

FINANCIAL STATEMENTS

**THE AMERICAN SOCIETY
OF HUMAN GENETICS**

**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

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, 2021, 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, 2021, 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.

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Report on Summarized Comparative Information

We have previously audited ASHG's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

November 5, 2021

THE AMERICAN SOCIETY OF HUMAN GENETICS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,850,815	\$ 1,020,121
Investments		21,178,832	19,398,481
Accounts receivable		130,261	36,926
Grants receivable		180,917	115,276
Prepaid expenses		<u>398,924</u>	<u>510,776</u>
Total current assets		<u>23,739,749</u>	<u>21,081,580</u>
FIXED ASSETS			
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>(163,214)</u>	<u>(113,037)</u>
Net fixed assets		<u>409,535</u>	<u>459,712</u>
TOTAL ASSETS		<u>\$ 24,149,284</u>	<u>\$ 21,541,292</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Federal loan payable	\$	579,651	\$ 527,949
Accounts payable and accrued liabilities		426,319	567,253
Deferred revenue		988,275	1,223,977
Current portion of deferred rent and tenant improvement allowance		<u>61,142</u>	<u>54,473</u>
Total current liabilities		<u>2,055,387</u>	<u>2,373,652</u>
LONG-TERM LIABILITIES			
Deferred rent and tenant improvement allowance		<u>659,596</u>	<u>720,342</u>
Total liabilities		<u>2,714,983</u>	<u>3,093,994</u>
NET ASSETS			
Without donor restrictions		21,410,439	18,447,298
With donor restrictions		<u>23,862</u>	<u>-</u>
Total net assets		<u>21,434,301</u>	<u>18,447,298</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 24,149,284</u>	<u>\$ 21,541,292</u>

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, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Annual meeting	\$ 2,449,094	\$ -	\$ 2,449,094	\$ 4,755,642
Royalty income	1,550,653	-	1,550,653	1,545,437
Membership dues	854,137	-	854,137	1,016,856
Government grants	248,847	22,500	271,347	186,310
Advertising	184,337	-	184,337	392,654
Other income	1,327,136	-	1,327,136	39,277
Contributions	25,247	322,555	347,802	47,761
Interest on short term investments, net	70,993	-	70,993	187,146
Net assets released from donor restrictions	321,193	(321,193)	-	-
Total revenue and support	7,031,637	23,862	7,055,499	8,171,083
EXPENSES				
Program Services:				
Annual Meeting	1,262,866	-	1,262,866	2,404,205
Journal	843,118	-	843,118	839,637
Education	183,626	-	183,626	366,222
Program Awards	438,317	-	438,317	401,758
Fellowships and Public Policy	597,126	-	597,126	661,611
Marketing and Communication	746,306	-	746,306	588,465
Genomic Workforce Diversity and Inclusion	117,885	-	117,885	-
Human Genetics Scholar Initiative	53,867	-	53,867	112,538
Digital Programming	293,839	-	293,839	176,088
Total program services	4,536,950	-	4,536,950	5,550,524
Supporting Services:				
Management and General Development	2,167,999	-	2,167,999	2,208,278
	100,854	-	100,854	121,641
Total supporting services	2,268,853	-	2,268,853	2,329,919
Total expenses	6,805,803	-	6,805,803	7,880,443
Change in net assets from operations	225,834	23,862	249,696	290,640
OTHER ITEMS				
Investments income, net	2,209,358	-	2,209,358	215,258
Extinguishment of debt	527,949	-	527,949	-
Change in net assets	2,963,141	23,862	2,987,003	505,898
Net assets at beginning of year	18,447,298	-	18,447,298	17,941,400
NET ASSETS AT END OF YEAR	\$ 21,410,439	\$ 23,862	\$ 21,434,301	\$ 18,447,298

See accompanying notes to financial statements.

