

AMERICAN BRAIN FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



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**AMERICAN BRAIN FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
American Brain Foundation
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of American Brain Foundation (the Foundation) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 American Brain Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Brain Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 American Brain Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 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.

In performing an audit in accordance with GAAS, 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 American Brain Foundation'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 American Brain Foundation'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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 1, 2023

**AMERICAN BRAIN FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,734,630	\$ 2,671,907
Grants and Gifts Receivable	1,905,724	1,679,726
Accounts Receivable	300,813	66,746
Related Party Receivable	3,350	-
Other Assets	55,090	38,631
Total Current Assets	5,999,607	4,457,010
EQUIPMENT, NET	-	12,450
OTHER LONG-TERM ASSETS		
Funds Held with Others	9,473,428	11,230,468
Grants and Gifts Receivable, Net of Current Portion	1,393,062	2,478,300
Total Other Long-Term Assets	10,866,490	13,708,768
Total Assets	\$ 16,866,097	\$ 18,178,228
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 102,261	\$ 32,352
Grants Payable	2,296,249	1,151,508
Related Party Payable	130,690	121,991
Total Current Liabilities	2,529,200	1,305,851
LONG-TERM LIABILITIES		
Grants Payable, Net of Current Portion	1,141,996	341,419
Refundable Advances	5,195	4,250
Total Long-Term Liabilities	1,147,191	345,669
Total Liabilities	3,676,391	1,651,520
NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,905,432	5,880,256
Board-Designated	4,444,671	-
With Donor Restrictions	6,839,603	10,646,452
Total Net Assets	13,189,706	16,526,708
Total Liabilities and Net Assets	\$ 16,866,097	\$ 18,178,228

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Gifts	\$ 2,684,846	\$ 3,239,303	\$ 5,924,149
In-Kind Contributions	595,785	-	595,785
Investment Income (Loss)	31,143	(697,680)	(666,537)
Other Revenue	111,021	-	111,021
Net Assets Released from Restrictions	6,348,472	(6,348,472)	-
Total Support and Revenue	9,771,267	(3,806,849)	5,964,418
 EXPENSE			
Program Expenses	6,924,593	-	6,924,593
Support Services:			
Development	828,411	-	828,411
General and Administrative	699,515	-	699,515
Total Support Services	1,527,926	-	1,527,926
Total Expense	8,452,519	-	8,452,519
 TOTAL CHANGES IN NET ASSETS BEFORE NONOPERATING INVESTMENT INCOME	1,318,748	(3,806,849)	(2,488,101)
Nonoperating Investment Income (Loss)	(848,901)	-	(848,901)
 TOTAL CHANGE IN NET ASSETS	469,847	(3,806,849)	(3,337,002)
Net Assets - Beginning of Year	5,880,256	10,646,452	16,526,708
 NET ASSETS - END OF YEAR	\$ 6,350,103	\$ 6,839,603	\$ 13,189,706

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and Gifts	\$ 2,296,842	\$ 3,766,290	\$ 6,063,132
In-Kind Contributions	473,575	-	473,575
Investment Income	3,481	630,893	634,374
Other Revenue	485	-	485
Net Assets Released from Restrictions	<u>2,531,997</u>	<u>(2,531,997)</u>	<u>-</u>
Total Support and Revenue	<u>5,306,380</u>	<u>1,865,186</u>	<u>7,171,566</u>
 EXPENSE			
Program Expenses	3,429,737	-	3,429,737
Support Services:			
Development	902,316	-	902,316
General and Administrative	<u>702,957</u>	<u>-</u>	<u>702,957</u>
Total Support Services	<u>1,605,273</u>	<u>-</u>	<u>1,605,273</u>
 Total Expense	<u>5,035,010</u>	<u>-</u>	<u>5,035,010</u>
 TOTAL CHANGES IN NET ASSETS BEFORE NONOPERATING INVESTMENT INCOME	 271,370	 1,865,186	 2,136,556
Nonoperating Investment Income	<u>662,840</u>	<u>-</u>	<u>662,840</u>
 TOTAL CHANGE IN NET ASSETS	 934,210	 1,865,186	 2,799,396
Net Assets - Beginning of Year	<u>4,946,046</u>	<u>8,781,266</u>	<u>13,727,312</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 5,880,256</u></u>	 <u><u>\$ 10,646,452</u></u>	 <u><u>\$ 16,526,708</u></u>

