Expirations of restrictions of net assets with donor restrictions are reported as net assets released from restriction.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by ALM, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for operations or other purposes.

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### **SUMMARIZED INFORMATION**

The financial statements include certain prior-year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the ALM's audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

In 2019, ALM adopted Accounting Standards Update (ASU) 2016-14, Presentation of the Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classification</u>		<u>Total Net Assets</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
As previously presented:			
Unrestricted	\$ 8,647,824	\$ -	\$ 8,647,824
Temporarily Restricted	-	960,554	960,554
Permanently Restricted	-	<u>6,331,306</u>	<u>6,331,306</u>
Net assets as reclassified	<u>\$ 8,647,824</u>	<u>\$ 7,291,860</u>	<u>\$ 15,939,684</u>

### **NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. ALM plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. ALM plans to adopt the new ASU at the required implementation date.

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. This ASU should be applied using a modified prospective basis. ALM plans to adopt this new ASU at the required implementation date.

### RECLASSIFICATIONS

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

## (2) BUILDING AND EQUIPMENT

Building and equipment at June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 60,866	\$ 60,866
Equipment	<u>427,038</u>	<u>383,459</u>
	487,904	444,325
Less accumulated depreciation	<u>(371,386)</u>	<u>(321,564)</u>
	<u>\$ 116,518</u>	<u>\$ 122,761</u>

## (3) INVESTMENTS

Cost and market values at June 30, 2019 and 2018 are summarized as follows:

<u>Net Assets</u>	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Without donor restrictions</b>	<u>\$ 7,562,048</u>	<u>\$ 7,782,550</u>	<u>\$ 8,015,601</u>	<u>\$ 8,140,895</u>
<b>With donor restrictions</b>				
Segregated Gift Annuity Agreements	821,209	866,905	798,227	842,131
Accumulated Endowment Income	233,745	233,745	203,056	203,056
Investment In Perpetuity	<u>245,914</u>	<u>245,914</u>	<u>245,914</u>	<u>245,914</u>
<b>Total</b>	<u>\$ 8,862,916</u>	<u>\$ 9,129,114</u>	<u>\$ 9,262,798</u>	<u>\$ 9,431,996</u>

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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The components of marketable securities at June 30, 2019 and 2018 are:

	2019		2018	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 304,115	\$ 304,115	\$ 4,967,396	\$ 4,967,396
U.S. Treasury bills	4,565,241	4,607,896	-	-
U.S. Government bonds	425,179	440,053	486,736	476,579
Corporate and municipal bonds	345,838	357,982	593,551	582,375
Common and preferred stocks	1,117,898	1,212,993	1,040,327	1,157,165
Mutual funds	<u>2,104,645</u>	<u>2,206,075</u>	<u>2,174,788</u>	<u>2,248,481</u>
	<u>\$ 8,862,916</u>	<u>\$ 9,129,114</u>	<u>\$ 9,262,798</u>	<u>\$ 9,431,996</u>

At June 30, 2019 and 2018, the portfolio of marketable securities had unrealized gains of \$266,198 and \$169,198, respectively.

Investment income in the statement of activities and changes in net assets is shown net of \$42,807 and \$45,103 of investment management fees for the years ended June 30, 2019 and 2018, respectively.

ALM has adopted the total return concept for Endowment Fund income (*See Note 5*). Under this concept, endowment income to be distributed is established at 6% of the average market values of the endowment assets of the prior five years. There were no endowment income distributions for operations in the years ended June 30, 2019 and 2018.