THE AMERICAN SOCIETY OF HUMAN GENETICS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021							
	Program Services							
	Annual Meeting	Journal	Education	Program Awards	Fellowships and Public Policy	Marketing and Communication	Genomic Workforce Diversity and Inclusion	Human Genetics Scholar Initiative
Salaries, benefits and payroll taxes	\$ 578,200	\$ 296,706	\$ 172,985	\$ 225,624	\$ 438,656	\$ 602,442	\$ 84,503	\$ 41,993
Printing, mailing and labels	1,439	-	-	252	-	-	-	-
Editor's office and stipend	-	130,785	-	-	-	-	-	-
Accounting and payroll services	225	-	-	-	-	-	-	-
Hotel and travel	-	43	-	-	47	64	-	-
Office rental	28,200	14,471	430	11,004	21,394	29,383	4,121	2,048
Convention rental space	-	-	-	-	-	-	-	-
Projection and audio visual	6,736	-	-	-	-	-	-	-
Exhibits, posters, signs and registration décor	2,779	-	3,100	1,489	-	(1,989)	-	-
Audit and legal fees	33,840	-	-	-	-	-	-	-
Contributions to other organizations	-	2,000	-	155,563	1,000	5,597	-	4,650
Telephone and fax	-	-	-	288	-	-	-	-
Supplies and duplicating	2,884	892	19	489	951	1,306	184	91
Depreciation and amortization	7,366	3,780	2,204	2,874	5,589	7,675	1,077	535
Computer, software, internet, and web services	13,281	-	2,333	4,633	7,000	32,217	-	-
Credit card fees	67,186	-	-	22,804	75	100	-	-
Promotion	445	10,442	444	-	-	8,140	-	450
Contracted services	454,010	383,574	1,000	11,375	113,697	60,827	28,000	4,100
Insurance	14,633	-	-	-	-	-	-	-
Membership fees / professional development	31,785	425	1,111	922	1,193	500	-	-
Unrelated business income taxes	-	-	-	-	-	-	-	-
Catered events/coffee breaks	1,609	-	-	-	-	44	-	-
Advertising	-	-	-	-	-	-	-	-
FASEB dues	-	-	-	-	7,524	-	-	-
Miscellaneous	18,248	-	-	1,000	-	-	-	-
TOTAL	\$ 1,262,866	\$ 843,118	\$ 183,626	\$ 438,317	\$ 597,126	\$ 746,306	\$ 117,885	\$ 53,867

See accompanying notes to financial statements.

THE AMERICAN SOCIETY OF HUMAN GENETICS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021 (Continued)					2020	
	Program Services (Continued)		Supporting Services				
	Digital Programming	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses	Total Expenses
Salaries, benefits and payroll taxes	\$ 233,404	\$ 2,674,513	\$ 1,140,130	\$ 82,034	\$ 1,222,164	\$ 3,896,677	\$ 3,706,510
Printing, mailing and labels	-	1,691	15,294	-	15,294	16,985	55,932
Editor's office and stipend	-	130,785	-	-	-	130,785	271,759
Accounting and payroll services	-	225	103,435	-	103,435	103,660	68,192
Hotel and travel	-	154	(1,612)	-	(1,612)	(1,458)	247,664
Office rental	11,384	122,435	55,608	12,008	67,616	190,051	190,361
Convention rental space	-	-	-	-	-	-	81,530
Projection and audio visual	-	6,736	-	-	-	6,736	542,702
Exhibits, posters, signs and registration décor	-	5,379	-	-	-	5,379	229,309
Audit and legal fees	-	33,840	80,412	-	80,412	114,252	48,032
Contributions to other organizations	-	168,810	-	-	-	168,810	208,182
Telephone and fax	-	288	21,030	-	21,030	21,318	18,827
Supplies and duplicating	506	7,322	33,849	534	34,383	41,705	63,313
Depreciation and amortization	2,974	34,074	15,058	1,045	16,103	50,177	50,711
Computer, software, internet, and web services	30,993	90,457	163,315	2,490	165,805	256,262	336,007
Credit card fees	-	90,165	14,510	918	15,428	105,593	148,335
Promotion	4,825	24,746	15,825	-	15,825	40,571	29,278
Contracted services	6,690	1,063,273	426,974	1,271	428,245	1,491,518	864,781
Insurance	-	14,633	27,449	-	27,449	42,082	39,055
Membership fees / professional development	3,063	38,999	13,900	554	14,454	53,453	54,832
Unrelated business income taxes	-	-	27,202	-	27,202	27,202	55,598
Catered events/coffee breaks	-	1,653	2,754	-	2,754	4,407	488,359
Advertising	-	-	-	-	-	-	27,357
FASEB dues	-	7,524	3,394	-	3,394	10,918	44,011
Miscellaneous	-	19,248	9,472	-	9,472	28,720	9,806
TOTAL	\$ 293,839	\$ 4,536,950	\$ 2,167,999	\$ 100,854	\$ 2,268,853	\$ 6,805,803	\$ 7,880,443

See accompanying notes to financial statements.

