

# **AMERICAN LEPROSY MISSIONS, INC.**

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

**JUNE 30, 2022**

# AMERICAN LEPROSY MISSIONS, INC.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

### *Opinion*

We have audited the accompanying financial statements of American Leprosy Missions, Inc. (“ALM”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ALM as of June 30, 2022, 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.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 ALM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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.

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 ALM’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 generally accepted auditing standards 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, including omissions, 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.

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

In performing an audit in accordance with generally accepted auditing standards, 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 ALM'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 ALM'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.

***Report on Summarized Comparative Information***

We have previously audited American Leprosy Missions, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Philadelphia, Pennsylvania  
October 31, 2022**

# AMERICAN LEPROSY MISSIONS, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 879,997	\$ 308,346
Grant receivable <i>(Note 3)</i>	52,445	-
Accrued interest receivable	16,050	23,713
Accounts receivable and advances	3,364	4,467
Prepaid expenses and deposits	<u>150,236</u>	<u>245,081</u>
<b>Total current assets</b>	<u>1,102,092</u>	<u>581,607</u>
<b>OTHER ASSETS</b>		
Furniture and equipment <i>(Note 2)</i>	58,620	69,039
Grant receivable <i>(Note 3)</i>	52,445	-
Investments <i>(Note 4)</i>	6,179,393	7,259,453
Beneficial interest in perpetual trusts <i>(Note 4)</i>	6,536,172	7,665,613
Other	<u>4,963</u>	<u>5,585</u>
<b>Total other assets</b>	<u>12,831,593</u>	<u>14,999,690</u>
<b>Total assets</b>	<u>\$13,933,685</u>	<u>\$15,581,297</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 282,022	\$ 309,645
Deferred revenue	<u>148,296</u>	<u>51,720</u>
<b>Total current liabilities</b>	<u>430,318</u>	<u>361,365</u>
<b>OTHER LIABILITIES</b>		
Annuity obligations	<u>115,829</u>	<u>117,876</u>
<b>Total liabilities</b>	<u>546,147</u>	<u>479,241</u>
<b>NET ASSETS</b>		
Without donor restrictions	6,001,146	6,516,843
With donor restrictions <i>(Note 6)</i>	<u>7,386,392</u>	<u>8,585,213</u>
<b>Total net assets</b>	<u>13,387,538</u>	<u>15,102,056</u>
<b>Total liabilities and net assets</b>	<u>\$13,933,685</u>	<u>\$15,581,297</u>

# AMERICAN LEPROSY MISSIONS, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022 With Summarized Information For 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
<b>Public support and revenue</b>				
<b>Public support</b>				
Contributions and grants	\$ 6,346,889	\$ 104,890	\$ 6,451,779	\$ 6,832,765
Contributions (In-Kind)	2,487,209	-	2,487,209	13,735,003
U.S. Government grants	400,012	-	400,012	206,393
Income from outside trusts	290,616	-	290,616	253,993
Legacies and bequests	1,811,082	-	1,811,082	518,690
Special events	24,030	-	24,030	94,150
Net assets released <i>(Note 6)</i>	<u>21,452</u>	<u>(21,452)</u>	<u>-</u>	<u>-</u>
<b>Total public support</b>	<u>11,381,290</u>	<u>83,438</u>	<u>11,464,728</u>	<u>21,640,994</u>
<b>Revenue</b>				
Investment income, net of expenses	81,622	9,826	91,448	115,641
Other	<u>12,828</u>	<u>-</u>	<u>12,828</u>	<u>876</u>
<b>Total revenue</b>	<u>94,450</u>	<u>9,826</u>	<u>104,276</u>	<u>116,517</u>
<b>Total support and revenue</b>	<u>11,475,740</u>	<u>93,264</u>	<u>11,569,004</u>	<u>21,757,511</u>
<b>Expenses</b>				
Program services	<u>7,887,270</u>	<u>-</u>	<u>7,887,270</u>	<u>18,710,838</u>
<b>Supporting services</b>				
Fund-raising	2,821,982	-	2,821,982	3,085,909
Management and general	<u>693,512</u>	<u>-</u>	<u>693,512</u>	<u>1,220,600</u>
<b>Total supporting services</b>	<u>3,515,494</u>	<u>-</u>	<u>3,515,494</u>	<u>4,306,509</u>
<b>Total expenses</b>	<u>11,402,764</u>	<u>-</u>	<u>11,402,764</u>	<u>23,017,347</u>
<b>Change in net assets from operations</b>	72,976	93,264	166,240	(1,259,836)
<b>Other changes in net assets</b>				
Actuarial loss on annuities	-	(14,123)	(14,123)	(6,765)
Realized and net unrealized gain(loss) on investments	(588,673)	(36,726)	(625,399)	614,670
Investment return in excess(deficit) of amount designated for current operations	-	(111,795)	(111,795)	166,371
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>(1,129,441)</u>	<u>(1,129,441)</u>	<u>1,656,897</u>
<b>Total other changes</b>	<u>(588,673)</u>	<u>(1,292,085)</u>	<u>(1,880,758)</u>	<u>2,431,173</u>
<b>Changes in net assets</b>	(515,697)	(1,198,821)	(1,714,518)	1,171,337
<b>Net assets</b>				
Beginning of year	<u>6,516,843</u>	<u>8,585,213</u>	<u>15,102,056</u>	<u>13,930,719</u>
<b>End of year</b>	<u>\$ 6,001,146</u>	<u>\$ 7,386,392</u>	<u>\$ 13,387,538</u>	<u>\$ 15,102,056</u>

