

**FINANCIAL STATEMENTS**

**THE AMERICAN SOCIETY  
OF HUMAN GENETICS**

**FOR THE YEAR ENDED JUNE 30, 2020  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2019**

**THE AMERICAN SOCIETY OF HUMAN GENETICS**

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The American Society of Human Genetics  
Rockville, Maryland

We have audited the accompanying financial statements of The American Society of Human Genetics (ASHG), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ASHG as of June 30, 2020, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • WWW.GRF CPA.COM

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### **Report on Summarized Comparative Information**

We have previously audited ASHG's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

September 30, 2020

**THE AMERICAN SOCIETY OF HUMAN GENETICS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

<b>ASSETS</b>		<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	1,020,121	\$ 1,314,517
Investments		19,398,481	18,996,078
Accounts receivable		36,926	28,036
Grants receivable		115,276	57,635
Prepaid expenses		<u>510,776</u>	<u>339,572</u>
Total current assets		<u>21,081,580</u>	<u>20,735,838</u>
<b>FIXED ASSETS</b>			
Furniture and fixtures		10,145	10,145
Leasehold improvements		<u>562,604</u>	<u>562,604</u>
		572,749	572,749
Less: Accumulated depreciation and amortization		<u>(113,037)</u>	<u>(62,326)</u>
Net fixed assets		<u>459,712</u>	<u>510,423</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 21,541,292</u></b>	<b><u>\$ 21,246,261</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current portion of Federal loan payable	\$	231,782	\$ -
Accounts payable and accrued liabilities		567,253	364,546
Deferred revenue		1,223,977	2,175,590
Current portion of deferred rent		<u>54,473</u>	<u>49,642</u>
Total current liabilities		<u>2,077,485</u>	<u>2,589,778</u>
<b>LONG-TERM LIABILITIES</b>			
Federal loan payable, net of current portion		296,167	-
Deferred rent and tenant improvement allowance		<u>720,342</u>	<u>715,083</u>
Total long-term liabilities		<u>1,016,509</u>	<u>715,083</u>
Total liabilities		<u>3,093,994</u>	<u>3,304,861</u>
<b>NET ASSETS</b>			
Without donor restrictions		18,447,298	17,916,400
With donor restrictions		<u>-</u>	<u>25,000</u>
Total net assets		<u>18,447,298</u>	<u>17,941,400</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 21,541,292</u></b>	<b><u>\$ 21,246,261</u></b>

See accompanying notes to financial statements.

**THE AMERICAN SOCIETY OF HUMAN GENETICS**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Annual meeting	\$ 4,755,642	\$ -	\$ 4,755,642	\$ 4,565,992
Royalty income	1,545,437	-	1,545,437	1,479,767
Membership dues	1,016,856	-	1,016,856	936,299
Government grants	186,310	-	186,310	156,435
Advertising	392,654	-	392,654	362,627
Other income	39,277	-	39,277	19,490
Contributions	47,761	-	47,761	32,987
Interest on short term investments, net	187,146	-	187,146	299,093
Net assets released from donor restrictions	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>8,196,083</u>	<u>(25,000)</u>	<u>8,171,083</u>	<u>7,852,690</u>
<b>EXPENSES</b>				
Program Services:				
Annual Meeting	2,580,293	-	2,580,293	2,840,300
Journal	839,637	-	839,637	813,663
Education	366,222	-	366,222	413,784
Program Awards	401,758	-	401,758	358,248
Fellowships and Public Policy	661,611	-	661,611	613,818
Marketing and communication	588,465	-	588,465	388,716
Human Genetics Scholar Initiative	<u>112,538</u>	<u>-</u>	<u>112,538</u>	<u>-</u>
Total program services	<u>5,550,524</u>	<u>-</u>	<u>5,550,524</u>	<u>5,428,529</u>
Supporting Services:				
Management and General	2,208,278	-	2,208,278	2,027,157
Development	<u>121,641</u>	<u>-</u>	<u>121,641</u>	<u>86,354</u>
Total supporting services	<u>2,329,919</u>	<u>-</u>	<u>2,329,919</u>	<u>2,113,511</u>
Total expenses	<u>7,880,443</u>	<u>-</u>	<u>7,880,443</u>	<u>7,542,040</u>
Change in net assets from operations	315,640	(25,000)	290,640	310,650
<b>OTHER ITEM</b>				
Investments income, net	<u>215,258</u>	<u>-</u>	<u>215,258</u>	<u>865,676</u>
Change in net assets	530,898	(25,000)	505,898	1,176,326
Net assets at beginning of year	<u>17,916,400</u>	<u>25,000</u>	<u>17,941,400</u>	<u>16,765,074</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 18,447,298</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 18,447,298</u></b>	<b><u>\$ 17,941,400</u></b>

See accompanying notes to financial statements.