THE AMERICAN SOCIETY OF HUMAN GENETICS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,987,003	\$ 505,898
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	50,177	50,711
Unrealized (gain) loss	(1,792,718)	707,942
Realized gain	(378,440)	(752,396)
Extinguishment of debt	(527,949)	-
(Increase) decrease in:		
Accounts receivable	(93,335)	(8,890)
Grants receivable	(65,641)	(57,641)
Prepaid expenses	111,852	(171,204)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(140,934)	202,707
Deferred revenue	(235,702)	(951,613)
Deferred rent and tenant improvement allowance	<u>(54,077)</u>	<u>10,090</u>
Net cash used by operating activities	<u>(139,764)</u>	<u>(464,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments	<u>390,807</u>	<u>(357,949)</u>
Net cash provided (used) by investing activities	<u>390,807</u>	<u>(357,949)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from federal loan payable	<u>579,651</u>	<u>527,949</u>
Net cash provided by financing activities	<u>579,651</u>	<u>527,949</u>
Net increase (decrease) in cash and cash equivalents	830,694	(294,396)
Cash and cash equivalents at beginning of year	<u>1,020,121</u>	<u>1,314,517</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,850,815</u>	<u>\$ 1,020,121</u>
SUPPLEMENTAL INFORMATION:		
Taxes Paid	<u>\$ 60,320</u>	<u>\$ 12,301</u>

THE AMERICAN SOCIETY OF HUMAN GENETICS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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, 2020, from which the summarized information was derived.

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, excluding money market funds held by investment managers in the amount of \$958,519. 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 paid to external investment advisors in the Statement of Activities and Change in Net Assets.

THE AMERICAN SOCIETY OF HUMAN GENETICS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Grants and accounts receivable -

Grants and accounts 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, 2021 totaled \$50,177. 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 pertaining to journal advertising sales.

ASHG is not a private foundation. The financial statements for the year ended June 30, 2021, include Federal and state income tax expenses totaling \$27,202.

Uncertain tax positions -

For the year ended June 30, 2021, 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 and support -

Contributions and grants are recognized in the appropriate category of net assets in the period received.

ASHG performs an analysis of the individual contribution or 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 under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

THE AMERICAN SOCIETY OF HUMAN GENETICS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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

Revenue and support (continued) -

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return from obligation provision that limits ASHG on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. ASHG recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as conditional contributions, ASHG had approximately \$121,721 in unrecognized awards as of June 30, 2021.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. ASHG has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is determined based on cost and/or sales price.

Annual meeting consists of registration and exhibit income. Meeting registration allows attendees access to the virtual 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 virtual exhibit floor and complementary access to all scientific sessions for 2 staff.

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 retained a hotel booking agency related to in-person annual meetings. 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 the minimum guaranteed royalty on a pro-rata basis over the fiscal year. Any excess royalty is recorded when determined by the publishing company when the performance obligations are met.

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 AMERICAN SOCIETY OF HUMAN GENETICS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Revenue and support (continued) -

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.

Deferred revenue consisted of the following as of June 30, 2021:

Annual Meeting	\$	631,775
Membership		335,784
Other		<u>20,716</u>
TOTAL DEFERRED REVENUE	\$	<u>988,275</u>

During the year ended June 30, 2021, ASHG received \$1,236,873 of insurance proceeds related to cancellation of the 2020 in-person annual meeting. Revenue from the proceeds is included in Other income on the accompanying Statement of Activities and Change in Net Assets.

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, 2021

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to forgiveness of the prior year federal loan payable.