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	2022						
	Program						
	Research Grants	Research Awards	Public Awareness	Total Program	Development	General and Administrative	Total
Salaries and Benefits	\$ 149,644	\$ 45,058	\$ 256,621	\$ 451,323	\$ 321,512	\$ 464,709	\$ 1,237,544
General Office	1,111	71	4,708	5,890	94,115	35,093	135,098
Software and Maintenance	9,955	2,578	21,242	33,775	29,860	54,751	118,386
Professional Fees	896	-	480,320	481,216	129,114	50,166	660,496
Management and Service Fees	29,556	8,637	50,341	88,534	61,838	84,495	234,867
Meeting and Travel	3,764	12	78,575	82,351	67,573	10,301	160,225
Grants and Awards	5,105,575	192,094	-	5,297,669	-	-	5,297,669
Depreciation	-	-	12,449	12,449	-	-	12,449
Subtotal	<u>5,300,501</u>	<u>248,450</u>	<u>904,256</u>	<u>6,453,207</u>	<u>704,012</u>	<u>699,515</u>	<u>7,856,734</u>
In-Kind:							
Professional Fees	<u>-</u>	<u>-</u>	<u>471,386</u>	<u>471,386</u>	<u>124,399</u>	<u>-</u>	<u>595,785</u>
Total Expenses	<u>\$ 5,300,501</u>	<u>\$ 248,450</u>	<u>\$ 1,375,642</u>	<u>\$ 6,924,593</u>	<u>\$ 828,411</u>	<u>\$ 699,515</u>	<u>\$ 8,452,519</u>

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	2021						Total
	Research Grants	Program Research Awards	Public Awareness	Total Program	Development	General and Administrative	
Salaries and Benefits	\$ 134,970	\$ 40,776	\$ 237,682	\$ 413,428	\$ 243,417	\$ 423,516	\$ 1,080,361
General Office	897	437	3,500	4,834	77,858	28,302	110,994
Software and Maintenance	12,452	-	-	12,452	37,834	129,039	179,325
Professional Fees	1,674	1,000	501,321	503,995	143,714	46,854	694,563
Management and Service Fees	28,763	4,764	45,346	78,873	44,589	71,652	195,114
Meeting and Travel	135	-	4,363	4,498	9,604	3,594	17,696
Grants and Awards	2,069,813	176,220	-	2,246,033	-	-	2,246,033
Depreciation	-	-	37,349	37,349	-	-	37,349
Subtotal	<u>2,248,704</u>	<u>223,197</u>	<u>829,561</u>	<u>3,301,462</u>	<u>557,016</u>	<u>702,957</u>	<u>4,561,435</u>
In-Kind:							
Professional Fees	<u>-</u>	<u>-</u>	<u>128,275</u>	<u>128,275</u>	<u>345,300</u>	<u>-</u>	<u>473,575</u>
Total Expenses	<u>\$ 2,248,704</u>	<u>\$ 223,197</u>	<u>\$ 957,836</u>	<u>\$ 3,429,737</u>	<u>\$ 902,316</u>	<u>\$ 702,957</u>	<u>\$ 5,035,010</u>

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (3,337,002)	\$ 2,799,396
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	12,450	37,349
Contributions to be Held in Perpetuity	(10,401)	(380,695)
Changes in Funds Held With Others	1,757,040	(2,434,390)
(Increase) Decrease in Current Assets:		
Grants and Gifts Receivable	859,240	(719,664)
Accounts Receivable	(237,417)	(36,466)
Other Assets	(16,459)	(15,587)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	78,608	(34,204)
Grants Payable	1,945,318	282,010
Refundable Advances	945	3,250
Net Cash Provided (Used) by Operating Activities	1,052,322	(499,001)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to be Held in Perpetuity	10,401	380,695
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,062,723	(118,306)
Cash and Cash Equivalents - Beginning of Year	2,671,907	2,790,213
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,734,630	\$ 2,671,907

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated discretionary fund to support future operations as needed.

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, 2022 and 2021.

