

**AMERICAN BRAIN FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**



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**AMERICAN BRAIN FOUNDATION  
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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, 2020 and 2019, 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, 2020 and 2019, 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, 2021

**AMERICAN BRAIN FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,790,213	\$ 2,487,899
Grants and Gifts Receivable	1,389,925	1,007,988
Accounts Receivable	30,280	84,615
Other Assets	23,044	41,596
Total Current Assets	4,233,462	3,622,098
<b>EQUIPMENT, NET</b>	49,799	90,070
<b>OTHER LONG-TERM ASSETS</b>		
Funds Held with Others	8,796,078	8,173,408
Grants and Gifts Receivable, Net of Current Portion	2,048,437	1,319,348
Total Other Long-Term Assets	10,844,515	9,492,756
Total Assets	\$ 15,127,776	\$ 13,204,924
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 65,013	\$ 66,628
Grants Payable	1,105,296	1,215,930
Related Party Payable	123,534	94,671
Total Current Liabilities	1,293,843	1,377,229
<b>LONG-TERM LIABILITIES</b>		
Grants Payable, Net of Current Portion	105,621	261,965
Refundable Advances	1,000	6,450
Total Long-Term Liabilities	106,621	268,415
Total Liabilities	1,400,464	1,645,644
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	4,946,046	3,937,981
With Donor Restrictions	8,781,266	7,621,299
Total Net Assets	13,727,312	11,559,280
Total Liabilities and Net Assets	\$ 15,127,776	\$ 13,204,924

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Grants and Gifts	\$ 2,532,847	\$ 3,148,760	\$ 5,681,607
In-Kind Contributions	436,229	-	436,229
Investment Income	14,573	287,019	301,592
Other Revenue	1,216	-	1,216
Net Assets Released from Restrictions	2,275,812	(2,275,812)	-
Total Support and Revenue	5,260,677	1,159,967	6,420,644
 <b>EXPENSE</b>			
Program Expenses	2,981,785	-	2,981,785
Support Services:			
Development	835,540	-	835,540
General and Administrative	770,938	-	770,938
Total Support Services	1,606,478	-	1,606,478
Total Expense	4,588,263	-	4,588,263
 <b>TOTAL CHANGES IN NET ASSETS BEFORE NONOPERATING INVESTMENT INCOME</b>	672,414	1,159,967	1,832,381
Nonoperating Investment Income	335,651	-	335,651
<b>TOTAL CHANGE IN NET ASSETS</b>	1,008,065	1,159,967	2,168,032
Net Assets - Beginning of Year	3,937,981	7,621,299	11,559,280
<b>NET ASSETS - END OF YEAR</b>	\$ 4,946,046	\$ 8,781,266	\$ 13,727,312

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
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	<u>5,176,747</u>	<u>541,492</u>	<u>5,718,239</u>
<b>EXPENSE</b>			
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	<u>1,380,427</u>	<u>-</u>	<u>1,380,427</u>
Total Expense	<u>5,108,399</u>	<u>-</u>	<u>5,108,399</u>
<b>TOTAL CHANGES IN NET ASSETS BEFORE NONOPERATING INVESTMENT INCOME</b>	68,348	541,492	609,840
Nonoperating Investment Income	<u>676,531</u>	<u>-</u>	<u>676,531</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	744,879	541,492	1,286,371
Net Assets - Beginning of Year	<u>3,193,102</u>	<u>7,079,807</u>	<u>10,272,909</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,937,981</u>	<u>\$ 7,621,299</u>	<u>\$ 11,559,280</u>