# AMERICAN LEPROSY MISSIONS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022 With Summarized Information For 2021

	Program Services	Supporting Services			Total Expenses	
		Fund Raising	Management And General	Total	2022	2021
Salaries	\$ 1,541,710	\$ 360,763	\$ 319,361	\$ 680,124	\$ 2,221,834	\$ 2,451,294
Payroll taxes	122,071	25,226	22,399	47,625	169,696	183,296
Employee health, retirement, and other benefits	<u>377,247</u>	<u>118,938</u>	<u>121,187</u>	<u>240,125</u>	<u>617,372</u>	<u>509,307</u>
<b>Total salaries and related expenses</b>	2,041,028	504,927	462,947	967,874	3,008,902	3,143,897
Occupancy	139,286	24,653	21,076	45,729	185,015	153,564
Office supplies and program materials	4,992	1,232	1,188	2,420	7,412	10,750
Professional fees and contract service payments	214,281	425,922	57,633	483,555	697,836	997,678
Travel	106,171	7,770	42,769	50,539	156,710	46,101
Printing, postage and publications	515,230	1,294,635	2,583	1,297,218	1,812,448	1,528,345
Program disbursements, awards and grants	4,532,075	-	-	-	4,532,075	16,269,863
Media	11,275	209,979	1,597	211,576	222,851	145,959
New donor costs	70,922	104,023	-	104,023	174,945	197,711
Special events	59,668	14,917	-	14,917	74,585	35,447
Depreciation	25,444	6,361	5,613	11,974	37,418	44,241
Miscellaneous	<u>166,898</u>	<u>227,563</u>	<u>98,106</u>	<u>325,669</u>	<u>492,567</u>	<u>443,791</u>
<b>Total expenses – 2022</b>	<u>\$ 7,887,270</u>	<u>\$2,821,982</u>	<u>\$ 693,512</u>	<u>\$3,515,494</u>	<u>\$11,402,764</u>	
<b>Total expenses – 2021</b>	<u>\$18,710,838</u>	<u>\$3,085,909</u>	<u>\$1,220,600</u>	<u>\$4,306,509</u>		<u>\$23,017,347</u>

See notes to financial statements.

# AMERICAN LEPROSY MISSIONS, INC.

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$ 8,982,033	\$ 7,753,394
Interest and dividends received	115,516	137,393
Grants paid	(2,044,866)	(2,764,335)
Cash paid for other expenditures	<u>(6,764,324)</u>	<u>(6,716,510)</u>
<b>Net cash provided by operating activities</b>	<u>288,359</u>	<u>(1,590,058)</u>
<i>Cash flows from investing activities</i>		
Purchase of building and equipment	(26,999)	(7,605)
Purchase of investments	(2,636,448)	(2,248,740)
Proceeds from sale of investments	2,309,772	4,465,890
Net change in cash and cash equivalents	<u>653,137</u>	<u>(687,253)</u>
<b>Net cash provided by investing activities</b>	<u>299,462</u>	<u>1,522,292</u>
<i>Cash flows from financing activities</i>		
Payments to annuitants	<u>(16,170)</u>	<u>(18,094)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	571,651	(85,860)
<i>Cash and cash equivalents</i>		
Beginning of year	<u>308,346</u>	<u>394,206</u>
<b>End of year</b>	<u>\$ 879,997</u>	<u>\$ 308,346</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$(1,714,518)	\$ 1,171,337
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	37,418	44,241
Gain on sale of investments	(150,629)	(344,617)
Actuarial loss on annuities	14,123	6,765
Change in unrealized gains (losses) on investments	904,228	(419,157)
Change in beneficial interest in perpetual trusts	1,129,441	(1,656,897)
PPP loan forgiveness	-	(277,488)
(Increase) decrease in		
Accrued interest receivable	7,663	4,485
Accounts receivable and advances	1,103	1,389
Grant receivable	(104,890)	-
Prepaid expenses and deposits	95,467	(32,640)
Increase (decrease) in		
Accounts payable and accrued expenses	(27,623)	17,984
Deferred revenue	<u>96,576</u>	<u>(105,460)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 288,359</u>	<u>\$(1,590,058)</u>



# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 And 2021

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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 (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, 2022 And 2021

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### **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, 2022 and 2021, ALM received various contributions in-kind. These contributions (in-kind) consisted of pharmaceuticals and medical supplies that are used to treat leprosy and related diseases. Donated pharmaceuticals and medical supplies are recorded at estimated fair value based upon the pricing source inputs which consider wholesale prices and donor values on date of receipt. During the years ended June 30, 2022 and 2021, ALM received and distributed \$2,487,209 and \$13,735,003, respectively, of various pharmaceuticals and medical supplies. As a result, contributions (in-kind) and program disbursements, awards and grant expense include the value of the donated pharmaceuticals and medical supplies. Unless otherwise noted, contributions (in-kind) did not have donor-imposed restrictions.

### **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, 2022 And 2021

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### **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, 2021, from which the summarized information was derived.

### **RECENT ACCOUNTING PRONOUNCEMENTS ADOPTED**

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and requires additional disclosures related to contributed nonfinancial assets. This ASU must be applied on a retrospective basis and was adopted by ALM during the year ended June 30, 2022. The adoption of ASU 2020-07 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.

### **RECLASSIFICATIONS**

Certain reclassifications were made to the 2021 financial statements to conform to the 2022 presentation.

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

### (2) FURNITURE AND EQUIPMENT

Building and equipment at June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Furniture and improvements	\$ 60,866	\$ 60,866
Equipment	<u>433,614</u>	<u>469,516</u>
	494,480	530,382
Less accumulated depreciation	<u>(435,860)</u>	<u>(461,343)</u>
	<u>\$ 58,620</u>	<u>\$ 69,039</u>

### (3) GRANT RECEIVABLE

Grant receivable is due as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Due in fiscal year 2023	\$ 52,445	\$ -
Due in fiscal year 2024	<u>52,445</u>	<u>-</u>
Total grant receivable	<u>\$ 104,890</u>	<u>\$ -</u>

### (4) INVESTMENTS

Cost and market values at June 30, 2022 and 2021 are summarized as follows:

<u>Net Assets</u>	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Without donor restrictions</b>	<u>\$ 5,372,040</u>	<u>\$ 5,311,186</u>	<u>\$ 5,441,649</u>	<u>\$ 6,238,191</u>
<b>With donor restrictions</b>				
Segregated Gift Annuity Agreements	300,852	283,082	295,280	324,342
Accumulated Endowment Income	339,211	339,211	451,006	451,006
Investment in Perpetuity	<u>245,914</u>	<u>245,914</u>	<u>245,914</u>	<u>245,914</u>
<b>Total</b>	<u>\$ 6,258,017</u>	<u>\$ 6,179,393</u>	<u>\$ 6,433,849</u>	<u>\$ 7,259,453</u>

The components of marketable securities at June 30, 2022 and 2021 are:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 157,304	\$ 157,304	\$ 810,441	\$ 810,441
U.S. Government bonds	1,942,458	1,890,656	2,775,662	2,814,226
Corporate and municipal bonds	601,238	545,762	581,958	604,180
Common and preferred stocks	1,548,549	1,620,138	1,040,674	1,578,837
Mutual funds	<u>2,008,468</u>	<u>1,965,533</u>	<u>1,225,114</u>	<u>1,451,769</u>
	<u>\$ 6,258,017</u>	<u>\$ 6,179,393</u>	<u>\$ 6,433,849</u>	<u>\$ 7,259,453</u>

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

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At June 30, 2022 and 2021, the portfolio of marketable securities had unrealized gains/(losses) of \$(78,624) and \$825,604, respectively.

Investment income in the statement of activities and changes in net assets is shown net of \$52,540 and \$50,895 of investment management fees for the years ended June 30, 2022 and 2021, 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, 2022 and 2021.