Equipment

Equipment is recorded at original cost. Additions, improvements, or major renewals at or over \$2,000 are capitalized. Any gains or losses on property and equipment retirement are included in the current year operations.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment (Continued)

Depreciation is computed using the straight-line method at rates based on estimated service lives as follows:

Software	3 Years
Video Content	3 Years
Website Enhancements	5 Years

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 one limited partnership that is a diversified fund 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 measurable 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, 2022, conditional contributions approximating \$3.8 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 of an outside organization.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and services, primarily advertising in AAN publications, at a value of \$595,785 and \$473,575, respectively, for the years ended December 31, 2022 and 2021.

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.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 grantors and donors. For the years ending December 31, 2022 and 2021, 51% and 65% of the total grants and gifts receivable balance was due from two grantors.

For the year ending December 31, 2022 and 2021, 21% and 49% to total grants and gifts revenue was from one grantor and two grantors.

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.

Subsequent Events

In preparing these financial statements, ABF has evaluated events and transactions for potential recognition or disclosure through May 1, 2023, the date the financial statements were available to be issued.

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:

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 AVAILABILITY AND LIQUIDITY (CONTINUED)

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 3,734,630	\$ 2,671,907
Succeeding Year's Budget	5,385,041	5,688,957
Liquid Investments Reserve Percentage	40%	40%
Required Reserve	<u>2,154,016</u>	<u>2,275,583</u>
Excess Reserve	<u>\$ 1,580,614</u>	<u>\$ 396,324</u>

ABF's Operating Reserve Policy establishes a net assets without donor restrictions 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, 2022 and 2021 net assets without donor restrictions reserves were \$6,350,103 and \$5,880,256 respectively. The reserve requirements were \$1,905,429 and \$1,752,821 indicating that ABF met the reserve policy requirements in 2022 and 2021, respectively. ABF has also established a board-designated discretionary fund through board action and should the need arise, these assets could be made available for general expenditures through further board action.

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 1,460,384	\$ 653,804
Accounts Receivable (to be Received within 12 Months)	2,206,537	1,746,472
Short-Term Investments (CDs)	2,274,246	2,018,103
Funds Held by Others (Available within 12 Months)	6,512,512	8,279,953
Board-Designated Discretionary Funds	(4,444,671)	-
Donor Restricted Dollars	<u>(2,497,853)</u>	<u>(5,217,638)</u>
Total Financial Assets	<u>\$ 5,511,155</u>	<u>\$ 7,480,694</u>

NOTE 3 GIFTS AND GRANTS RECEIVABLE

Grants and gifts receivable at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Less than One Year	\$ 1,905,724	\$ 1,679,726
One to Five Years	<u>1,414,793</u>	<u>2,521,419</u>
Total	3,320,517	4,201,145
Less: Discount to Present Value	<u>(21,731)</u>	<u>(43,119)</u>
Net Contributions Receivable	<u>\$ 3,298,786</u>	<u>\$ 4,158,026</u>

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 GIFTS AND GRANTS RECEIVABLE (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Current	\$ 1,905,724	\$ 1,679,726
Long Term	1,393,062	2,478,300
Total	<u>\$ 3,298,786</u>	<u>\$ 4,158,026</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 0.4% to 4.4%.

NOTE 4 EQUIPMENT

Equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Software and Website	\$ 213,045	\$ 213,045
Less: Accumulated Depreciation	(213,045)	(200,595)
Net Software and Website	<u>\$ -</u>	<u>\$ 12,450</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>2022</u>	<u>2021</u>
Reserves:		
Fixed Income	\$ 1,293,066	\$ 2,058,554
Non-U.S. Equities	1,929,813	2,450,809
U.S. Equities	3,525,663	4,563,521
Funds of Hedge Funds	2,353,190	1,272,568
Cash and Cash Equivalents	371,696	885,016
Total Investments	<u>\$ 9,473,428</u>	<u>\$ 11,230,468</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, 2022 AND 2021**

NOTE 5 FUNDS HELD WITH OTHERS (CONTINUED)

ABF's share of the investment income on the funds held with others consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ 162,379	\$ 437,891
Realized Gains on Investments	(138,842)	2,460,526
Unrealized Gains (Loss) on Investments	<u>(1,570,126)</u>	<u>(1,604,778)</u>
Total Investment Income	<u>\$ (1,546,589)</u>	<u>\$ 1,293,639</u>