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020**

	2020						
	Program			Total Program	Development	General and Administrative	Total
	Research Grants	Research Awards	Public Awareness				
Salaries and Benefits	\$ 101,275	\$ 56,014	\$ 235,043	\$ 392,332	\$ 311,313	\$ 390,588	\$ 1,094,233
General Office	1,166	84	6,012	7,262	55,159	23,652	86,073
Software and Maintenance	11,877	-	336	12,213	36,184	133,612	182,009
Professional Fees	4,750	2,220	177,855	184,825	105,800	60,202	350,827
Management and Service Fees	29,842	18,578	75,154	123,574	96,695	118,731	339,000
Meeting and Travel	734	433	33,882	35,049	3,814	43,383	82,246
Grants and Awards	1,790,253	186,352	-	1,976,605	-	-	1,976,605
Depreciation	-	-	40,271	40,271	-	-	40,271
Other Expenses	-	-	-	-	-	770	770
Subtotal	<u>1,939,897</u>	<u>263,681</u>	<u>568,553</u>	<u>2,772,131</u>	<u>608,965</u>	<u>770,938</u>	<u>4,152,034</u>
In-Kind:							
Professional Fees	17,805	-	191,849	209,654	219,694	-	429,348
Grants and Awards	-	-	-	-	6,881	-	6,881
Subtotal	<u>17,805</u>	<u>-</u>	<u>191,849</u>	<u>209,654</u>	<u>226,575</u>	<u>-</u>	<u>436,229</u>
Total Expenses	<u>\$ 1,957,702</u>	<u>\$ 263,681</u>	<u>\$ 760,402</u>	<u>\$ 2,981,785</u>	<u>\$ 835,540</u>	<u>\$ 770,938</u>	<u>\$ 4,588,263</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
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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 2,168,032	\$ 1,286,371
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	40,271	46,116
Contributions to be Held in Perpetuity	(78,271)	(340,366)
Changes in Funds Held With Others	(622,670)	(1,262,117)
(Increase) Decrease in Current Assets:		
Grants and Gifts Receivable	(1,111,026)	(371,659)
Accounts Receivable	54,335	11,072
Other Assets	18,552	(19,768)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	27,248	(17,153)
Grants Payable	(266,978)	628,705
Refundable Advances	(5,450)	4,858
Net Cash Provided (Used) by Operating Activities	224,043	(33,941)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions to be Held in Perpetuity	78,271	340,366
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	302,314	306,425
Cash and Cash Equivalents - Beginning of Year	2,487,899	2,181,474
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,790,213	\$ 2,487,899

See accompanying Notes to Financial Statements.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019.

**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, 2020 AND 2019**

**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 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 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, 2020, conditional contributions approximating \$1.6 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. In 2020, ABF worked with the American Academy of Neurology, American Heart Association, and National Multiple Sclerosis Society to identify and manage grant recipients.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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 \$436,229 and \$390,459, respectively, for the years ended December 31, 2020 and 2019.

**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, 2020 AND 2019**

**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 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.

**Subsequent Events**

In preparing these financial statements, ABF has evaluated events and transactions for potential recognition or disclosure through April 13, 2021, 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:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,790,213	\$ 2,487,899
Succeeding Year’s Budget	4,971,777	4,846,924
Liquid Investments Reserve Percentage	40%	40%
Required Reserve	<u>1,988,711</u>	<u>1,938,770</u>
Excess Reserve	<u>\$ 801,502</u>	<u>\$ 549,129</u>

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 AVAILABILITY AND LIQUIDITY (CONTINUED)**

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, 2020 and 2019 net assets without donor restrictions reserves were \$4,946,046 and \$3,937,981, respectively. The reserve requirements were \$3,667,110 and \$3,671,959 indicating that ABF met the reserve policy requirements in 2020 and 2019, respectively.

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

	2020	2019
Cash and Cash Equivalents	\$ 199,592	\$ 204,983
Accounts Receivable (to be Received within 12 Months)	1,420,205	754,904
Short-Term Investments (CDs)	2,590,621	2,282,916
Funds Held by Others (Available within 12 Months)	6,226,258	5,681,859
Donor Restricted Dollars	(4,117,521)	(3,749,160)
Total Financial Assets	<u>\$ 6,319,155</u>	<u>\$ 5,175,502</u>

**NOTE 3 GIFTS AND GRANTS RECEIVABLE**

Grants and gifts receivable at December 31 are as follows:

	2020	2019
Less than One Year	\$ 1,389,925	\$ 1,007,988
One to Five Years	2,099,625	1,388,793
Total	3,489,550	2,396,781
Less: Discount to Present Value	(51,188)	(69,445)
Net Contributions Receivable	<u>\$ 3,438,362</u>	<u>\$ 2,327,336</u>

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

	2020	2019
Current	\$ 1,389,925	\$ 1,007,988
Long Term	2,048,437	1,319,348
Total	<u>\$ 3,438,362</u>	<u>\$ 2,327,336</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%.

**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 4 EQUIPMENT**

Equipment consists of the following at December 31:

	2020	2019
Software & Website	\$ 223,770	\$ 223,770
Less: Accumulated Depreciation	(173,971)	(133,700)
Net Software & Website	\$ 49,799	\$ 90,070

**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:

	2020	2019
Reserves:		
Corporate Bond Funds	\$ 2,589,331	\$ 2,395,216
Equity Funds - Foreign	1,824,157	1,627,880
Equity Funds - Mid-Cap	906,748	815,643
Equity Funds - Large Blend	2,759,789	2,728,771
Funds of Hedge Funds	716,053	605,898
Total Investments	\$ 8,796,078	\$ 8,173,408

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.

