

AMERICAN BRAIN FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**AMERICAN BRAIN FOUNDATION
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
American Brain Foundation
Minneapolis, Minnesota

We have audited the accompanying financial statements of the American Brain Foundation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 entity'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 entity'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.

Board of Directors
American Brain Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Brain Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 13, 2020

**AMERICAN BRAIN FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,487,899	\$ 2,181,474
Grants and Gifts Receivable	1,007,988	497,549
Accounts Receivable	84,615	95,687
Other Assets	41,596	21,828
Total Current Assets	3,622,098	2,796,538
EQUIPMENT, NET	90,070	136,186
OTHER LONG-TERM ASSETS		
Funds Held with Others	8,173,408	6,911,291
Grants and Gifts Receivable, Net of Current Portion	1,319,348	1,458,128
Total Other Long-Term Assets	9,492,756	8,369,419
Total Assets	\$ 13,204,924	\$ 11,302,143
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 66,628	\$ 80,079
Grants Payable	1,215,930	723,332
Related Party Payable	94,671	98,373
Total Current Liabilities	1,377,229	901,784
LONG-TERM LIABILITIES		
Grants Payable, Net of Current Portion	261,965	125,858
Refundable Advances	6,450	1,592
Total Long-Term Liabilities	268,415	127,450
Total Liabilities	1,645,644	1,029,234
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,937,981	3,193,102
With Donor Restrictions	7,621,299	7,079,807
Total Net Assets	11,559,280	10,272,909
Total Liabilities and Net Assets	\$ 13,204,924	\$ 11,302,143

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Gifts	\$ 2,573,489	\$ 2,128,566	\$ 4,702,055
In-Kind Contributions	390,459	-	390,459
Investment Income	38,287	585,916	624,203
Other Revenue	1,522	-	1,522
Net Assets Released from Restrictions	2,172,990	(2,172,990)	-
Total Support and Revenue	5,176,747	541,492	5,718,239
 EXPENSE			
Program Expenses	3,727,972	-	3,727,972
Support Services:			
Development	714,663	-	714,663
General and Administrative	665,764	-	665,764
Total Support Services	1,380,427	-	1,380,427
Total Expense	5,108,399	-	5,108,399
 TOTAL CHANGES IN NET ASSETS BEFORE NONOPERATING INVESTMENT INCOME	68,348	541,492	609,840
Nonoperating Investment Income	676,531	-	676,531
TOTAL CHANGE IN NET ASSETS	744,879	541,492	1,286,371
Net Assets - Beginning of Year	3,193,102	7,079,807	10,272,909
NET ASSETS - END OF YEAR	\$ 3,937,981	\$ 7,621,299	\$ 11,559,280

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and Gifts	\$ 1,312,089	\$ 1,834,174	\$ 3,146,263
In-Kind Contributions	985,939	-	985,939
Investment Income (Loss)	23,552	(260,930)	(237,378)
Other Revenue	1,156	-	1,156
Net Assets Released from Restrictions	<u>2,494,725</u>	<u>(2,494,725)</u>	<u>-</u>
Total Support and Revenue	4,817,461	(921,481)	3,895,980
 EXPENSE			
Program Expenses	3,229,973	-	3,229,973
Support Services:			
Development	1,019,360	-	1,019,360
General and Administrative	<u>483,181</u>	<u>-</u>	<u>483,181</u>
Total Support Services	<u>1,502,541</u>	<u>-</u>	<u>1,502,541</u>
 Total Expense	<u>4,732,514</u>	<u>-</u>	<u>4,732,514</u>
 TOTAL CHANGES IN NET ASSETS BEFORE NONOPERATING INVESTMENT INCOME	84,947	(921,481)	(836,534)
Nonoperating Investment Income (Loss)	<u>(332,209)</u>	<u>-</u>	<u>(332,209)</u>
 TOTAL CHANGE IN NET ASSETS	(247,262)	(921,481)	(1,168,743)
Net Assets - Beginning of Year	<u>3,440,364</u>	<u>8,001,288</u>	<u>11,441,652</u>
 NET ASSETS - END OF YEAR	<u><u>\$ 3,193,102</u></u>	<u><u>\$ 7,079,807</u></u>	<u><u>\$ 10,272,909</u></u>