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:

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Funds Held With Others:				
Investment Pool Held with Others	\$ -	\$ 9,473,428	\$ -	\$ 9,473,428
Total Fair Value	<u>\$ -</u>	<u>\$ 9,473,428</u>	<u>\$ -</u>	<u>\$ 9,473,428</u>
	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Funds Held With Others:				
Investment Pool Held with Others	\$ -	\$ 11,230,468	\$ -	\$ 11,230,468
Total Fair Value	<u>\$ -</u>	<u>\$ 11,230,468</u>	<u>\$ -</u>	<u>\$ 11,230,468</u>

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 7 GRANTS PAYABLE

Grants payable include the following at December 31:

	<u>2022</u>	<u>2021</u>
Current Portion of Grants Payable	\$ 2,296,249	\$ 1,151,508
Long-Term Portion of Grants Payable	1,141,996	341,419
Net Grants Payable	<u>\$ 3,438,245</u>	<u>\$ 1,492,927</u>
Amounts Due:		
One Year or Less	\$ 2,296,249	\$ 1,151,508
One to Five Years	1,192,501	346,667
Discount to Present Value	(50,505)	(5,248)
Net Grants Payable	<u>\$ 3,438,245</u>	<u>\$ 1,492,927</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 1.0% to 4.4%.

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>2022</u>	<u>2021</u>
Education, Research, and Award Funds	\$ 3,840,354	\$ 7,612,605
Annual Meeting and Public Awareness Programs	38,333	83,333
Total	<u>\$ 3,878,687</u>	<u>\$ 7,695,938</u>

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

	<u>2022</u>	<u>2021</u>
Research Endowments:		
General Research	\$ 915,704	\$ 554,823
Alzheimer's/Dementia	60,000	60,000
Epilepsy	120,970	120,970
Multiple Sclerosis	384,269	384,269
Subtotal	<u>1,480,943</u>	<u>1,120,062</u>
Awards	1,479,973	1,830,452
Total	<u>\$ 2,960,916</u>	<u>\$ 2,950,514</u>

Net assets restricted by donors due to time or purpose, in addition with perpetual restrictions, totaled \$6,839,603 and \$10,646,452 as of December 31, 2022 and 2021, respectively.

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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:

	<u>2022</u>	<u>2021</u>
Research Grants	\$ 5,555,966	\$ 2,158,126
Awards	201,756	177,104
Public Awareness	22,250	62,804
Operational Support	568,500	133,963
Total	<u>\$ 6,348,472</u>	<u>\$ 2,531,997</u>

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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 quarters 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. At December 31, 2022, funds with original gift values of \$492,603, fair values of \$473,354, and deficiencies of \$19,249 were reported in net assets with donor restrictions. There were no funds that fall below the level that the donor requires as of December 31, 2021.

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, 2020	\$ 1,459,015	\$ 2,569,820	\$ 4,028,835
Investment Income	597,232	-	597,232
Contributions	-	380,695	380,695
Appropriation of Endowment Funds	(118,730)	-	(118,730)
Balance - December 31, 2021	1,937,517	2,950,515	4,888,032
Investment Income	(653,510)	-	(653,510)
Contributions	-	10,401	10,401
Appropriation of Endowment Funds	(116,758)	-	(116,758)
Balance - December 31, 2022	<u>\$ 1,167,249</u>	<u>\$ 2,960,916</u>	<u>\$ 4,128,165</u>

**AMERICAN BRAIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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: management oversight, human resources, finance, information systems, and marketing. The total amount of services received from the Academy was as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Services Provided	\$ 234,870	\$ 195,115
Leased Employees	1,233,500	1,076,000
Account Payable	320,748	121,991

ABF in 2022 and 2021 received grants of \$1,250,000, respectively, from the Academy in support of their operations.

ABF in 2022 and 2021 awarded grants to the Academy of \$5,260,000 and \$1,875,000, respectively, to support clinical research training scholarships. ABF also provided support to the Academy for various awards in 2022 and 2021 totaling \$231,994 and \$171,160, respectively. As of December 31, 2022 and 2021, ABF had a payable to the Academy of \$3,413,750 and \$1,336,251, respectively, related to these grants.



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