

AMERICAN LEPROSY MISSIONS, INC.

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

JUNE 30, 2021

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, 2021 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Report on Summarized Comparative Information

We have previously audited American Leprosy Missions, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Tait, Weller & Baker LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania
October 26, 2021

AMERICAN LEPROSY MISSIONS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 And 2020

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 308,346	\$ 394,206
Accrued interest receivable	23,713	28,198
Accounts receivable and advances	4,467	5,856
Prepaid expenses and deposits	<u>245,081</u>	<u>212,003</u>
Total current assets	<u>581,607</u>	<u>640,263</u>
OTHER ASSETS		
Furniture and equipment <i>(Note 2)</i>	69,039	105,675
Investments <i>(Note 3)</i>	7,259,453	8,025,576
Beneficial interest in perpetual trusts <i>(Notes 3 and 5)</i>	7,665,613	6,008,716
Other	<u>5,585</u>	<u>6,023</u>
Total other assets	<u>14,999,690</u>	<u>14,145,990</u>
Total assets	<u>\$15,581,297</u>	<u>\$14,786,253</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 309,645	\$ 291,661
Deferred revenue	51,720	157,180
Refundable advance <i>(Note 8)</i>	<u>-</u>	<u>277,488</u>
Total current liabilities	<u>361,365</u>	<u>726,329</u>
OTHER LIABILITIES		
Annuity obligations	<u>117,876</u>	<u>129,205</u>
Total liabilities	<u>479,241</u>	<u>855,534</u>
NET ASSETS <i>(Note 5)</i>		
Without donor restrictions		
Operating	6,136,376	5,868,096
Reserve	<u>380,467</u>	<u>737,719</u>
Total without donor restrictions	6,516,843	6,605,815
With donor restrictions	<u>8,585,213</u>	<u>7,324,904</u>
Total net assets	<u>15,102,056</u>	<u>13,930,719</u>
Total liabilities and net assets	<u>\$15,581,297</u>	<u>\$14,786,253</u>

AMERICAN LEPROSY MISSIONS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2021 With Summarized Information For 2020

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Public support and revenue				
Public support				
Contributions and grants	\$ 7,012,794	\$ 49,446	\$ 7,062,240	\$ 5,660,177
Contributions (In-Kind)	13,735,003	-	13,735,003	3,474,279
U.S. Government grants	206,393	-	206,393	383,658
Income from outside trusts	253,993	-	253,993	258,518
Legacies and bequests	518,690	-	518,690	584,751
Special events	94,150	-	94,150	300,240
Net assets released <i>(Note 5)</i>	<u>750,913</u>	<u>(750,913)</u>	<u>-</u>	<u>-</u>
Total public support	<u>22,571,936</u>	<u>(701,467)</u>	<u>21,870,469</u>	<u>10,661,623</u>
Revenue				
Investment income, net of expenses	80,762	34,879	115,641	125,818
Other	<u>876</u>	<u>-</u>	<u>876</u>	<u>12,738</u>
Total revenue	<u>81,638</u>	<u>34,879</u>	<u>116,517</u>	<u>138,556</u>
Total support and revenue	<u>22,653,574</u>	<u>(666,588)</u>	<u>21,986,986</u>	<u>10,800,179</u>
Expenses				
Program services	<u>18,940,313</u>	<u>-</u>	<u>18,940,313</u>	<u>8,893,226</u>
Supporting services				
Fund-raising	3,085,909	-	3,085,909	3,142,216
Management and general	<u>1,220,600</u>	<u>-</u>	<u>1,220,600</u>	<u>1,024,287</u>
Total supporting services	<u>4,306,509</u>	<u>-</u>	<u>4,306,509</u>	<u>4,166,503</u>
Total expenses	<u>23,246,822</u>	<u>-</u>	<u>23,246,822</u>	<u>13,059,729</u>
Change in net assets from operations	(593,248)	(666,588)	(1,259,836)	(2,259,550)
Other changes in net assets				
Actuarial loss on annuities	-	(6,765)	(6,765)	(15,922)
Realized and net unrealized gain on investments	504,276	110,394	614,670	171,160
Investment return in excess of amount designated for current operations	-	166,371	166,371	50,890
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>1,656,897</u>	<u>1,656,897</u>	<u>(142,418)</u>
Total other changes	<u>504,276</u>	<u>1,926,897</u>	<u>2,431,173</u>	<u>63,710</u>
Changes in net assets	(88,972)	1,260,309	1,171,337	(2,195,840)
Net assets				
Beginning of year	<u>6,605,815</u>	<u>7,324,904</u>	<u>13,930,719</u>	<u>16,126,559</u>
End of year	<u>\$ 6,516,843</u>	<u>\$ 8,585,213</u>	<u>\$ 15,102,056</u>	<u>\$ 13,930,719</u>