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	2019						
	Program			Total Program	Development	General and Administrative	Total
	Research Grants	Research Awards	Public Awareness				
Salaries and Benefits	\$ 107,900	\$ 10,726	\$ 351,586	\$ 470,212	\$ 120,990	\$ 263,740	\$ 854,942
General Office	1,505	614	12,758	14,877	69,572	29,694	114,143
Software and Maintenance	11,877	-	-	11,877	38,208	138,148	188,233
Professional Fees	8,344	1,610	114,102	124,056	99,313	70,299	293,668
Management and Service Fees	39,457	4,031	138,352	181,840	45,847	101,313	329,000
Meeting and Travel	9,059	7,335	93,390	109,784	73,471	62,570	245,825
Grants and Awards	2,362,206	283,806	-	2,646,012	-	-	2,646,012
Depreciation	-	-	46,116	46,116	-	-	46,116
Other Expenses	-	-	-	-	-	-	-
Subtotal	<u>2,540,348</u>	<u>308,122</u>	<u>756,304</u>	<u>3,604,774</u>	<u>447,401</u>	<u>665,764</u>	<u>4,717,939</u>
In-Kind:							
Professional Fees	49,365	-	73,833	123,198	265,233	-	388,431
Grants and Awards	-	-	-	-	2,029	-	2,029
Subtotal	<u>49,365</u>	<u>-</u>	<u>73,833</u>	<u>123,198</u>	<u>267,262</u>	<u>-</u>	<u>390,460</u>
Total Expenses	<u>\$ 2,589,713</u>	<u>\$ 308,122</u>	<u>\$ 830,137</u>	<u>\$ 3,727,972</u>	<u>\$ 714,663</u>	<u>\$ 665,764</u>	<u>\$ 5,108,399</u>

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	2018						
	Program			Total Program	Development	General and Administrative	Total
	Research Grants	Research Awards	Public Awareness				
Salaries and Benefits	\$ 125,202	\$ 6,406	\$ 454,225	\$ 585,833	\$ 74,169	\$ 216,989	\$ 876,991
General Office	108	236	5,109	5,453	50,829	25,352	81,634
Software and Maintenance	-	-	9,553	9,553	53,671	60,504	123,728
Professional Fees	14,226	1,211	164,688	180,125	26,523	50,596	257,244
Management and Service Fees	47,873	2,575	173,778	224,226	26,835	88,499	339,560
Meeting and Travel	2,074	2,892	97,629	102,595	53,551	41,241	197,387
Grants and Awards	1,600,001	194,389	5,080	1,799,470	-	-	1,799,470
Depreciation	-	-	46,115	46,115	-	-	46,115
Other Expenses	-	-	-	-	24,446	-	24,446
Subtotal	<u>1,789,484</u>	<u>207,709</u>	<u>956,177</u>	<u>2,953,370</u>	<u>310,024</u>	<u>483,181</u>	<u>3,746,575</u>
In-Kind:							
General Office	-	-	263,770	263,770	697,286	-	961,056
Professional Fees	-	-	12,833	12,833	10,601	-	23,434
Grants and Awards	-	-	-	-	1,449	-	1,449
Subtotal	<u>-</u>	<u>-</u>	<u>276,603</u>	<u>276,603</u>	<u>709,336</u>	<u>-</u>	<u>985,939</u>
Total Expenses	<u>\$ 1,789,484</u>	<u>\$ 207,709</u>	<u>\$ 1,232,780</u>	<u>\$ 3,229,973</u>	<u>\$ 1,019,360</u>	<u>\$ 483,181</u>	<u>\$ 4,732,514</u>