**THE AMERICAN SOCIETY OF HUMAN GENETICS**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<b>2020</b>					
	<b>Program Services</b>					
	<b>Annual Meeting</b>	<b>Journal</b>	<b>Education</b>	<b>Program Awards</b>	<b>Fellowships and Public Policy</b>	<b>Marketing and Communication</b>
Salaries, benefits and payroll taxes	\$ 651,799	\$ 143,085	\$ 300,122	\$ 152,640	\$ 549,060	\$ 446,628
Printing, mailing and labels	28,710	2,961	525	-	-	4,950
Editor's office and stipend	-	271,759	-	-	-	-
Accounting and payroll services	120	-	-	-	-	-
Hotel and travel	89,839	10,314	12,044	16,402	20,738	11,848
Office rental	33,475	7,349	15,414	7,839	28,199	22,938
Convention rental space	81,530	-	-	-	-	-
Projection and audio visual	538,940	549	2,243	-	357	248
Exhibits, posters, signs and registration décor	223,230	-	-	865	-	5,214
Audit and legal fees	-	2,118	-	-	-	-
Contributions to other organizations	30,000	2,000	3,672	166,643	3,200	-
Telephone and fax	-	-	-	-	-	-
Supplies and duplicating	12,635	-	-	1,396	24	-
Depreciation and amortization	8,917	1,958	4,106	2,088	7,512	6,110
Computer, software, internet, and web services	92,334	719	1,961	76	7,000	30,541
Credit card fees	107,725	-	-	30,243	-	55
Promotion	12,621	-	2,858	1,500	-	10,098
Contracted services	184,593	394,217	11,895	12,735	12,056	36,132
Insurance	13,596	-	-	-	-	-
Membership fees / professional development	25,274	-	1,203	1,137	1,832	764
Unrelated business income taxes	-	-	-	-	-	-
Catered events/coffee breaks	422,647	2,349	9,924	3,549	1,921	6,665
Advertising	20,377	-	-	-	-	6,235
FASEB dues	-	-	-	-	29,586	-
Miscellaneous	1,931	259	255	4,645	126	39
<b>TOTAL</b>	<b>\$ 2,580,293</b>	<b>\$ 839,637</b>	<b>\$ 366,222</b>	<b>\$ 401,758</b>	<b>\$ 661,611</b>	<b>\$ 588,465</b>

							2019
		Supporting Services					
Human Genetics Scholar Initiative	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses	Total Expenses	
\$ 78,974	\$ 2,322,308	\$ 1,280,772	\$ 103,430	\$ 1,384,202	\$ 3,706,510	\$ 3,049,627	
-	37,146	12,155	6,631	18,786	55,932	51,575	
-	271,759	-	-	-	271,759	378,165	
-	120	68,072	-	68,072	68,192	63,476	
11,934	173,119	74,222	323	74,545	247,664	219,801	
4,056	119,270	65,779	5,312	71,091	190,361	197,051	
-	81,530	-	-	-	81,530	294,252	
-	542,337	365	-	365	542,702	549,533	
-	229,309	-	-	-	229,309	308,798	
-	2,118	44,954	960	45,914	48,032	48,261	
1,667	207,182	1,000	-	1,000	208,182	177,859	
-	-	18,827	-	18,827	18,827	19,931	
-	14,055	49,258	-	49,258	63,313	64,596	
1,080	31,771	17,525	1,415	18,940	50,711	51,747	
-	132,631	200,886	2,490	203,376	336,007	400,010	
-	138,023	10,081	231	10,312	148,335	131,264	
2,201	29,278	-	-	-	29,278	52,345	
1,000	652,628	212,153	-	212,153	864,781	750,582	
-	13,596	25,459	-	25,459	39,055	43,452	
-	30,210	24,173	449	24,622	54,832	76,789	
-	-	55,598	-	55,598	55,598	18,013	
11,626	458,681	29,678	-	29,678	488,359	481,280	
-	26,612	345	400	745	27,357	32,470	
-	29,586	14,425	-	14,425	44,011	73,293	
-	7,255	2,551	-	2,551	9,806	7,870	
<b>\$ 112,538</b>	<b>\$ 5,550,524</b>	<b>\$ 2,208,278</b>	<b>\$ 121,641</b>	<b>\$ 2,329,919</b>	<b>\$ 7,880,443</b>	<b>\$ 7,542,040</b>	