AMERICAN LEPROSY MISSIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021 With Summarized Information For 2020

	Program Services	Supporting Services			Total Expenses	
		Fund Raising	Management And General	Total	2021	2020
Salaries	\$ 1,708,354	\$ 381,759	\$ 361,181	\$ 742,940	\$ 2,451,294	\$ 2,383,618
Payroll taxes	139,344	28,131	15,821	43,952	183,296	161,128
Employee health, retirement, and other benefits	<u>324,443</u>	<u>98,402</u>	<u>86,462</u>	<u>184,864</u>	<u>509,307</u>	<u>468,273</u>
Total salaries and related expenses	2,172,141	508,292	463,464	971,756	3,143,897	3,013,019
Occupancy	39,186	61,211	53,167	114,378	153,564	145,958
Office supplies and program materials	4,148	2,731	3,871	6,602	10,750	9,458
Professional fees and contract service payments	57,190	479,670	460,818	940,488	997,678	804,173
Travel, conferences, conventions and meetings	32,264	-	13,837	13,837	46,101	341,907
Printing, postage and publications	1,930	1,507,498	18,917	1,526,415	1,528,345	1,817,767
Awards, grants and other program disbursements	16,499,338	-	-	-	16,499,338	5,984,223
Media	-	145,959	-	145,959	145,959	115,082
New donor costs	-	197,711	-	197,711	197,711	181,293
Special events	-	35,447	-	35,447	35,447	178,206
Depreciation	13,272	17,696	13,273	30,969	44,241	45,716
Miscellaneous	<u>120,844</u>	<u>129,694</u>	<u>193,253</u>	<u>322,947</u>	<u>443,791</u>	<u>422,927</u>
Total expenses – 2021	<u>\$18,940,313</u>	<u>\$3,085,909</u>	<u>\$1,220,600</u>	<u>\$4,306,509</u>	<u>\$23,246,822</u>	
Total expenses – 2020	<u>\$ 8,893,226</u>	<u>\$3,142,216</u>	<u>\$1,024,287</u>	<u>\$4,166,503</u>		<u>\$13,059,729</u>

AMERICAN LEPROSY MISSIONS, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 And 2020

	<u>2021</u>	<u>2020</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$ 7,753,394	\$ 7,213,253
Interest and dividends received	137,393	117,134
Grants paid	(2,764,335)	(2,509,944)
Cash paid for other expenditures	<u>(6,716,510)</u>	<u>(6,963,280)</u>
Net cash used for operating activities	<u>(1,590,058)</u>	<u>(2,142,837)</u>
<i>Cash flows from investing activities</i>		
Purchase of building and equipment	(7,605)	(34,873)
Purchase of investments	(2,248,740)	(6,563,594)
Proceeds from sale of investments	4,465,890	7,694,362
Net change in cash and cash equivalents	<u>(687,253)</u>	<u>180,927</u>
Net cash provided by investing activities	<u>1,522,292</u>	<u>1,276,822</u>
<i>Cash flows from financing activities</i>		
Payments to annuitants	(18,094)	(21,046)
Proceeds from refundable advance	<u>-</u>	<u>277,488</u>
Net cash provided by (used for) financing activities	<u>(18,094)</u>	<u>256,442</u>
Net decrease in cash and cash equivalents	(85,860)	(609,573)
<i>Cash and cash equivalents</i>		
Beginning of year	<u>394,206</u>	<u>1,003,779</u>
End of year	<u>\$ 308,346</u>	<u>\$ 394,206</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 1,171,337	\$(2,195,840)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	44,241	45,716
Gain on sale of investments	(344,617)	(67,908)
Actuarial loss on annuities	6,765	15,922
Change in unrealized gains on investments	(419,157)	(140,249)
Change in beneficial interest in perpetual trusts	(1,656,897)	142,418
PPP loan forgiveness	(277,488)	-
(Increase) decrease in		
Accrued interest receivable	4,485	(22,577)
Accounts receivable and advances	1,389	(940)
Grants receivable	-	23,842
Prepaid expenses and deposits	(32,640)	(28,042)
Increase (decrease) in		
Accounts payable and accrued expenses	17,984	95,492
Deferred revenue	<u>(105,460)</u>	<u>(10,671)</u>
Net cash used for operating activities	<u>\$(1,590,058)</u>	<u>\$(2,142,837)</u>

