

AMERICAN LEPROSY MISSIONS, INC.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2023

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, 2023 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Philadelphia, Pennsylvania
October 25, 2023**

AMERICAN LEPROSY MISSIONS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 And 2022

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 336,558	\$ 879,997
Grant receivable <i>(Note 3)</i>	119,839	52,445
Accrued interest receivable	42,218	16,050
Accounts receivable and advances	27,673	11,430
Prepaid expenses and deposits	165,960	142,170
Right-of-use asset <i>(Note 5)</i>	<u>49,614</u>	<u>-</u>
Total current assets	<u>741,862</u>	<u>1,102,092</u>
OTHER ASSETS		
Furniture and equipment <i>(Note 2)</i>	48,899	58,620
Grant receivable <i>(Note 3)</i>	52,445	52,445
Investments <i>(Note 4)</i>	9,017,824	6,179,393
Beneficial interest in perpetual trusts <i>(Note 4)</i>	6,922,222	6,536,172
Other	<u>4,597</u>	<u>4,963</u>
Total other assets	<u>16,045,987</u>	<u>12,831,593</u>
Total assets	<u>\$16,787,849</u>	<u>\$13,933,685</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 419,936	\$ 282,022
Deferred revenue	324,182	148,296
Lease liabilities <i>(Note 5)</i>	<u>50,069</u>	<u>-</u>
Total current liabilities	<u>794,187</u>	<u>430,318</u>
OTHER LIABILITIES		
Annuity obligations	<u>102,670</u>	<u>115,829</u>
Total liabilities	<u>896,857</u>	<u>546,147</u>
NET ASSETS		
Without donor restrictions	8,035,250	6,001,146
With donor restrictions <i>(Note 6)</i>	<u>7,855,742</u>	<u>7,386,392</u>
Total net assets	<u>15,890,992</u>	<u>13,387,538</u>
Total liabilities and net assets	<u>\$16,787,849</u>	<u>\$13,933,685</u>

AMERICAN LEPROSY MISSIONS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2023 With Summarized Information For 2022

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Public support and revenue				
Public support				
Contributions and grants	\$ 5,470,643	\$ -	\$ 5,470,643	\$ 6,451,779
Contributions (In-Kind)	4,325,649	-	4,325,649	2,487,209
U.S. Government grants	910,657	-	910,657	400,012
Income from outside trusts	321,369	-	321,369	290,616
Legacies and bequests	5,162,257	-	5,162,257	1,811,082
Special events	-	-	-	24,030
Total public support	<u>16,190,575</u>	<u>-</u>	<u>16,190,575</u>	<u>11,464,728</u>
Revenue				
Investment income, net of expenses	67,766	8,120	75,886	91,448
Other	<u>2,370</u>	<u>-</u>	<u>2,370</u>	<u>12,828</u>
Total revenue	<u>70,136</u>	<u>8,120</u>	<u>78,256</u>	<u>104,276</u>
Total support and revenue	<u>16,260,711</u>	<u>8,120</u>	<u>16,268,831</u>	<u>11,569,004</u>
Expenses				
Program services	<u>11,099,098</u>	<u>-</u>	<u>11,099,098</u>	<u>7,887,270</u>
Supporting services				
Fund-raising	2,581,307	-	2,581,307	2,821,982
Management and general	<u>772,551</u>	<u>-</u>	<u>772,551</u>	<u>693,512</u>
Total supporting services	<u>3,353,858</u>	<u>-</u>	<u>3,353,858</u>	<u>3,515,494</u>
Total expenses	<u>14,452,956</u>	<u>-</u>	<u>14,452,956</u>	<u>11,402,764</u>
Change in net assets from operations	1,807,755	8,120	1,815,875	166,240
Other changes in net assets				
Actuarial loss on annuities	-	(1,991)	(1,991)	(14,123)
Realized and net unrealized gain(loss) on investments	226,349	(92)	226,257	(625,399)
Investment return in excess(deficit) of amount designated for current operations	-	77,263	77,263	(111,795)
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>386,050</u>	<u>386,050</u>	<u>(1,129,441)</u>
Total other changes	<u>226,349</u>	<u>461,230</u>	<u>687,579</u>	<u>(1,880,758)</u>
Changes in net assets	2,034,104	469,350	2,503,454	(1,714,518)
Net assets				
Beginning of year	<u>6,001,146</u>	<u>7,386,392</u>	<u>13,387,538</u>	<u>15,102,056</u>
End of year	<u>\$ 8,035,250</u>	<u>\$ 7,855,742</u>	<u>\$15,890,992</u>	<u>\$13,387,538</u>

AMERICAN LEPROSY MISSIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023 With Summarized Information For 2022

