



## **Financial Statements**

*For the Year Ended December 31, 2019*

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Food Allergy Research & Education, Inc.**

We have audited the accompanying financial statements of Food Allergy Research & Education, Inc. (FARE), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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.

### **Auditors' 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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Allergy Research & Education, Inc. as of December 31, 2019, and the changes 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.

*Marcum LLP*

Washington, DC

October 26, 2020

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

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<b>Assets</b>	
Cash and cash equivalents	\$ 14,953,754
Investments	42,296,825
Contributions receivable, net	7,650,111
Other receivables	96,923
Prepaid expenses and other assets	323,496
Net property and equipment	<u>287,546</u>
<b>Total Assets</b>	<u><u>\$ 65,608,655</u></u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 913,934
Accrued salaries, leave and other benefits	144,281
Grants payable	1,469,635
Deferred rent and lease incentives	<u>363,350</u>
<b>Total Liabilities</b>	<u>2,891,200</u>
<b>Net Assets</b>	
Without donor restrictions	
Undesignated	4,819,763
Board designated	<u>44,020,111</u>
Total without donor restrictions	48,839,874
With donor restrictions	
Purpose and time restrictions	<u>13,877,581</u>
Total with donor restrictions	13,877,581
<b>Total Net Assets</b>	<u>62,717,455</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 65,608,655</u></u>

*The accompanying notes are an integral part of these financial statements*

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Contributions	\$ 14,169,240	\$ 7,357,500	\$ 21,526,740
Special events, net	1,005,591	-	1,005,591
Interest income	63,763	-	63,763
Other revenue	82,890	-	82,890
Net assets released from restrictions:			
Satisfaction of program restrictions	1,659,943	(1,659,943)	-
Satisfaction of time restrictions	1,159,112	(1,159,112)	-
<b>Total Revenue and Support</b>	18,140,539	4,538,445	22,678,984
<b>Expenses</b>			
Program services	9,468,981	-	9,468,981
Supporting services	3,526,501	-	3,526,501
<b>Total Expenses</b>	12,995,482	-	12,995,482
<b>Change in Net Assets Before Non-Operating Activities</b>	5,145,057	4,538,445	9,683,502
<b>Non-Operating Activities</b>			
Net investment income	1,093,763	-	1,093,763
<b>Change in Net Assets</b>	6,238,820	4,538,445	10,777,265
<b>Net Assets - Beginning of Year, as Restated</b>	42,601,054	9,339,136	51,940,190
<b>Net Assets - End of Year</b>	\$ 48,839,874	\$ 13,877,581	\$ 62,717,455

*The accompanying notes are an integral part of these financial statements*

**FOOD ALLERGY RESEARCH & EDUCATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services				Management and General	Fundraising	Total Supporting Services	Total
	Research	Advocacy and Education	Shared Awareness and Outreach	Total Programs				
Salaries	\$ 1,286,606	\$ 1,245,732	\$ 859,665	\$ 3,392,003	\$ 570,534	\$ 859,789	\$ 1,430,323	\$ 4,822,326
Payroll taxes	85,002	82,302	56,796	224,100	37,693	56,804	94,497	318,597
Other employee benefits	91,187	88,290	60,928	240,405	40,832	60,937	101,769	342,174
Retirement benefits	44,453	43,040	29,702	117,195	19,712	29,706	49,418	166,613
<b>Total personnel costs</b>	<b>1,507,248</b>	<b>1,459,364</b>	<b>1,007,091</b>	<b>3,973,703</b>	<b>668,771</b>	<b>1,007,236</b>	<b>1,676,007</b>	<b>5,649,710</b>
Professional services	690,357	552,075	232,777	1,475,209	421,178	363,827	785,005	2,260,214
Conferences and events	86,031	494,973	-	581,004	-	794,394	794,394	1,375,398
Publications and promotions	159,686	151,370	561,976	873,032	31,620	98,133	129,753	1,002,785
Research grants	597,092	-	-	597,092	-	-	-	597,092
Restructuring	193,156	103,953	113,157	410,266	41,205	56,588	97,793	508,059
Medical honoraria	424,707	-	-	424,707	-	-	-	424,707
Information technology	55,775	60,456	166,490	282,721	43,257	72,454	115,711	398,432
Occupancy	93,160	90,200	62,246	245,606	41,335	62,255	103,590	349,196
Other	26,333	36,349	47,221	109,903	107,240	108,239	215,479	325,382
Travel	32,713	131,832	15,591	180,136	28,444	93,235	121,679	301,815
Office expense	36,164	64,565	31,335	132,064	14,652	112,454	127,106	259,170
Community grants and awards	-	93,931	30,000	123,931	-	-	-	123,931
Depreciation and amortization	22,608	21,892	15,107	59,607	23,092	15,111	38,203	97,810
<b>Total Expenses</b>	<b>\$ 3,925,030</b>	<b>\$ 3,260,960</b>	<b>\$ 2,282,991</b>	<b>\$ 9,468,981</b>	<b>\$ 1,420,794</b>	<b>\$ 2,783,926</b>	<b>\$ 4,204,720</b>	<b>\$ 13,673,701</b>
Less: Expenses included with revenue in the statement of activities:								
Direct special event expenses	-	-	-	-	-	(678,219)	(678,219)	(678,219)
<b>Total Expenses Reported in the Expense Section in the Statement of Activities</b>	<b>\$ 3,925,030</b>	<b>\$ 3,260,960</b>	<b>\$ 2,282,991</b>	<b>\$ 9,468,981</b>	<b>\$ 1,420,794</b>	<b>\$ 2,105,707</b>	<b>\$ 3,526,501</b>	<b>\$ 12,995,482</b>