## THE AMERICAN SOCIETY OF HUMAN GENETICS

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 505,898	\$ 1,176,326
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	50,711	51,747
Unrealized loss	707,942	788,255
Realized gain	(752,396)	(1,566,766)
(Increase) decrease in:		
Accounts receivable	(8,890)	30,689
Grants receivable	(57,641)	12,565
Prepaid expenses	(171,204)	(5,803)
Increase (decrease) in:		
Accounts payable and accrued liabilities	202,707	80,998
Deferred revenue	(951,613)	190,019
Deferred rent and tenant improvement allowance	<u>10,090</u>	<u>186,573</u>
Net cash (used) provided by operating activities	<u>(464,396)</u>	<u>944,603</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	<u>(357,949)</u>	<u>(386,258)</u>
Net cash used by investing activities	<u>(357,949)</u>	<u>(386,258)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from federal loan payable	<u>527,949</u>	<u>-</u>
Net cash provided by financing activities	<u>527,949</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(294,396)	558,345
Cash and cash equivalents at beginning of year	<u>1,314,517</u>	<u>756,172</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,020,121</u></b>	<b><u>\$ 1,314,517</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Taxes Paid	<b><u>\$ 12,301</u></b>	<b><u>\$ 3,494</u></b>

# THE AMERICAN SOCIETY OF HUMAN GENETICS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

The American Society of Human Genetics (ASHG) is a non-profit organization, incorporated and located in the State of Maryland. ASHG was established to bring into close contact investigators in the many fields of genetic research, to encourage and integrate research in human genetics, and to deal with other related issues.

#### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ASHG's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

#### New accounting pronouncements adopted -

During 2020, ASHG early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way ASHG recognized revenue; however, the presentation and disclosures of revenue have been enhanced. ASHG has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, ASHG adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

**THE AMERICAN SOCIETY OF HUMAN GENETICS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncements adopted (continued) -

Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. ASHG adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

ASHG considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, ASHG maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income, net of management fees in the Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Grants receivable -

Grants receivable are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years are measured at the present value of their future cash flows. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2020 totaled \$50,711. Leasehold improvements are amortized over the remaining life of the lease.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

ASHG is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, but it is subject to tax on unrelated business income.

THE AMERICAN SOCIETY OF HUMAN GENETICS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Income taxes (continued) -

ASHG is not a private foundation. The financial statements for the year ended June 30, 2020, include Federal and state income tax expenses totaling \$55,598.

Uncertain tax positions -

For the year ended June 30, 2020, ASHG has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue -

Annual meeting consists of registration, exhibit and hotel rebate revenue. Meeting registration allows attendees access to the exhibit floor, all scientific sessions and ticketed events (when purchased separately). ASHG also provides professional education credits (when purchased separately). ASHG allows exhibitors access to the exhibit floor, complementary access to all scientific sessions for 2 staff, and 4 guest-tickets that only give access to the exhibit floors. All annual meeting revenue is recognized at the time the meeting takes place. Registration and exhibit fees received in advance are recorded as deferred revenue on the statement of financial position. ASHG has retained a hotel booking agency related to the annual meeting. ASHG is entitled to a percentage rebate of all bookings made through the agency. Hotel rebate revenue is recognized when the booking agency issues rebate statements.

Royalty income pertains to the the publishing and distribution of ASHG's journal by a third party publishing company. ASHG is entitled to the greater of 70% royalty of the journal's net profits or the minimum guaranteed royalty. ASHG recognizes one-third of the minimum guaranteed royalty according to the terms of the contract. Any excess royalty is recorded when determined by the publishing company.

Members receive the following benefits as part of their membership dues: reduced rates for the annual meeting, online subscription to the American Journal of Human Genetics and various other benefits the membership dues are bifurcated amongst the different benefits received and recognized as revenue when the performance obligations are met. Transaction price is determined based on cost and/or sales price. A portion of membership dues assigned to the annual conference is recognized once the event has occurred. The remaining membership dues are recognized on a pro-rata basis over the annual membership period.

Advertising revenue pertains to sale of advertising at the annual meeting as well as advertising sales from the third party journal publishing company. Annual meeting advertising revenue is recorded when the annual meeting takes place. Advertising revenue associated to the journal is recorded when determined by the publishing company.

For all revenue streams, transaction price is determined based on cost and/or sales price. Deferred revenue consisted of the following as of June 30, 2020:

Annual Meeting	\$	740,144
Membership		<u>483,833</u>
<b>TOTAL DEFERRED REVENUE</b>	<b>\$</b>	<b><u>1,223,977</u></b>

# THE AMERICAN SOCIETY OF HUMAN GENETICS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

#### Contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. ASHG performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal. For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions and grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions with donor restrictions that are fully released in the same year are recognized as "without donor restrictions" in the accompanying financial statements.