	Program Services	Supporting Services			Total Expenses	
		Fund Raising	Management And General	Total	2023	2022
Salaries	\$ 1,650,832	\$ 421,837	\$ 381,068	\$ 802,905	\$ 2,453,737	\$ 2,221,834
Payroll taxes	152,142	31,469	28,770	60,239	212,381	169,696
Employee health, retirement, and other benefits	<u>373,195</u>	<u>126,253</u>	<u>121,497</u>	<u>247,750</u>	<u>620,945</u>	<u>617,372</u>
Total salaries and related expenses	2,176,169	579,559	531,335	1,110,894	3,287,063	3,008,902
Occupancy	148,831	27,261	23,882	51,143	199,974	185,015
Office supplies and program materials	9,703	1,205	711	1,916	11,619	7,412
Professional fees and contract service payments	266,104	388,405	83,125	471,530	737,634	697,836
Travel	249,218	38,546	40,531	79,077	328,295	156,710
Printing, postage and publications	486,538	1,120,343	2,406	1,122,749	1,609,287	1,812,448
Program disbursements, awards and grants	7,485,179	-	-	-	7,485,179	4,532,075
Media	11,712	128,439	1,649	130,088	141,800	222,851
New donor costs	44,863	63,616	-	63,616	108,479	174,945
Special events	-	1,000	-	1,000	1,000	74,585
Depreciation	20,944	5,236	4,620	9,856	30,800	37,418
Miscellaneous	<u>199,837</u>	<u>227,697</u>	<u>84,292</u>	<u>311,989</u>	<u>511,826</u>	<u>492,567</u>
Total expenses – 2023	<u>\$ 11,099,098</u>	<u>\$ 2,581,307</u>	<u>\$ 772,551</u>	<u>\$ 3,353,858</u>	<u>\$ 14,452,956</u>	
Total expenses – 2022	<u>\$ 7,887,270</u>	<u>\$ 2,821,982</u>	<u>\$ 693,512</u>	<u>\$ 3,515,494</u>		<u>\$ 11,402,764</u>

See notes to financial statements.

AMERICAN LEPROSY MISSIONS, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 And 2022

	<u>2023</u>	<u>2022</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$11,975,788	\$ 8,982,033
Interest and dividends received	61,575	115,516
Grants paid	(3,200,030)	(2,044,866)
Cash paid for other expenditures	<u>(6,797,775)</u>	<u>(6,764,324)</u>
Net cash provided by operating activities	<u>2,039,558</u>	<u>288,359</u>
<i>Cash flows from investing activities</i>		
Purchase of building and equipment	(21,079)	(26,999)
Purchase of investments	(4,029,828)	(2,636,448)
Proceeds from sale of investments	2,223,357	2,309,772
Net change in short-term investments	<u>(740,297)</u>	<u>653,137</u>
Net cash provided by (used for) investing activities	<u>(2,567,847)</u>	<u>299,462</u>
<i>Cash flows from financing activities</i>		
Payments to annuitants	<u>(15,150)</u>	<u>(16,170)</u>
Net increase (decrease) in cash and cash equivalents	(543,439)	571,651
<i>Cash and cash equivalents</i>		
Beginning of year	<u>879,997</u>	<u>308,346</u>
End of year	<u>\$ 336,558</u>	<u>\$ 879,997</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 2,503,454	\$(1,714,518)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	30,800	37,418
(Gain) loss on sale of investments	57,075	(150,629)
Actuarial loss on annuities	1,991	14,123
Change in unrealized gains (losses) on investments	(348,738)	904,228
Change in beneficial interest in perpetual trusts	(386,050)	1,129,441
Amortization of right-of-use asset	97,592	-
Interest on lease liability	2,097	-
Operating lease liability	(99,234)	-
(Increase) decrease in		
Accrued interest receivable	(26,168)	7,663
Accounts receivable and advances	(16,243)	(6,963)
Grant receivable	(67,394)	(104,890)
Prepaid expenses and deposits	(23,424)	103,533
Increase (decrease) in		
Accounts payable and accrued expenses	137,914	(27,623)
Deferred revenue	<u>175,886</u>	<u>96,576</u>
Net cash provided by operating activities	<u>\$ 2,039,558</u>	<u>\$ 288,359</u>
SUPPLEMENTAL INFORMATION		
Right-of-use asset in exchange for new financing liability	<u>\$ 147,206</u>	<u>\$ -</u>

See notes to financial statements.

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 And 2022

(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 (2019 – 2021) 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, 2023 And 2022

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 7.0%.