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 And 2020

(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 (2018 – 2020) 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 AND MARKET 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.

Market risk represents the potential loss ALM faces due to the decrease in the value of marketable securities. Credit risk represents the potential loss ALM faces due to the possible nonperformance by obligors and counterparts of the terms of their contracts. ALM routinely assess the financial strength and diversity of the holdings in its investment portfolio. The degree and concentration of credit and market risk varies by type of investment.

FURNITURE AND EQUIPMENT

Furniture and equipment are recorded at cost. 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.

At the time furniture and equipment become fully depreciated, are retired or disposed of, the accumulated depreciation applicable thereof is charged against the respective asset account and any gain or loss on disposal is credited or charged directly to income.

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

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.

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%.

REVENUE RECOGNITION

ALM recognizes contributions when cash, securities or other assets, and unconditional promise to give, or a notification of a beneficial interest is received. Conditional contributions include donor-imposed conditions with one or more barriers that must be overcome before ALM is entitled to the assets transferred or promised and there is a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. ALM recognizes the contribution when the conditions are substantially met or explicitly waived. Unconditional contributions are classified as without donor restrictions unless there are donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are then classified to net assets without donor restrictions and reported in the statement of activities as “*net assets released from restrictions.*”

A portion of ALM’s revenue is derived from cost-reimbursable federal and other grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when ALM has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

CONTRIBUTIONS (IN-KIND)

During the years ended June 30, 2021 and 2020, 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, 2021 and 2020, ALM received and distributed \$13,735,003 and \$3,474,279, 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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. ALM’s payroll, taxes and benefit expenses are allocated based on analysis of time and effort, while other costs are charged directly to the program or department in which the expense was incurred.

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

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.

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, 2020, from which the summarized information was derived.

RECENT ACCOUNTING PRONOUNCEMENTS 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 to fiscal years beginning after December 15, 2018, then further issued ASU 2020-05 in June of 2020 delaying implementation by another year to fiscal years beginning after December 15, 2019. ASU 2014-09 was implemented in fiscal 2021 and did not have a material effect on the financial statements.

ACCOUNTING PRONOUNCEMENTS – NOT YET ADOPTED

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 15, 2021. 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, 2021 And 2020

(2) FURNITURE AND EQUIPMENT

Building and equipment at June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Furniture and improvements	\$ 60,866	\$ 60,866
Equipment	<u>469,516</u>	<u>461,911</u>
	530,382	522,777
Less accumulated depreciation	<u>(461,343)</u>	<u>(417,102)</u>
	<u>\$ 69,039</u>	<u>\$ 105,675</u>

(3) INVESTMENTS

Cost and market values at June 30, 2021 and 2020 are summarized as follows:

<u>Net Assets</u>	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Without donor restrictions	<u>\$ 5,441,649</u>	<u>\$ 6,238,191</u>	<u>\$ 6,230,881</u>	<u>\$ 6,591,055</u>
With donor restrictions				
Segregated Gift Annuity Agreements	295,280	324,342	857,699	903,972
Accumulated Endowment Income	451,006	451,006	284,635	284,635
Investment in Perpetuity	<u>245,914</u>	<u>245,914</u>	<u>245,914</u>	<u>245,914</u>
Total	<u>\$ 6,433,849</u>	<u>\$ 7,259,453</u>	<u>\$ 7,619,129</u>	<u>\$ 8,025,576</u>

