



**American Brain Foundation
Finance Committee Meeting
April 27, 2021
9:00 a.m. CT
Video Conference Call**

In attendance: James Essey, Chair; Martin Shenkman, CPA; Ben Lenail, David Dodick, MD

Excused: James Erwin, James Stevens, MD

Staff: Jane Ransom, ED; Kevin Myren, CFO; Lindsey Taveren; Kim Howard, Jessica Chase

Jim Essey, Chair, called the meeting to order at 9:02 a.m. CT.

The minutes of the February 9, 2021 meeting were approved unanimously.

2020 Audit Report (Lindsey Taveren, Sr. Accountant)

Ms. Taveren provided a summary report on the full audit presentation that was reviewed by the Joint Audit Committee on April 13, 2021. Highlights:

- There were no changes in scope and no new standards were adopted.
- The unaudited 2020 financials presented to the Board in February were identical to those in the Audit statement—i.e., no adjustment were made.
- There were no difficulties, disagreement, or adjustments.

The auditors had conversations with AAN IT Dept recommending a review of best practices for Information Technology due to remote work and no problems were identified. The ABF received an unmodified opinion which is the highest opinion possible on an audit. The Joint Audit Committee accepted the audit as presented.

The 2020 IRS 990 is drafted and under review by our external legal counsel, the draft will be reviewed in June by the Joint Audit Committee. Finance Committee provided some feedback on the draft, and the final version will be shared with the Board at their October 30, 2021 meeting. We have filed for an extension, so the due date is November 15, 2021. This has been delayed for strategic reasons related to the functional expense ratio which was not as ideal in 2020 as it will be in 2021. We plan to file the 2021 IRS 990 early so there is less time that the 2020 results are available. These results can positively or negatively affect our ratings with Charity Navigator, Guidestar, and others. Charity Navigator uses a three-year average.

Financial Statements ending March 31, 2020 (Lindsey Taveren)

The committee reviewed the financial statements, with these highlights presented:

Statement of Operations

Operating Revenue - \$3M

- \$3.5M was achieved in the first quarter, which exceeded the YTD goal by 48%. This is also 55% of the total 2021 fundraising goal.
- On the release from restrictions line in the GAAP adjustment section there is a negative variance of \$180K due to timing of pending grants from the MS Society and the American Heart Association.

- Total operating funds raised is \$2.9M

Mr. Essey pointed out that ABF is receiving \$250K less support this year from AAN, and that we are still doing well despite that decrease.

Operating Expenses – \$2.1M

- Natural expenses are under budget by 8% that include the following variances:
 - Salaries & benefits is over by \$25K due to staff elections that are larger than originally budgeted for. This will be adjusted on the mid-year forecast in July.
 - Professional services are under by \$105K due to delays in billing, primarily related to Commitment to Cures.
 - Grants & Awards are under by \$76K, that is tied to the timing issue with the American Heart Association.
 - Management fee is under by \$30K, due to the ABF reducing the amount of leased space at the AAN, this will result in a total savings of \$121K in 2021.

Net Operating Increase - \$884K, 9% ahead of budget driven by timing of expenses.

Long Term Investments - \$407K, in contrast to March 2020, negative \$1.1M.

- Kevin Myren clarified that long-term investments includes interest, dividends, the realized gains/losses and the unrealized gains/losses and they are put below the line because they are not part of the operating results.

Statement of Financial Position

Two changes have been made on the balance sheet that include adding more breakouts to make it more clear on how the investments are being handled:

- Under Current Assets we added a short-term investment breakout that used to be combined with cash and cash equivalents so you can really see the short-term investment balance verses what we are using for daily operations.
- Under Long Term Assets we have split long-term investments into two rows, investment reserves that includes prior year surpluses and investment endowments that include restricted endowments that are permanently invested and interest earnings.

Total Assets - \$19.3M

\$2.95M cash and short-term investments

\$6.7M in grants receivable

\$9.6M in long-term investments

Liabilities - \$2.8M - 96% is in grants payable.

Net Assets - \$16.5M - 62% of net assets are restricted by donors.

There was some discussion about the large \$5M variance in net assets. Ms. Taveren confirmed that \$1.5M of the variance in assets with donor restrictions comes from the Michael J Fox Foundation grant and \$400K represents donations to the new Peter Goadsby Headache Research Fund, in addition to a few smaller restricted donations. Jim Essey has requested a breakdown of the \$5M dollar variance in total net assets and Lindsey will provide that to the committee.

Business Plan Update (Jane Ransom)

Mr. Essey introduced the updated business plan project and said it was a good exercise due to many changes that have taken place. After reviewing and revising the assumptions in the business plan and updating revenue and expenses accordingly, we found little change over the next three years. At the highest level, the plan still makes sense, despite adjustments to a few components. There is no material change to the overall impact.

Ms. Ransom said it was important to refresh the plan because 2020 was an unusual year. We exceeded our fundraising goals, planned to invest more in marketing, and developed some new ways of working, so wanted to make sure that the assumptions in the original plan were correct. The refreshed plan forecasts better fundraising results and increased research grants to AAN than in the original plan written in 2019. The biggest driver is that, by agreement with AAN, the ABF can now raise money from pharma and medical device companies. The highlights of the refreshed plan compared to the original plan are as follows, you can reference the details in the materials:

- Fundraising Forecast – 12% Overall Increase
 - Restricted Fundraising – 26% higher
 - Unrestricted Fundraising- 15% lower
- Grants & Awards Expense – \$1.3M Increase
 - Total Grants & Awards – 7% higher
 - Grants & Awards going to the AAN – 4% higher
- Operational Expense Savings - \$2.8M Decrease
 - Personnel - \$220K
 - Software - \$229K
 - Occupancy - \$450K
 - Travel - \$1.9M
- Marketing & Advertising - \$2.2M Increase
 - Large investment made in marketing to support the ambitious public awareness goals laid out in the original plan. Hired marketing firm Yakkety-Yak to support that effort.

Mr. Essey reminded everyone that the original plan was very aggressive and we have reaffirmed that we can deliver on it. We are getting the ROI that justifies the unrestricted support we are receiving from AAN.

There was a brief discussion of how we measure success with this major investment in marketing with Yakkety Yak. Ms. Ransom said that ABF receives quarterly and monthly reports from Yakkety Yak reviewing metrics on website visits, social media interaction, and events like C2C. These shared with the Board and reflected on our scorecard.

Dr. Dodick mentioned that over the next few years brain disease will be much more visible than ever before because the World Health Organization for the first time in its history has separated out neurological diseases from mental health. In 2022 there will be global campaigns and initiatives that are going to try to raise awareness of these neurological diseases, so we need to be ready to capitalize and exploit that.

Jim Essey reiterated that it is a massive achievement that ABF has can actually delivered on the business plan numbers that were somewhat aspirational. We now feel confident that we can deliver.

Meeting adjourned at 9:43 a.m. CT