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, 2023 and 2022, 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, 2023 and 2022, ALM received and distributed \$4,325,649 and \$2,487,209, 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, 2023 And 2022

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, 2022, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Topic 842 requires an organization to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ALM implemented the provisions of ASU 2016-02 as of July 1, 2022 by applying the modified retrospective transition approach for leases existing as of the beginning of the period of adoption. As such, ALM has not adjusted the statement of financial position for comparative periods; and, this ASU did not result in a cumulative effect adjustment to the opening balance of net assets. ALM has elected to apply the package of practical expedients within ASU 2016-02 such that ALM did not reassess: (1) if expired or existing contracts are, or contain, leases; (2) lease classification for any expired or existing leases; and (3) initial direct costs for any existing leases.

ALM has elected, as a practical expedient, not to separate non-lease components from lease components, and instead account for each separate component as a single lease component for all lease arrangements, as lessee. In addition, ALM has elected, as a practical expedient, not to apply lease recognition requirements to short-term lease arrangements, generally those with a lease term of less than 12-months, for all classes of underlying assets. Refer to Note 5 for additional details.

RECLASSIFICATIONS

Certain reclassifications were made to the 2022 financial statements to conform to the 2023 presentation.

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2023 And 2022

(2) FURNITURE AND EQUIPMENT

Building and equipment at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Furniture and improvements	\$ 60,866	\$ 60,866
Equipment	<u>454,693</u>	<u>433,614</u>
	515,559	494,480
Less accumulated depreciation	<u>(466,660)</u>	<u>(435,860)</u>
	<u>\$ 48,899</u>	<u>\$ 58,620</u>

(3) GRANT RECEIVABLE

Grant receivable is due as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Due in fiscal year 2024	\$ 119,839	\$ 52,445
Due in fiscal year 2025	<u>52,445</u>	<u>52,445</u>
Total grant receivable	<u>\$ 172,284</u>	<u>\$ 104,890</u>

(4) INVESTMENTS

Cost and market values at June 30, 2023 and 2022 are summarized as follows:

<u>Net Assets</u>	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Without donor restrictions	<u>\$ 7,802,497</u>	<u>\$ 8,085,564</u>	<u>\$ 5,372,040</u>	<u>\$ 5,311,186</u>
With donor restrictions				
Segregated Gift Annuity Agreements	282,825	269,872	300,852	283,082
Accumulated Endowment Income	416,474	416,474	339,211	339,211
Investment in Perpetuity	<u>245,914</u>	<u>245,914</u>	<u>245,914</u>	<u>245,914</u>
Total	<u>\$ 8,747,710</u>	<u>\$ 9,017,824</u>	<u>\$ 6,258,017</u>	<u>\$ 6,179,393</u>

The components of marketable securities at June 30, 2023 and 2022 are:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 897,601	\$ 897,601	\$ 157,304	\$ 157,304
U.S. Government bonds	4,082,404	4,028,274	1,942,458	1,890,656
Corporate and municipal bonds	666,941	613,633	601,238	545,762
Common and preferred stocks	1,511,253	1,864,518	1,548,549	1,620,138
Mutual funds	<u>1,589,511</u>	<u>1,613,798</u>	<u>2,008,468</u>	<u>1,965,533</u>
	<u>\$ 8,747,710</u>	<u>\$ 9,017,824</u>	<u>\$ 6,258,017</u>	<u>\$ 6,179,393</u>

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2023 And 2022

At June 30, 2023 and 2022, the portfolio of marketable securities had unrealized gains/(losses) of \$270,114 and \$(78,624), respectively.

Investment income in the statement of activities and changes in net assets is shown net of \$49,403 and \$52,540 of investment management fees for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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>2023</u>	<u>2022</u>
Interest and dividends (net of management fees of \$8,045 and \$8,879)	\$11,857	\$ 16,405
Net realized and unrealized gains	<u>65,406</u>	<u>(128,200)</u>
Investment return in excess of amounts designated for current operations	<u>\$77,263</u>	<u>\$(111,795)</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, 2023 And 2022

The summary of inputs used to value ALM's investments as of June 30, 2023 and 2022 is as follows:

	2023			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 897,601	\$ 897,601	\$ -	\$ -
U.S. Government bonds	4,028,274	-	4,028,274	-
Corporate and municipal bonds	613,633	-	613,633	-
Common and preferred stocks	1,864,518	1,864,518	-	-
Mutual funds	<u>1,613,798</u>	<u>1,613,798</u>	-	-
Total	<u>\$9,017,824</u>	<u>\$4,375,917</u>	<u>\$4,641,907</u>	<u>\$ -</u>
Beneficial interest in trust	<u>\$6,922,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,922,222</u>

	2022			
	Total	Level 1	Level 2	Level 3
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>

The changes in the financial instruments as of June 30, 2023 and 2022 for which ALM used level 3 inputs to determine fair value are as follows:

	2023	2022
Balance, beginning of year	\$ 6,536,172	\$ 7,665,613
Unrealized gains – change in valuation	<u>386,050</u>	<u>(1,129,441)</u>
Balance, end of year	<u>\$6,922,222</u>	<u>\$ 6,536,172</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.