The components of marketable securities at June 30, 2021 and 2020 are:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 810,441	\$ 810,441	\$ 123,188	\$ 123,188
U.S. Treasury bills	-	-	786,878	799,872
U.S. Government bonds	2,775,662	2,814,226	3,163,688	3,250,086
Corporate and municipal bonds	581,958	604,180	466,286	503,845
Common and preferred stocks	1,040,674	1,578,837	1,081,325	1,253,634
Mutual funds	<u>1,225,114</u>	<u>1,451,769</u>	<u>1,997,764</u>	<u>2,094,951</u>
	<u>\$ 6,433,849</u>	<u>\$ 7,259,453</u>	<u>\$ 7,619,129</u>	<u>\$ 8,025,576</u>

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

At June 30, 2021 and 2020, the portfolio of marketable securities had unrealized gains of \$825,604 and \$406,447, respectively.

Investment income in the statement of activities and changes in net assets is shown net of \$50,895 and \$42,089 of investment management fees for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

The following schedule summarizes the investment return of the endowment funds, which is classified as with donor restrictions in the statement of activities for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividends (net of management fees of \$7,246 and \$4,453)	\$ 17,267	\$13,892
Net realized and unrealized gains	<u>149,104</u>	<u>36,998</u>
Investment return in excess of amounts designated for current operations	<u>\$166,371</u>	<u>\$50,890</u>

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.

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

The summary of inputs used to value ALM's investments as of June 30, 2021 and 2020 is as follows:

	2021			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 810,441	\$ 810,441	\$ -	\$ -
U.S. Government bonds	2,814,226	-	2,814,226	-
Corporate and municipal bonds	604,180	-	604,180	-
Common and preferred stocks	1,578,837	1,578,837	-	-
Mutual funds	<u>1,451,769</u>	<u>1,451,769</u>	-	-
Total	<u>\$7,259,453</u>	<u>\$3,841,047</u>	<u>\$3,418,406</u>	<u>\$ -</u>
Beneficial interest in trust	<u>\$7,665,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,665,613</u>

	2020			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 123,188	\$ 123,188	\$ -	\$ -
U.S. Treasury bills	799,872	-	799,872	-
U.S. Government bonds	3,250,086	-	3,250,086	-
Corporate and municipal bonds	503,845	-	503,845	-
Common and preferred stocks	1,253,634	1,253,634	-	-
Mutual funds	<u>2,094,951</u>	<u>2,094,951</u>	-	-
Total	<u>\$8,025,576</u>	<u>\$3,471,773</u>	<u>\$4,553,803</u>	<u>\$ -</u>
Beneficial interest in trust	<u>\$6,008,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,008,716</u>

The changes in the financial instruments as of June 30, 2021 and 2020 for which ALM used level 3 inputs to determine fair value are as follows:

	2021	2020
Balance, beginning of year	\$6,008,716	\$6,151,134
Unrealized gains – change in valuation	<u>1,656,897</u>	<u>(142,418)</u>
Balance, end of year	<u>\$7,665,613</u>	<u>\$6,008,716</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.

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

(4) COMMITMENTS

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, 2021 and 2020 was approximately \$94,800 and \$92,400, respectively.

Future minimum lease payments are as follows:

2022	\$ 96,894
2023	99,234
2024	<u>58,682</u>
	<u>\$254,810</u>

(5) NET ASSETS

Board-designated net assets consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Reserve fund	<u>\$ 380,467</u>	<u>\$ 737,719</u>

Net assets with donor restrictions are available for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for a special purpose:		
AIM Initiative	\$ 21,452	\$ 22,919
Life Income Agreements	201,228	762,720
Accumulated Endowment Income	<u>451,006</u>	<u>284,635</u>
	<u>673,686</u>	<u>1,070,274</u>
Perpetual in nature:		
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>7,665,613</u>	<u>6,008,716</u>
	<u>7,911,527</u>	<u>6,254,630</u>
	<u>\$8,585,213</u>	<u>\$7,324,904</u>

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose as follows during the year ended June 30, 2021:

AIM Initiative	\$ 50,913
Satisfaction of time restrictions – Life Income Agreements	<u>700,000</u>
	<u>\$750,913</u>

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

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, 2021 And 2020

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, 2021 and 2020.