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

	2020	2019
Interest and Dividends	\$ 219,072	\$ 211,508
Unrealized Gain on Investments	403,598	1,050,609
Total Investment Income	\$ 622,670	\$ 1,262,117

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.



**AMERICAN BRAIN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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:

	2020			
	Level 1	Level 2	Level 3	Fair Value
Funds Held With Others:				
Investment Pool Held with Others	\$ -	\$ 8,796,078	\$ -	\$ 8,796,078
Total Fair Value	\$ -	\$ 8,796,078	\$ -	\$ 8,796,078
	2019			
	Level 1	Level 2	Level 3	Fair Value
Funds Held With Others:				
Investment Pool Held with Others	\$ -	\$ 8,173,408	\$ -	\$ 8,173,408
Total Fair Value	\$ -	\$ 8,173,408	\$ -	\$ 8,173,408

**NOTE 7 GRANTS PAYABLE**

Grants payable include the following at December 31:

	2020	2019
Current Portion of Grants Payable	\$ 1,105,296	\$ 1,215,930
Long-Term Portion of Grants Payable	105,621	261,965
Net Grants Payable	\$ 1,210,917	\$ 1,477,895
Amounts Due:		
One Year or Less	\$ 1,105,296	\$ 1,215,930
One to Five Years	105,834	269,168
Discount to Present Value	(213)	(7,203)
Net Grants Payable	\$ 1,210,917	\$ 1,477,895

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%.

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**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>2020</u>	<u>2019</u>
Education, Research, and Award Funds	\$ 6,064,402	\$ 4,903,654
Operational Support	38,963	38,963
Annual Meeting and Public Awareness Programs	108,082	187,133
Total	<u>\$ 6,211,447</u>	<u>\$ 5,129,750</u>

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

	<u>2020</u>	<u>2019</u>
Research Endowments:		
General Research	\$ 554,088	\$ 490,148
Alzheimer's/Dementia	60,000	60,000
Epilepsy	120,970	120,970
Multiple Sclerosis	384,269	384,269
Subtotal	<u>1,119,327</u>	<u>1,055,387</u>
Awards	<u>1,450,492</u>	<u>1,436,162</u>
Total	<u>\$ 2,569,819</u>	<u>\$ 2,491,549</u>

Net assets restricted by donors due to time or purpose, in addition with perpetual restrictions, totaled \$8,781,266 and \$7,621,299 as of December 31, 2020 and 2019, respectively.

**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>2020</u>	<u>2019</u>
Research Grants	\$ 1,833,516	\$ 1,882,025
Awards	184,242	190,632
Public Awareness	146,551	-
Operational Support	111,503	100,333
Total	<u>\$ 2,275,812</u>	<u>\$ 2,172,990</u>

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**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.

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.

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**NOTE 10 ENDOWMENT (CONTINUED)**

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 are no funds that fall below the level that the donor requires as of December 31, 2020 and 2019.

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, 2018	\$ 816,387	\$ 2,151,183	\$ 2,967,570
Investment Income	557,165	-	557,165
Contributions	-	340,366	340,366
Changes in Donor Restrictions	-	-	-
Appropriation of Endowment Funds	(81,076)	-	(81,076)
Balance - December 31, 2019	1,292,476	2,491,549	3,784,025
Investment Income	269,623	-	269,623
Contributions	-	78,271	78,271
Appropriation of Endowment Funds	(103,084)	-	(103,084)
Balance - December 31, 2020	<u>\$ 1,459,015</u>	<u>\$ 2,569,820</u>	<u>\$ 4,028,835</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: 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:

	2020	2019
Services Provided	\$ 349,731	\$ 329,000
Leased Employees	1,094,234	855,000
Account Payable	123,533	98,680

ABF in 2020 and 2019 received grants of \$1,500,000 and \$750,000, respectively, from the Academy in support of their operations.

ABF in 2020 and 2019 awarded grants to the Academy of \$1,630,000 and \$2,225,000, respectively, to support clinical research training scholarships. ABF also provided support to the Academy for various awards in 2020 and 2019 totaling \$167,850 and \$176,500, respectively. As of December 31, 2020 and 2019, ABF had a payable to the Academy of \$1,099,585 and \$1,352,087, respectively, related to these grants.