*The accompanying notes are an integral part of these financial statements*

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

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### Cash Flows From Operating Activities

Change in net assets	\$ 10,777,265
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in discount on contributions receivable	(13,486)
Provision for doubtful contributions receivable	61,250
Realized loss on investments	118,205
Unrealized gain on investments	(285,715)
Depreciation and amortization	97,810
Amortization of deferred lease benefit	(64,548)
Changes in assets and liabilities:	
Contributions receivable	(630,542)
Other receivables	(46,209)
Prepaid expenses and other assets	(46,557)
Accounts payable and accrued expenses	502,005
Accrued salaries, leave and other benefits	18,804
Grants payable	(1,279,720)
Deferred rent	(29,339)

**Net Cash Provided By Operating Activities** 9,179,223

### Cash Flows From Investing Activities

Acquisition of investments	(46,565,658)
Proceeds from the sale of investments	<u>41,933,920</u>

**Net Cash Used In Investing Activities** (4,631,738)

**Net Increase In Cash and Cash Equivalents** 4,547,485

**Cash and Cash Equivalents - Beginning of Year** 10,406,269

**Cash and Cash Equivalents - End of Year** \$ 14,953,754

*The accompanying notes are an integral part of these financial statements*

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***ORGANIZATION***

Food Allergy Research & Education, Inc. (FARE) is a 501(c)(3) public charity incorporated under the laws of New York. FARE is the nation's leading organization working on behalf of the 32 million Americans who have food allergies, including all those at risk for life-threatening anaphylaxis. FARE's mission is to improve the quality of life and the health of individuals with food allergies and to provide them hope through the promise of new treatments. FARE is a trusted source of information, programs and resources related to food allergy and anaphylaxis and the world's largest private source of funding for food allergy research. FARE's activities are funded primarily through grants and contributions.

#### ***CASH EQUIVALENTS***

FARE considers all money market funds to be cash equivalents except that any such cash equivalents held by external investment managers as part of FARE's designated investment portfolio are classified as investments.

#### ***INVESTMENTS***

Investments consist of a bond mutual fund, equities and cash equivalents considered to be part of FARE's investment portfolio. These investments and cash equivalents are recorded in the accompanying financial statements at their fair value as of December 31<sup>st</sup>.

The change in unrealized appreciation or depreciation of investments is included in net investment income in the accompanying statement of activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in net investment income in the accompanying statement of activities.

#### ***CONTRIBUTIONS AND OTHER RECEIVABLES***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. FARE uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific contributions and other receivables. A provision for doubtful accounts is made when collection of the full amount is no longer probable.



# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION*

Property and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to seven years. Leasehold improvements are amortized over the shorter of the lease period or useful life of the improvements. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. FARE's policy is to capitalize purchases of furniture, equipment and major repairs and improvements of \$5,000 or more. Upon the retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses.

##### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

In accordance with the fair value measurements and disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), FARE has categorized its applicable financial instruments into a required 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 the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

##### Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that FARE has the ability to access. This classification is applied to any investment of FARE that has a readily available quoted market price from an active market where there is significant transparency in the executed/quoted market price.

##### Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability, such as quoted prices for similarly structured securities in active markets.

##### Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)*

As of and for the year ended December 31, 2019, only FARE's investments, as described in Note 4 of these financial statements, were measured at fair value on a recurring basis.

##### *CLASSIFICATION OF NET ASSETS*

The net assets of FARE are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of FARE's operations or that have been designated by the Board for a particular purpose.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors for various programs or future periods.

##### *REVENUE RECOGNITION*

Contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made. FARE reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets as increases in net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

FARE considers its special events to be incidental to its operations and fundraising program. As such, FARE has elected to report its special event revenue net of direct special event costs in the accompanying statement of activities.

##### *FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Certain expenses have been directly applied to functions based upon the nature of the expense. Other expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits have been allocated on the basis of time and effort. Other indirect costs have been allocated based on the salaries and benefits allocation.

##### *ESTIMATES*

The preparation 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *MEASURE OF OPERATIONS*

FARE considers its net investment income, exclusive of the interest income earned on its cash and cash equivalents not considered part of its investment portfolio, to be non-operating in nature.

### NOTE 2 – DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES

The following programs and supporting services of FARE are included in the accompanying financial statements:

#### Research

FARE is committed to supporting food allergy research progress in a number of ways. The cornerstone of these efforts was the launch of the FARE Clinical Network (FCN) in 2015. The FCN sites are changing the face of food allergy research by raising the quality of care for food allergic patients nationwide by reducing discrepancies in care among providers and by making comprehensive care available for all patients with food allergies. FCN sites are helping parents, caregivers and patients identify centers that provide clinical and sub-specialty food allergy services of the highest quality and that are leaders in rapidly applying new evidence-based knowledge.

Additionally, FCN centers are accelerating drug development for food allergy by enhancing infrastructure and capabilities to perform crucial late stage trials and providing the basis for a national food allergy patient registry and bio-repositories.

FARE is also committed to markedly increasing the number of investigators in the field through the FARE Investigator in Food Allergy Award Program. This program is divided into New Investigator Awards and Mid-Career Awards. FARE also supports established researchers through funding basic, clinical and epidemiological research at a number of sites across the country.

#### Advocacy and Education

These activities cover a broad range of activities in support of FARE's mission including, but not limited to, national educational conferences, printed and online educational materials, the Community Outreach Awards program and Leaders Summit programs, free educational information disseminated through FARE's website and blogs, monthly webinar series on a variety of topics related to food allergy management, and FARE's college program efforts towards creating and training on best practices for identifying and serving the needs of students with food allergies in every aspect of student life. FARE's advocacy and education efforts include both digital and live campaigns, trainings, materials and other communication vehicles to educate and build awareness among relevant stakeholders of the severity of food allergies and appropriate policy accommodations. FARE also convenes food allergy experts, physicians, educators, policymakers, community leaders, patients, caregivers and advocates to support various mission efforts.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### NOTE 2 – DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES (CONTINUED)

##### Shared Awareness and Outreach

These activities encompass a wide range of efforts including, but not limited to, executing national awareness campaigns to raise the profile of food allergy; distributing external communications including a bi-monthly e-newsletter and a quarterly research newsletter; maintenance and content writing for FARE's digital properties including its website and blogs, media outreach, marketing and promotion, monitoring services and other technology infrastructure support.

##### Management and General

Management and general includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of FARE's program strategy, and manage the financial and budgetary responsibilities of FARE.

##### Fundraising

Fundraising activities include FARE's efforts to solicit contributions from individuals, foundations, corporations and others.

#### NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As of December 31, 2019, financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, were as follows:

Cash and cash equivalents	\$ 14,953,754
Investments	42,296,825
Contributions receivable, net, due within one year	3,780,098
Other receivables	<u>96,923</u>
Total financial assets available within one year	61,127,600
Less: Amounts unavailable for general expenditures within one year due to donor restrictions (purpose or time restrictions)	<u>(12,767,269)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 48,360,331</u>

As outlined in Note 8 to these financial statements, FARE's Board of Directors has designated a portion of its resources totaling \$44,020,111 as of December 31, 2019 to be set aside as a reserve fund. However, these funds are liquid and remain available to be spent at the discretion of the Board and are therefore included in the total of financial assets available within one year above.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE 4 - INVESTMENTS

FARE has used the following fair value measurements as of December 31, 2019:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond mutual fund	\$ 40,145,921	\$ 40,145,921	\$ -	\$ -
Equities	538	538	-	-
Cash equivalents	<u>2,150,366</u>	<u>2,150,366</u>	-	-
Total investments carried at fair value	<u>\$ 42,296,825</u>	<u>\$ 42,296,825</u>	<u>\$ -</u>	<u>\$ -</u>

The mutual fund and equities held by FARE as of December 31, 2019 are listed on major securities exchanges with readily obtainable trading values and have been classified as “level 1” by FARE. Cash equivalents are classified as “level 1” based upon the availability of quotes for identical assets.

Investment returns for the year ended December 31, 2019 are summarized as follows:

Interest and dividends	\$ 1,047,810
Unrealized gains	285,715
Realized losses	<u>(118,205)</u>
Total investment returns	1,215,320
Investment management fees	<u>(57,794)</u>
Net investment income	<u>\$ 1,157,526</u>

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### NOTE 5 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2019, contributions receivable consisted of the following:

Due in less than one year	\$ 3,841,348
Due in one to five years	<u>4,000,000</u>
Total	7,841,348
Less: Present value discount	( 129,987)
Less: Allowance for doubtful accounts	( <u>61,250</u> )
Contributions receivable, net	<u>\$ 7,650,111</u>

An average discount rate of 2.5% was used to determine the net present value factor.

#### NOTE 6 - PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION AND AMORTIZATION

FARE held the following property and equipment as of December 31, 2019:

Leasehold improvements	\$ 394,727
Office furniture and equipment	167,636
Software	<u>13,530</u>
Total	575,893
Less: Accumulated depreciation and amortization	( <u>288,347</u> )
Net property and equipment	<u>\$ 287,546</u>

#### NOTE 7 - GRANTS PAYABLE

FARE awards grants for research to universities and hospital systems. As of December 31, 2019, FARE had unconditionally promised to give \$1,469,635 in grants which are due to be paid as follows:

Due in less than one year	\$ 926,484
Due in one to five years	<u>559,084</u>
Total	1,485,568
Less: Present value discount	( <u>15,933</u> )
Grants payable, net	<u>\$ 1,469,635</u>

An average discount rate of 2.5% was used to determine the net present value factor.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### NOTE 8 - NET ASSETS

##### Net Assets Without Donor Restrictions - Board Designated Net Assets

The Board of Directors of FARE has designated a portion of net assets without donor restrictions as a reserve fund. The board designated net asset balance at December 31, 2019 was \$44,020,111.

##### Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted to the following purposes or time periods as of December 31, 2019:

Research	\$ 9,607,755
Education	2,104,514
Advocacy	105,000
General purposes for future years:	
Year ending December 31, 2020	1,110,312
Year ending December 31, 2021	450,000
Year ending December 31, 2022	400,000
Year ending December 31, 2023	<u>100,000</u>
Total net assets with donor restrictions	<u>\$ 13,877,581</u>

#### Note 9 - COMMITMENTS, RISKS AND CONTINGENCIES

##### Operating Lease

In September 2017, FARE entered into an operating lease agreement for its current office space headquarters in McLean, VA. The lease commenced June 1, 2018 and expires November 30, 2023. FARE also had an operating lease for office space in New York, NY which commenced September 1, 2010. Subsequent to year-end, in August 2020, this lease expired and was not renewed. During the year ended December 31, 2019, FARE also had a lease for office space in Skokie, IL which renewed on a month to month basis.