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, 2021 and 2020, no donor restricted endowment funds have fallen below the required level.

Endowment net asset composition by type of fund as of June 30, 2021 and 2020:

	<u>June 30, 2021</u> <u>With Donor</u> <u>Restrictions</u>
Donor-restricted endowment funds	<u>\$ 696,920</u>

	<u>June 30, 2020</u> <u>With Donor</u> <u>Restrictions</u>
Donor-restricted endowment funds	<u>\$ 530,549</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, 2021</u> <u>With Donor</u> <u>Restrictions</u>
Endowment net assets, beginning of year	\$ 530,549
Investment return <i>(See Note 3)</i>	<u>166,371</u>
	<u>\$ 696,920</u>

	<u>June 30, 2020</u> <u>With Donor</u> <u>Restrictions</u>
Endowment net assets, beginning of year	\$ 479,659
Investment return <i>(See Note 3)</i>	<u>50,890</u>
	<u>\$ 530,549</u>

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

(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 \$169,000 and \$150,000 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 308,346	\$ 394,206
Investments	7,259,453	8,025,576
Grants and other receivables	<u>28,180</u>	<u>34,055</u>
Total financial assets	7,595,979	8,453,837
Less:		
Reserve fund	(380,467)	(737,719)
Donor-restricted endowment	(696,920)	(530,549)
Net assets with donor restrictions	<u>(222,680)</u>	<u>(785,639)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,295,912</u>	<u>\$ 6,399,930</u>

Although ALM does not intend to spend from its Reserve funds of approximately \$380,000 and \$740,000 as of June 30, 2021 and 2020, respectively, amounts from those funds could be made available, if necessary, with Board approval.

(8) COVID-19 AND PAYROLL PROTECTION PROGRAM

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak has affected virtually every industry and has created volatility in stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on ALM's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on ALM's funders, donors, employees and vendors, all of which are uncertain and cannot be predicted.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2021 And 2020

On April 16, 2020, ALM received a \$277,488 loan under the Small Business Administration’s (“SBA”) Payment Protection Program (the “PPP Loan”). ALM considered this to be a conditional contribution as it expected to meet the criteria for loan forgiveness upon incurring eligible expenditures and when its application for forgiveness is accepted by the SBA. ALM considered the incurrence of eligible expenses and the acceptance of its application for forgiveness to be barriers in the PPP Loan agreement and as such, would recognize contribution income when these conditions were substantially met. As of June 30, 2020, ALM had recorded \$277,488 as a refundable advance. During the year ended June 30, 2021, ALM had met all conditions of the program and the loan was forgiven on November 16, 2020. As such, the loan of \$277,488 has been recognized in contributions and grant support on the Statement of Activities and Changes in Net Assets in fiscal year 2021.

(9) GRANTS

During the years ended June 30, 2021 and 2020, ALM awarded grants for projects affected by leprosy and related diseases, as follows:

	<u>2021</u>	<u>2020</u>
Africa-Region	\$ 5,249	\$ 8,936
Asia Region	-	3,852
Benin	6,912	-
Cameroon	3,500	7,439
Cote D'Ivoire	305,543	45,796
DR – Congo	91,800	61,848
Ghana	217,314	231,776
India	309,845	237,966
Kenya	1,318	-
Liberia	133,653	229,214
Myanmar	56,401	77,176
Nepal	380,353	580,436
Philippines	-	28,533
Senegal	52,343	-
Tanzania	18,496	14,346
Vaccine Research	245,558	277,156
Other Research	785,496	513,339
Gifts-in-Kind	13,818,430	3,509,888
Training and Other	65,161	117,308
AIM Initiative – Other	<u>1,966</u>	<u>39,214</u>
	<u>\$ 16,499,338</u>	<u>\$ 5,984,223</u>

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, October 26, 2021, have been evaluated in the preparation of the financial statements.