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>2022</u>	<u>2021</u>
Interest and dividends (net of management fees of \$8,879 and \$7,246)	\$ 16,405	\$ 17,267
Net realized and unrealized gains	<u>(128,200)</u>	<u>149,104</u>
Investment return in excess of amounts designated for current operations	<u>\$(111,795)</u>	<u>\$166,371</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, 2022 And 2021

The summary of inputs used to value ALM's investments as of June 30, 2022 and 2021 is as follows:

	<u>2022</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 157,304	\$ 157,304	\$ -	\$ -
U.S. Government bonds	1,890,656	-	1,890,656	-
Corporate and municipal bonds	545,762	-	545,762	-
Common and preferred stocks	1,620,138	1,620,138	-	-
Mutual funds	<u>1,965,533</u>	<u>1,965,533</u>	-	-
Total	<u>\$6,179,393</u>	<u>\$3,742,975</u>	<u>\$2,436,418</u>	<u>\$ -</u>
Beneficial interest in trust	<u>\$6,536,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,536,172</u>

  

	<u>2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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>

The changes in the financial instruments as of June 30, 2022 and 2021 for which ALM used level 3 inputs to determine fair value are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$7,665,613	\$6,008,716
Unrealized gains – change in valuation	<u>(1,129,441)</u>	<u>1,656,897</u>
Balance, end of year	<u>\$6,536,172</u>	<u>\$7,665,613</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, 2022 And 2021

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### (5) 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, 2022 and 2021 was approximately \$121,800 and \$94,800, respectively.

Future minimum lease payments are as follows:

2023	\$ 99,234
2024	<u>58,682</u>
	<u>\$157,916</u>

### (6) NET ASSETS

Net assets with donor restrictions are available for the following purposes as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Subject to expenditure for a special purpose or time:</b>		
AIM Initiative	\$ -	\$ 21,452
Time restricted – use in future periods	104,890	-
Life Income Agreements	160,205	201,228
Accumulated Endowment Income	<u>339,211</u>	<u>451,006</u>
	<u>604,306</u>	<u>673,686</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>6,536,172</u>	<u>7,665,613</u>
	<u>6,782,086</u>	<u>7,911,527</u>
	<u>\$7,386,392</u>	<u>\$8,585,213</u>

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose as follows during the year ended June 30, 2022:

AIM Initiative	<u>\$ 21,452</u>
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# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

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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) is also classified in net assets with donor restrictions. 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, 2022 And 2021

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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, 2022 and 2021.

### 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, 2022 and 2021, no donor restricted endowment funds have fallen below the required level.

Endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	<b><u>June 30, 2022</u></b> <b><u>With Donor</u></b> <b><u>Restrictions</u></b>
Donor-restricted endowment funds	<u>\$ 585,125</u>

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

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

	<b><u>June 30, 2022</u></b> <b><u>With Donor</u></b> <b><u>Restrictions</u></b>
Endowment net assets, beginning of year	\$ 696,920
Investment return ( <i>See Note 3</i> )	<u>(111,795)</u>
	<u>\$ 585,125</u>

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

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

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### (7) 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 \$209,000 and \$169,000 for the years ended June 30, 2022 and 2021, respectively.

### (8) 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, 2022 and 2021, 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>2022</u>	<u>2021</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 879,997	\$ 308,346
Investments	6,179,393	7,259,453
Grants and other receivables	<u>71,859</u>	<u>28,180</u>
Total financial assets	7,131,249	7,595,979
Less:		
Reserve fund	-	(380,467)
Donor-restricted endowment	(585,125)	(696,920)
Net assets with donor restrictions	<u>(160,205)</u>	<u>(222,680)</u>
Financial assets available to meet general expenditures within one year	<u>\$6,385,919</u>	<u>\$6,295,912</u>

### (9) 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.

# AMERICAN LEPROSY MISSIONS, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

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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 was recognized in contributions and grant support on the Statement of Activities and Changes in Net Assets in fiscal year 2021.

### (10) GRANTS

During the years ended June 30, 2022 and 2021, ALM awarded grants for projects affected by leprosy and related diseases, as follows:

	<u>2022</u>	<u>2021</u>
Africa-Region	\$ -	\$ 5,249
Benin	3,791	6,912
Cameroon	79,491	-
Cote D’Ivoire	80,136	305,543
DR – Congo	134,537	91,800
Ghana	150,005	213,289
India	225,483	309,845
Kenya	-	1,318
Liberia	154,626	133,653
Mozambique	47,031	-
Myanmar	5,625	56,401
Nepal	193,703	380,353
Nigeria	26,250	-
Philippines	25,000	-
Senegal	23,721	52,343
Tanzania	23,616	18,496
Vaccine Research	250,889	245,558
Other Research	144,798	563,546
Gifts-in-Kind	2,518,835	13,818,430
Training and Other	444,538	65,161
AIM Initiative – Other	-	1,966
	<u>\$ 4,532,075</u>	<u>\$ 16,269,863</u>

### (11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, October 31, 2022, have been evaluated in the preparation of the financial statements.