ASHG receives funding under grants and contracts from the U.S. Government. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as revenue without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements.

#### Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of ASHG are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

#### Risks and uncertainties -

ASHG invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

# THE AMERICAN SOCIETY OF HUMAN GENETICS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

#### Fair value measurement -

In accordance with FASB ASC 820, *Fair Value Measurement*, ASHG has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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 to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market ASHG has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For disclosure of inputs and valuation techniques, see Note 2.

#### New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

ASHG plans to adopt the new ASU at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

#### Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which impacted ASHG's operations. The overall potential impact is unknown at this time.

### 2. INVESTMENTS

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy by which the measurements were made.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**2. INVESTMENTS (Continued)**

ASHG's investments as of June 30, 2020 were as follows:

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 2,653,203	\$ -	\$ -	\$ 2,653,203
Equity mutual funds	4,585,568	-	-	4,585,568
Fixed income mutual funds	11,166,418	-	-	11,166,418
Real estate EFTs and Other funds	<u>993,292</u>	<u>-</u>	<u>-</u>	<u>993,292</u>
<b>TOTAL</b>	<b><u>\$ 19,398,481</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 19,398,481</u></b>

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2020.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission. This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.
- *Equity, fixed income, real estate and other funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by ASHG are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by ASHG are deemed to be actively traded.

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

Included in investment gains are the following:

Interest and dividends	\$ 434,334
Unrealized loss	(707,942)
Realized gain	752,396
Management fees	<u>(76,384)</u>
<b>TOTAL INVESTMENT GAIN, NET</b>	<b><u>\$ 402,404</u></b>

Interest on short term investments, net of fees, totaling \$187,146 for the year ended June 30, 2020 are included under revenue and support. The remaining investment income, net of fees, are included as an Other Item in the accompanying Statement of Activities and Change in Net Assets.

**3. FEDERAL LOAN PAYABLE**

On May 1, 2020, ASHG received loan proceeds in the amount of \$527,949 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. ASHG intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. ASHG intends to apply for forgiveness after completing the 24 week period.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

3. FEDERAL LOAN PAYABLE (Continued)

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

Year Ending June 30,

2021	\$ 231,782
2022	<u>296,167</u>
	<u>\$ 527,949</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Human Genetics Scholar Initiative (HGSI)	<u>\$ 25,000</u>
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5. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following at June 30, 2020:

Cash and cash equivalents	\$ 1,020,121
Investments	19,398,481
Accounts receivable	36,926
Grants receivable	<u>115,276</u>

<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 20,570,804</u></b>
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ASHG has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2020, ASHG has financial assets equal to approximately 2.5 years of operating expenses.

6. LEASE COMMITMENTS

On October 31, 2017, ASHG signed a lease for office space in Rockville, Maryland. The term of the lease is June 1, 2018 through September 30, 2029. Base rent is \$18,985 per month, plus a proportionate share of expenses, increasing by a factor of 2.7% per year. The lease includes sixteen months of abated rent and tenant build-out and project management allowances not to exceed \$562,604. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.



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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

6. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

Year Ending June 30,

2021	\$ 241,048
2022	247,717
2023	254,545
2024	261,531
2025	268,683
Thereafter	<u>1,227,507</u>
	<u>\$ 2,501,031</u>

Rent expense for the year ended June 30, 2020 was \$190,361.

7. RETIREMENT PLAN

All full time employees of ASHG may participate in a defined contribution plan sponsored by ASHG. The Plan provides a 10% contribution on each eligible salary when the employee contributes 3%. Contributions to the Plan during the year ended June 30, 2020 totaled \$254,868.

8. COMMITMENTS

ASHG is committed under agreements for conference space for annual meetings for the years 2021, 2022, 2025, 2026, 2028, 2029 and 2031. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increases through the date of the event.

ASHG has a service agreement with the Genetics Society of America (GSA). Under this agreement, GSA reimburses ASHG for IT domain name costs. Reimbursements due to ASHG from GSA at June 30, 2020 totaled \$1,455.

9. AMERICAN JOURNAL OF HUMAN GENETICS

In June 2007, ASHG entered into a journal publishing agreement with Cell Press, for the professional publication, The American Journal of Human Genetics. Under the terms of the agreement, Cell Press publishes the journal, handles the subscription process, and keeps the accounting for the journal operations. This agreement expires in 2022. For the year ended June 30, 2020, total royalty and editorial support received from Cell Press as part of this agreement was \$1,485,754.

10. SUBSEQUENT EVENTS

In preparing these financial statements, ASHG has evaluated events and transactions for potential recognition or disclosure through September 30, 2020, the date the financial statements were issued.