The following schedule summarizes the investment return of the endowment funds and its classification in the statement of activities for the years ended June 30:

	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Interest and dividends (net of management fees of \$3,523 and \$3,001)	\$ 8,110	\$ 8,110	\$ 7,326
Net realized and unrealized gains	<u>22,579</u>	<u>22,579</u>	<u>10,619</u>
Return on investments	30,689	30,689	17,945
Investment return designated for current operations	-	-	-
Investment return in excess of amounts designated for current operations	<u>\$30,689</u>	<u>\$30,689</u>	<u>\$17,945</u>

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

ALM utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that ALM has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing ALM's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value ALM's investments as of June 30, 2019 and 2018 is as follows:

	2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 304,115	\$ 304,115	\$ -	\$ -
U.S. Treasury bills	4,607,896	-	4,607,896	-
U.S. Government bonds	440,053	-	440,053	-
Corporate and municipal bonds	357,982	-	357,982	-
Common and preferred stocks	1,212,993	1,212,993	-	-
Mutual funds	<u>2,206,075</u>	<u>2,206,075</u>	-	-
Total	<u>\$9,129,114</u>	<u>\$3,723,183</u>	<u>\$5,405,931</u>	<u>\$ -</u>
Beneficial interest in trust	<u>\$6,151,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,151,134</u>

  

	2018			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$4,967,396	\$4,967,396	\$ -	\$ -
U.S. Government Treasury Securities	476,579	-	476,579	-
Corporate and municipal bonds	582,375	-	582,375	-
Common and preferred stocks	1,157,165	1,157,165	-	-
Mutual funds	<u>2,248,481</u>	<u>2,248,481</u>	-	-
Total	<u>\$9,431,996</u>	<u>\$8,373,042</u>	<u>\$1,058,954</u>	<u>\$ -</u>
Beneficial interest in trust	<u>\$6,085,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,085,392</u>

There were no transfers between Level 1 and Level 2 during the years ended June 30, 2019 and 2018.

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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The changes in the financial instruments as of June 30, 2019 and 2018 for which ALM used level 3 inputs to determine fair value are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 6,085,392	\$ 5,729,788
Unrealized gains – change in valuation	<u>65,742</u>	<u>355,604</u>
Balance, end of year	<u>\$ 6,151,134</u>	<u>\$ 6,085,392</u>

The beneficial interest in perpetual trust is measured at estimated future cash flows which involve unobservable inputs. As a result, the present value techniques would be Level 3 inputs.

### (4) LEASE COMMITMENTS

In January 2014, ALM agreed on a five year lease for its Greenville, South Carolina office. The lease, which ran from February 1, 2014 through January 31, 2018, required rent payments of \$6,726 per month. In February 2018, ALM exercised an option to extend the lease for 60 months through January 2024 with monthly rent of \$7,603 in the first year and increasing fifty cents per rentable square foot each year hereafter. Total rent expense for the years ended June 30, 2019 and 2018 was approximately \$86,000 and \$80,700, respectively.

Future minimum lease payments are as follows:

2020	\$ 92,215
2021	94,555
2022	96,894
2023	99,234
2024	<u>58,682</u>
	<u>\$ 441,580</u>

### (5) NET ASSETS

Board-designated net assets consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Reserve fund	<u>\$ 1,704,447</u>	<u>\$ 2,203,259</u>

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<b>Subject to expenditure for a special purpose:</b>		
AIM Initiative	\$ 40,663	\$ 51,151
Life Income Agreements	741,312	706,347
Accumulated Endowment Income	<u>233,745</u>	<u>203,056</u>
	<u>1,015,720</u>	<u>960,554</u>
<b>Perpetual in nature:</b>		
Investment in perpetuity, the income from which is expendable to support any activities of the organization	245,914	245,914
Beneficial interest in perpetual trusts	<u>6,151,134</u>	<u>6,085,392</u>
	<u>6,397,048</u>	<u>6,331,306</u>
	<u>\$ 7,412,768</u>	<u>\$ 7,291,860</u>

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# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose as follows during the year ended June 30, 2019:

AIM Initiative	<u>\$10,488</u>
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### ENDOWMENT FUNDS

ALM's endowment fund consists of donor-restricted endowment funds. As required by GAAP in the United States, net assets associated with endowment funds, including funds designated by ALM to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