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,286,371	\$ (1,168,743)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	46,116	46,115
Contributions to be Held in Perpetuity	(340,366)	(421,372)
Changes in Funds Held With Others	(1,262,117)	593,139
(Increase) Decrease in Current Assets:		
Grants and Gifts Receivable	(371,659)	(10,796)
Accounts Receivable	11,072	(94,155)
Other Assets	(19,768)	83,143
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(17,153)	50,611
Grants Payable	628,705	252,365
Refundable Advances	4,858	(215,950)
Net Cash Used by Operating Activities	(33,941)	(885,643)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to be Held in Perpetuity	340,366	421,372
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	306,425	(464,271)
Cash and Cash Equivalents - Beginning of Year	2,181,474	2,645,745
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,487,899	\$ 2,181,474

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The American Brain Foundation (ABF) is a nonprofit corporation established to support vital research into finding cures for brain disease, and is committed to improving patient care, quality of life, and public understanding of brain disease. Its vision is to cure brain disease.

Financial Statement Presentation

Net assets, support, revenue, expenses, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of ABF and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in supporting the mission of ABF.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ABF or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

ABF considers all highly liquid investments with an initial maturity of 12 months or less to be cash and cash equivalents. ABF maintains cash in bank accounts which, at times, may exceed federally insured limits. ABF has not experienced any losses in such accounts.

Receivables

Accounts, grants, and gifts receivables are stated at net realizable value. Accordingly, ABF accounts for uncollectible accounts by the reserve method, which is based on management's judgment considering historical information. Payment is required 30 days after receipt of the invoice. Individual accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted, the receivable is written off against the reserve. ABF had no allowance recorded at December 31, 2019 and 2018.

Equipment

Equipment is recorded at original cost. Additions, improvements, or major renewals at or over \$1,000 are capitalized. Any gains or losses on property and equipment retirement are included in the current year operations.

Depreciation is computed using the straight-line method at rates based on estimated service lives and is computed using the straight-line method over a three-year service life.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held With Others

Funds held with others are made up of reserved investments held at the American Academy of Neurology Institute (Academy) for purposes of earning long-term investment income. These funds are pooled with the investments at the American Academy of Neurology Institute. ABF has two board members that serve on a joint investment committee that oversees and monitors the investment pool. ABF has the ability to liquidate their investments at any time subject to the redemption restrictions on the individual investments. These investments in marketable securities are recorded at fair value and consist primarily of equity funds and corporate bond funds. Investments in certificates of deposit are recorded at cost. In addition, the investments include two limited partnerships that are diversified funds of hedge funds, reported at the estimated fair value of ABF's share of the fund, calculated daily or monthly by the custodian. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility.

Grants Payable

Grants payable consist of awards and grants approved for various research projects and fellowships. Grants payable are recorded at the signing of the contract with both the researcher and the institution. Long-term grants payable are discounted based on the year to be paid.

Grants and Gifts

Grants and contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions are recognized at fair value when the donor makes a promise to give to ABF that is, in substance, unconditional. Conditional promises to give—that is, those with a measureable performance or other barrier and a right of return—are recorded when the conditions upon which they depend have been met. Until that time, they are reported on the statement of financial position as a refundable advance.

Consequently, at December 31, 2019, conditional contributions approximating \$1.9 million, have not been recognized in the accompanying statement of activities. Of the total conditional contributions, all amounts represent agreements that are conditioned upon the selection of a grant recipient in conjunction with a research committee and the grantor themselves.

Fair Value Measurement

ABF categorizes its investments measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Investments valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, ABF may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Donated Goods and Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by American Brain Foundation. Donated goods are valued at market value on the date of donation. There were donated goods valued at \$390,459 and \$985,939, respectively, for the years ended December 31, 2019 and 2018.

Allocation of Expenses

ABF's costs of providing its various services have been classified on a program basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support services benefited. Expenses are charged directly to programs and support services where possible. Remaining expenses are allocated based on actual time spent on programs and support services.

Income Taxes

ABF is organized and operates on a nonprofit basis and its tax-exempt status has been recognized by the Internal Revenue Service under Section 501(c)(3). ABF is classified as an organization which is not private foundations under the Internal Revenue Code (IRC) and charitable contributions by donors are tax deductible. ABF is subject to unrelated business income taxes under the IRC for federal and state tax purposes.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

ABF follows the provisions of Financial Accounting Standards Board (FASB) ASC 740-10-25, which requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. ABF does not believe its financial statements include any uncertain tax positions. ABF’s tax returns are subject to review and examination by federal authorities.