The Virginia and New York office leases contain fixed escalation clauses for increases in the annual minimum rent over the term of the lease. The Virginia office lease provided for rent abatement for the first six months of the lease term and the New York office lease provided for rent abatement for the first five months of the lease term. Additionally, the Virginia office lease included an allowance of approximately \$355,000 as an incentive to enter into the lease.

Under accounting principles generally accepted in the United States of America, all fixed rent increases, rent abatements and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying statement of financial position.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### Note 9 - COMMITMENTS, RISKS AND CONTINGENCIES (CONTINUED)

##### Operating Lease (continued)

Rent expense under these leases for the year ended December 31, 2019, exclusive of pass-through operating costs, was approximately \$300,000 and is included in occupancy expense in the accompanying statement of functional expenses.

As of December 31, 2019, total future minimum lease payments required under FARE's operating leases for its office space are as follows:

<u>For the Years Ending</u> <u>December 31,</u>	<u>Total</u>
2020	\$ 343,012
2021	245,026
2022	251,771
2023	<u>237,152</u>
Total future minimum lease payments	<u>\$ 1,076,961</u>

##### Concentration of Credit Risk

FARE's cash is comprised of amounts in accounts at various financial institutions. While the amount at times exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, FARE has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2019, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor, per financial institution, up to \$250,000. The amount held by FARE in excess of the FDIC insured limit was \$14,207,081 as of December 31, 2019.

#### NOTE 10 – RETIREMENT SAVINGS PLAN

Effective January 1, 1998, FARE adopted a defined contribution plan under Section 401(k) of the Internal Revenue Code. Employees are eligible to participate in the plan immediately upon their hire and may elect to contribute up to the Federal tax limitations. Employer contributions under the plan are equal to 4% of an eligible participant's compensation. Additional employer discretionary contributions are permitted.

Employees are immediately vested in the full value of their accounts, including employer contributions. The plan includes a provision allowing loans from the plan.

Retirement plan expense for the year ended December 31, 2019 was \$166,613 and is included in retirement benefits in the accompanying statement of functional expenses.



# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

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#### NOTE 11 – JOINT COSTS

During the year ended December 31, 2019, FARE incurred joint costs of approximately \$1 million from activities including events and digital and print communications that included both educational and fundraising appeals. Of those costs, approximately \$130,000 was allocated to fundraising, \$50,000 was allocated to management and general, \$675,000 was allocated to the Shared Awareness and Outreach program and \$175,000 was allocated to the Advocacy and Education program.

#### NOTE 12 - INCOME TAXES

FARE is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on income other than net unrelated business income. There was no provision for income tax for FARE for the year ended December 31, 2019 as FARE had no unrelated business income.

FARE reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income tax. For the year ended December 31, 2019, management did not identify any uncertainty in income tax requiring recognition or disclosure in these financial statements.

FARE's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

#### NOTE 13 – RESTATEMENT OF OPENING NET ASSET CLASSIFICATIONS

During the year ended December 31, 2019, FARE restated the components of its net asset balances as of December 31, 2018 to correct for errors in reporting the release from donor restrictions in prior years as well as various classification errors. Donor restricted net assets had in certain instances been released and reclassified as net assets without donor restrictions on the cash basis of expenses rather than the accrual basis. The total net assets with donor restrictions was decreased by \$1,802,003 and the total net assets without donor restrictions was increased by \$1,802,003. There was no impact on the total net assets as of December 31, 2018 or the change in net assets for the year ended December 31, 2018 as previously reported.

# **FOOD ALLERGY RESEARCH & EDUCATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2019**

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#### **NOTE 14 - SUBSEQUENT EVENTS**

FARE's management has evaluated subsequent events through October 26, 2020, the date the financial statements were available to be issued. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. The pandemic has caused business disruption through mandated and voluntary closings of businesses for non-essential services and triggered volatility in financial markets and a significant negative impact on the global economy. FARE's management has concluded that while it is reasonably possible that COVID-19 could have a negative impact on FARE's results of operations, the specific impact is not readily determinable. However, there are no comparable recent events which may provide guidance as to the effect of the spread of the pandemic and, as a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

There were no other subsequent events identified through October 26, 2020 required to be disclosed in these financial statements.