### INTERPRETATION OF RELEVANT LAW

ALM is incorporated in the state of New York, which has enacted a version of the Uniform Prudent Management of Institutional Funds Act ("*UPMIFA*"). UPMIFA governs donor restricted or permanently restricted endowment funds for not-for-profit corporations. ALM has interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ALM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund (i.e. the accumulated realized and unrealized gains/losses) that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ALM. ALM 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 ALM and 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 ALM
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution.
- (8) The investment policies of ALM

### RETURN OBJECTIVES AND RISK PARAMETERS

The total rate of return (net of fees) is expected to equal or exceed a passive investment in commonly quoted market indices (benchmarks) based on a long-term optimal asset allocation.

To satisfy its long-term rate-of-return objectives, ALM 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). ALM targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.



# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### SPENDING POLICY

In 2013, ALM adopted a policy of appropriating for distribution an approved percentage of its endowment funds' average fair value over the prior five years. There was no distribution made for the years ended June 30, 2018 and 2017.

### FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or state standards require ALM to retain as a fund of perpetual duration. At June 30, 2019 and 2018, no donor restricted endowment funds have fallen below the required level.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018:

	<u>June 30, 2019</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 479,659</u>	<u>\$ 479,659</u>

	<u>June 30, 2018</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 448,970</u>	<u>\$ 448,970</u>

ALM classifies the original value of gifts received and the income earned on such gifts as net assets with donor restrictions.

	<u>June 30, 2019</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 448,970	\$ 448,970
Investment return ( <i>See Note 3</i> )	<u>30,689</u>	<u>30,689</u>
	<u>\$ 479,659</u>	<u>\$ 479,659</u>

	<u>June 30, 2018</u>	
	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 431,025	\$ 431,025
Investment return ( <i>See Note 3</i> )	<u>17,945</u>	<u>17,945</u>
	<u>\$ 448,970</u>	<u>\$ 448,970</u>

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### (6) RETIREMENT PLAN

ALM contributes to a defined contribution plan covering substantially all of its employees. Contributions to the plan are based upon earnings and are accrued and funded on a current basis. Retirement contributions were approximately \$138,000 and \$121,000 for the years ended June 30, 2019 and 2018, respectively.

### (7) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

ALM strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments. As part of the ALM's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The following table reflects ALM's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor and/or contractual restrictions.

	<u>2019</u>
<b>Financial Assets</b>	
Cash and cash equivalents	\$ 1,003,779
Investments	9,129,114
Grants and other receivables	<u>34,379</u>
Total financial assets	10,167,272
Less:	
Reserve fund	(1,704,447)
Donor-restricted endowment	(479,659)
Net assets with donor restrictions	<u>(781,975)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,201,191</u>

Amounts from the reserve fund could be made available, if necessary, with Board approval.

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2019 And 2018

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### (8) GRANTS

During the years ended June 30, 2019 and 2018, ALM awarded grants for projects affected by leprosy and related diseases, as follows:

	<u>2019</u>	<u>2018</u>
Africa-Region	\$ 39,392	\$ 33,589
Asia Region	-	29,755
Cameroon	-	8,275
Congo-Brazzaville	50,000	56,058
Cote D'Ivoire	60,002	123,629
DR – Congo	6,686	1,831
Ghana	124,206	14,006
India	39,681	67,085
Liberia	358,700	510,879
Mozambique	18,439	126,589
Myanmar	29,000	76,909
Nepal	731,656	437,135
Nigeria	-	63,452
Philippines	100,000	100,000
Sierra Leone	-	7,092
Tanzania	1,502	-
Vaccine Research	220,067	484,896
Other Research	290,000	553,989
Gifts-in-Kind	5,533,192	6,440,253
Training and Other	192,264	217,610
AIM Initiative – Other	<u>199,503</u>	<u>236,826</u>
	<u>\$ 7,994,290</u>	<u>\$ 9,589,858</u>

### (9) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, October 23, 2019, have been evaluated in the preparation of the financial statements.