Other Concentrations

ABF also has a potential credit risk in contributions receivable since the balance is due from a limited number of individuals and corporate contributions.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. These financial statements reflect the application of ASC 606 guidance beginning January 1, 2019. The adoption of ASU 2014-09 was applied on the modified retrospective method and did not impact the Organization’s reported revenue.

Additionally, in June 2018 the FASB issued Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. These financial statements reflect the adoption of ASU 2018-08 beginning January 1, 2019 as allowed by the standard. The implementation of this standard had no impact on net assets as previously reported.

Subsequent Events

In preparing these financial statements, ABF has evaluated events and transactions for potential recognition or disclosure through April 13, 2020, the date the financial statements were available to be issued.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 AVAILABILITY AND LIQUIDITY

As part of ABF's liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. ABF's investment policy establishes a target of holding 40% of the subsequent year's budget in liquid investments. Holding liquid investments in excess of the target is at the discretion of the board of directors and excess balances may be moved to long-term investments. As of December 31 liquid investments held by ABF were as follows:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 2,487,899	\$ 2,181,474
Succeeding Year's Budget	4,846,924	5,097,276
Liquid Investments Reserve Percentage	40%	40%
Required Reserve	<u>1,938,770</u>	<u>2,038,910</u>
Excess Reserve	<u>\$ 549,129</u>	<u>\$ 142,564</u>

ABF's Operating Reserve Policy establishes a reserve equal to 75% of average of the last two years actual expenses and succeeding years operating budget excluding any grants with donor restrictions and noncash items. The reserve is reported annually to the board of directors. ABF's December 31, 2019 and 2018 reserves were \$3,937,982 and \$3,192,862 respectively. The reserve requirements were \$3,671,959 and \$1,900,782 indicating that ABF exceeded the policy requirements in 2019 and 2018.

ABF held the following financial assets that are available within one year for general expenditures as follows:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 204,983	\$ 443,488
Accounts Receivable (to be Received within 12 Months)	754,904	593,236
Short-Term Investments (CDs)	2,282,916	1,737,986
Funds Held by Others (Available within 12 Months)	5,681,859	4,760,108
Donor Restricted Dollars	<u>(3,749,160)</u>	<u>(3,480,382)</u>
Total Financial Assets	<u>\$ 5,175,502</u>	<u>\$ 4,054,436</u>

NOTE 3 GIFTS AND GRANTS RECEIVABLE

Grants and gifts receivable at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Less than One Year	\$ 1,007,988	\$ 497,549
One to Five Years	<u>1,388,793</u>	<u>1,558,625</u>
Total	2,396,781	2,056,174
Less: Discount to Present Value	<u>(69,445)</u>	<u>(100,497)</u>
Net Contributions Receivable	<u>\$ 2,327,336</u>	<u>\$ 1,955,677</u>

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 GIFTS AND GRANTS RECEIVABLE (CONTINUED)

Amounts are presented in the statements of financial position as follows at December 31:

	<u>2019</u>	<u>2018</u>
Current	\$ 1,007,988	\$ 497,549
Long Term	1,319,348	1,458,128
Total	<u>\$ 2,327,336</u>	<u>\$ 1,955,677</u>

Contributions expected to be received beyond one year are reflected at the present value of future cash flows at the date of donation using a discount rate of approximately 1% to 3%.

NOTE 4 EQUIPMENT

Equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 223,770	\$ 223,770
Less: Accumulated Depreciation	(133,700)	(87,584)
Net Equipment	<u>\$ 90,070</u>	<u>\$ 136,186</u>

NOTE 5 FUNDS HELD WITH OTHERS

The investments of ABF are pooled with reserve investments at the American Academy of Neurology Institute and are recorded as funds held with others on the statement of financial position. ABF does not own specific underlying investments within the investment pool. The custodian has allocated investments based on percentage held by ABF as follows at December 31:

	<u>2019</u>	<u>2018</u>
Reserves:		
Corporate Bond Funds	\$ 2,395,216	\$ 2,197,778
Equity Funds - Foreign	1,627,880	1,334,147
Equity Funds - Mid-Cap	815,643	669,888
Equity Funds - Large Blend	2,728,771	2,199,102
Funds of Hedge Funds	605,898	510,376
Total Investments	<u>\$ 8,173,408</u>	<u>\$ 6,911,291</u>

Investments in the corporate bond funds, money market mutual funds, equity securities, and equity funds are recorded at fair market value. The funds of hedge funds are recorded at the estimated fair value of ABF's share of the fund, calculated monthly by the custodian.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 FUNDS HELD WITH OTHERS (CONTINUED)

ABF's share of the investment income on the funds held with others, which includes earnings on the sweep and demand deposit accounts, consists of the following at December 31:

	2019	2018
Interest and Dividends	\$ 250,125	\$ 282,047
Unrealized Gain on Investments	1,050,609	(851,634)
Total Investment Income	\$ 1,300,734	\$ (569,587)

The realized and unrealized gains and losses are included in investment income (loss) on the statements of activities. ABF maintains long-term reserve investments through long-term investment holdings. These investments are separated from ABF's general checking and savings accounts. All investment returns on long-term reserve investments are considered nonoperating.

NOTE 6 FAIR VALUE MEASUREMENTS

ABF uses fair value measurements to record fair value adjustments to certain investments and to determine fair value disclosures. For additional information on how ABF measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

In determining the appropriate levels, ABF performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following tables present the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31:

	2019			Fair Value
	Level 1	Level 2	Level 3	
Funds Held With Others:				
Investment Pool Held with Others	\$ -	\$ 8,173,408	\$ -	\$ 8,173,408
Total Fair Value	\$ -	\$ 8,173,408	\$ -	\$ 8,173,408
	2018			
	Level 1	Level 2	Level 3	Fair Value
Funds Held With Others:				
Investment Pool Held with Others	\$ -	\$ 6,911,291	\$ -	\$ 6,911,291
Total Fair Value	\$ -	\$ 6,911,291	\$ -	\$ 6,911,291

**AMERICAN BRAIN FOUNDATION
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NOTE 7 GRANTS PAYABLE

Grants payable include the following at December 31:

	<u>2019</u>	<u>2018</u>
Current Portion of Grants Payable	\$ 1,215,930	\$ 723,332
Long-Term Portion of Grants Payable	261,965	125,858
Net Grants Payable	<u>\$ 1,477,895</u>	<u>\$ 849,190</u>
Amounts Due:		
One Year or Less	\$ 1,215,930	\$ 723,332
One to Five Years	269,168	130,832
Discount to Present Value	(7,203)	(4,974)
Net Grants Payable	<u>\$ 1,477,895</u>	<u>\$ 849,190</u>

Grants expected to be paid beyond one year are reflected at the present value of future cash flows using a discount rate of approximately 1% to 3%.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

ABF net assets that are restricted by donors until actions of ABF or the passage of time as of December 31:

	<u>2019</u>	<u>2018</u>
Education, Research, and Award Funds	\$ 4,903,654	\$ 4,693,027
Operational Support	38,963	48,463
Annual Meeting and Public Awareness Programs	187,133	187,134
Total	<u>\$ 5,129,750</u>	<u>\$ 4,928,624</u>

ABF net assets that the donor has stipulated the funds be maintained in perpetuity as of December 31:

	<u>2019</u>	<u>2018</u>
Research Endowments:		
General Research	\$ 490,148	\$ 386,648
Alzheimer's/Dementia	60,000	60,000
Epilepsy	120,970	120,970
Multiple Sclerosis	384,269	384,269
Subtotal	<u>1,055,387</u>	<u>951,887</u>
Awards	1,436,162	1,199,296
Total	<u>\$ 2,491,549</u>	<u>\$ 2,151,183</u>

Net assets restricted by donors due to time or purpose, in addition with perpetual restrictions, totaled \$7,621,299 and \$7,079,807 as of December 31, 2019 and 2018, respectively.