New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of 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 for fiscal years 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 date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

THE AMERICAN SOCIETY OF HUMAN GENETICS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

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. ASHG's investments as of June 30, 2021 were as follows:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	\$ 958,519	\$ -	\$ -	\$ 958,519
Equity mutual funds	6,092,439	-	-	6,092,439
Fixed income mutual funds	12,519,084	-	-	12,519,084
Real estate EFTs and Other funds	1,608,790	-	-	1,608,790
TOTAL	\$ 21,178,832	\$ -	\$ -	\$ 21,178,832

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, 2021.

- *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, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

Included in investment gains are the following:

Interest and dividends	\$ 203,564
Unrealized gain	1,792,718
Realized gain	378,440
Management fees	(94,371)
TOTAL INVESTMENT GAIN, NET	\$ 2,280,351

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2. INVESTMENTS (Continued)

Interest on short term investments, net of fees, totaling \$70,993 for the year ended June 30, 2021 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. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note qualified for forgiveness by the Small Business Administration in whole or in part. During the year ended June 30, 2021, ASHG used the proceeds for purposes consistent with the Paycheck Protection Program, and has met the conditions (and applied) for forgiveness of the loan. During 2021, the full value of the loan was forgiven, and accordingly, the extinguishment of debt is recognized as an Other Item in the 2021 Statement of Activities and Change in Net Assets. Additionally, the loan payable, as of June 30, 2020 has been classified as a current liability in the accompanying Statement of Financial Position as forgiveness was received within twelve months of fiscal year-end.

On March 19, 2021, ASHG entered into a five-year promissory note agreement in the amount of \$578,000 with a 1% fixed interest rate under the second Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. 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 apply for forgiveness after completing the 24 week period. If forgiveness is granted, ASHG will record revenue from debt extinguishments during the period that forgiveness was approved. Additionally, the loan payable including accrued interest, as of June 30, 2021 has been classified as a current liability in the accompanying Statement of Financial Position as forgiveness is reasonably expected to be received within twelve months of fiscal year-end.

4. LINE OF CREDIT

ASHG has a \$2,000,000 bank line of credit. Amounts borrowed under this agreement bear interest at the rate for one month LIBOR loans as published in the Wall Street Journal. As of June 30, 2021 there was no outstanding balance on the line of credit. The line is secured by the investments portfolio.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2021:

Human Genetics Scholar Initiative (HGSI)	\$ <u>23,862</u>
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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)	\$ 51,193
Digital Programming	200,000
2020 Curt Stern Award	10,000
Economic Report	<u>60,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>321,193</u>

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6. 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, 2021:

Cash and cash equivalents	\$ 1,850,815
Investments	21,178,832
Accounts receivable	130,261
Grants receivable	180,917
Less: Donor restricted funds	<u>(23,862)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 23,316,963**

ASHG has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2021, ASHG has financial assets equal to approximately 3.4 years of operating expenses. In addition, ASHG has a line of credit agreement (as further discussed in Note 4) which allows for additional available borrowings up to \$2,000,000.

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

Year Ending June 30,

2022	\$ 247,717
2023	254,545
2024	261,531
2025	268,683
2026	276,072
Thereafter	<u>951,435</u>
	<u>\$ 2,259,983</u>

Rent expense for the year ended June 30, 2021 was \$190,051.

8. RETIREMENT PLAN

All full time employees of ASHG may participate in a defined contribution plan sponsored by ASHG. Through December 31, 2020 the Plan provided a 10% contribution on each eligible salary when the employee contributes 3%. The employer contribution was changed to 8% beginning January 1, 2021. Contributions to the Plan during the year ended June 30, 2021 totaled \$238,323.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

9. COMMITMENTS

ASHG is committed under agreements for conference space for annual meetings for the years 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, 2021 totaled \$1,510.

10. 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 2024. For the year ended June 30, 2021, total royalty and editorial support received from Cell Press as part of this agreement was \$1,513,171.

11. SUBSEQUENT EVENTS

In preparing these financial statements, ASHG has evaluated events and transactions for potential recognition or disclosure through November 5, 2021, the date the financial statements were issued.