(5) LEASES

ALM leases office space in Greenville, South Carolina under a lease agreement with an initial term greater than 12 months. ALM determines whether an agreement is or contains a lease at lease inception. Right-of-use assets represent ALM's right to use an underlying asset for the lease term and lease liabilities represent ALM's obligation to make lease payments arising from the lease, measured at an amount equal to the present value of the minimum lease payments over the remaining expected term of the lease. Amortization expense and interest expense related to ALM's finance leases are included in occupancy and office expense on the statement of functional expenses.

In determination of the lease term, ALM considers the likelihood of lease renewal options and lease termination provisions.

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2023 And 2022

The discount rate for a lease is derived from the rate implicit in the lease whenever readily determinable or ALM's incremental borrowing rate.

The following quantitative data related to ALM's operating leases for the year ended June 30, 2023 is as follows:

Operating Lease Amounts:

Right-of-use asset	\$ 49,614
Lease liability	50,069

Other Information:

Operating outgoing cash flows for operating leases	\$ 99,234
Weighted-average remaining lease term	0.50 year
Weighted average discount rate	2.21%

Lease cost information for the year ended June 30, 2023 is as follows:

Operating lease cost	<u>\$ 99,689</u>
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Future lease payments at June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Rent</u> <u>Commitments</u>
2024	\$ 50,299
Total minimum future rentals	50,299
Less: present value adjustment	<u>(230)</u>
Lease liability	<u>\$ 50,069</u>

Subsequent to June 30, 2023, ALM signed an amendment to its lease for office space extending the lease through December 31, 2026.

(6) NET ASSETS

Net assets with donor restrictions are available for the following purposes as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a special purpose or time:		
Time restricted – use in future periods	\$ 104,890	\$ 104,890
Life Income Agreements	166,242	160,205
Accumulated Endowment Income	<u>416,474</u>	<u>339,211</u>
	<u>687,606</u>	<u>604,306</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>6,922,222</u>	<u>6,536,172</u>
	<u>7,168,136</u>	<u>6,782,086</u>
	<u>\$7,855,742</u>	<u>\$7,386,392</u>

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2023 And 2022

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.

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, 2023 and 2022.

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2023 And 2022

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, 2023 and 2022, no donor restricted endowment funds have fallen below the required level.

Endowment net asset composition by type of fund as of June 30, 2023 and 2022:

	<u>June 30, 2023</u> <u>With Donor</u> <u>Restrictions</u>
Donor-restricted endowment funds	<u>\$ 662,388</u>

	<u>June 30, 2022</u> <u>With Donor</u> <u>Restrictions</u>
Donor-restricted endowment funds	<u>\$ 585,125</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, 2023</u> <u>With Donor</u> <u>Restrictions</u>
Endowment net assets, beginning of year	\$ 585,125
Investment return <i>(See Note 3)</i>	<u>77,263</u>
	<u>\$ 662,388</u>

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

(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 \$195,000 and \$209,000 for the years ended June 30, 2023 and 2022, respectively.

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2023 And 2022

(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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial Assets		
Cash and cash equivalents	\$ 336,558	\$ 879,997
Investments	9,017,824	6,179,393
Grants and other receivables	<u>119,839</u>	<u>71,859</u>
Total financial assets	9,474,221	7,131,249
Less:		
Donor-restricted endowment	(662,388)	(585,125)
Net assets with donor restrictions	<u>(166,242)</u>	<u>(160,205)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,645,591</u>	<u>\$ 6,385,919</u>

(9) GRANTS

During the years ended June 30, 2023 and 2022, ALM awarded grants for projects affected by leprosy and related diseases, as follows:

	<u>2023</u>	<u>2022</u>
Benin	\$ 25,962	\$ 3,791
Cameroon	85,725	79,491
Cote D'Ivoire	73,513	80,136
DR – Congo	76,300	134,537
Ghana	276,637	150,005
India	341,517	225,483
Liberia	207,223	154,626
Mozambique	500	47,031
Myanmar	-	5,625
Nepal	808,978	193,703
Nigeria	65,000	26,250
Philippines	-	25,000
Senegal	17,317	23,721
Sierra Leone	50,038	-
Tanzania	-	23,616
Vaccine Research	59	250,889
Other Research	485,545	144,798
Gifts-in-Kind	4,403,139	2,518,835
Training and Other	<u>567,726</u>	<u>444,538</u>
	<u>\$ 7,485,179</u>	<u>\$ 4,532,075</u>

AMERICAN LEPROSY MISSIONS, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2023 And 2022

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, October 25, 2023, have been evaluated in the preparation of the financial statements.