**AMERICAN BRAIN FOUNDATION
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NOTE 9 DONOR-RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by ABF incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows at December 31:

	2019	2018
Education, Research, and Award Funds	\$ 2,072,657	\$ 1,918,826
Operational Support	100,333	575,899
Total	\$ 2,172,990	\$ 2,494,725

NOTE 10 ENDOWMENT

ABF's donor-restricted endowment consists of 28 individual funds established to support research and awards and, as required by accounting principles generally accepted in the United States of America, net assets associated with those endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of ABF has determined the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ABF classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

ABF considers the following factors when making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of ABF 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 ABF
7. The investment policies of ABF

ABF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 8% over the long-term.

**AMERICAN BRAIN FOUNDATION
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NOTE 10 ENDOWMENT (CONTINUED)

Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, ABF 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). ABF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints.

ABF has a policy of appropriating for distribution each year 5% of its endowment fund's moving average fair value over the prior 12 months through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, ABF considered the long-term expected return on its endowment. Accordingly, over the long-term, ABF expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation.

This is consistent with ABF's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specific term as well as to provide additional real growth through new gifts and investment return. 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 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires ABF to retain as a fund of perpetual duration. Funds with such deficiencies were included in net assets with donor restrictions. These deficiencies, which ABF believes are temporary, resulted from unfavorable market conditions. The board of directors determined that continued appropriations was prudent. There no funds that fall below the level that the donor requires as of December 31, 2019. Two such deficiencies existed as of December 31, 2018, as detailed below.

	With Donor Restrictions		2018
	Purpose	Perpetual	Total
Raymond Adams Endowment Fund for Clinical Research	\$ (24,166)	\$ 337,348	\$ 313,182
Alliance Award Endowment	(220)	26,021	25,801
Total	<u>\$ (24,386)</u>	<u>\$ 363,369</u>	<u>\$ 338,983</u>

**AMERICAN BRAIN FOUNDATION
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NOTE 10 ENDOWMENT (CONTINUED)

Changes in endowment net assets for the fiscal years ended December 31 consisted of the following:

	With Donor Restrictions		Total
	Purpose	Perpetual	
Balance - December 31, 2017	\$ 1,134,264	\$ 1,729,811	\$ 2,864,075
Investment Income (Loss)	(247,129)	-	(247,129)
Contributions	-	421,372	421,372
Changes in Donor Restrictions	-	-	-
Appropriation of Endowment Funds	(70,748)	-	(70,748)
Balance - December 31, 2018	816,387	2,151,183	2,967,570
Investment Income	557,165	-	557,165
Contributions	-	340,366	340,366
Appropriation of Endowment Funds	(81,076)	-	(81,076)
Balance - December 31, 2019	<u>\$ 1,292,476</u>	<u>\$ 2,491,549</u>	<u>\$ 3,784,025</u>

NOTE 11 RELATED PARTY TRANSACTIONS

All employees are employed by the American Academy of Neurology and then leased to ABF. ABF pays all direct costs relating to employees and pays a management fee for services which include: marketing, information systems, legal, management oversight, and program activities. The total amount of services received from the Academy for the years ended December 31, 2019 and 2018 was as follows:

	2019	2018
Services Provided	\$ 329,000	\$ 339,560
Leased Employees	855,000	877,000
Account Payable	98,680	98,373

ABF in 2019 and 2018 received a \$750,000 grant, from the Academy in support of their operations.

ABF in 2019 and 2018 awarded grants to the Academy of \$2,225,000 and \$1,375,000, respectively, to support clinical research training scholarships. ABF also provided support to the Academy for various awards in 2019 and 2018 totaling \$176,500 and \$182,000, respectively. As of December 31, 2019 and 2018, ABF had a payable to the Academy of \$1,352,087 and \$727,500, respectively, related to these grants.

**AMERICAN BRAIN FOUNDATION
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NOTE 12 SUBSEQUENT EVENTS

During the period from January 1, 2020, through April 13, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements as of and for the year ended December 31, 2019.

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Foundation, COVID-19 may impact various parts of its 2020 operations and financial results including events and fundraising activities. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.