



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)**

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

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## 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, 2020, 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, 2020, 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.

## **Report on Summarized Comparative Information**

We have previously audited FARE's December 31, 2019 financial statements, and our report dated October 26, 2020, expressed an unmodified audit opinion on these statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
July 13, 2021

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2019)

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 18,951,327	\$ 14,953,754
Investments	34,972,668	42,296,825
Contributions receivable, net	7,502,300	7,650,111
Other receivables	149,299	96,923
Prepaid expenses and other assets	99,763	323,496
Property and equipment, net	209,097	287,546
<b>Total Assets</b>	<u>\$ 61,884,454</u>	<u>\$ 65,608,655</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 499,101	\$ 913,934
Accrued salaries, leave and other benefits	192,017	144,281
Grants payable	1,079,111	1,469,635
Deferred rent and lease incentives	272,273	363,350
<b>Total Liabilities</b>	<u>2,042,502</u>	<u>2,891,200</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	2,976,836	4,819,763
Board designated	40,778,254	44,020,111
Total without donor restrictions	<u>43,755,090</u>	<u>48,839,874</u>
With donor restrictions		
Purpose and time restrictions	16,086,862	13,877,581
Total with donor restrictions	<u>16,086,862</u>	<u>13,877,581</u>
<b>Total Net Assets</b>	<u>59,841,952</u>	<u>62,717,455</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 61,884,454</u>	<u>\$ 65,608,655</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, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>Revenue and Support</b>				
Contributions	\$ 9,408,566	\$ 7,917,932	\$ 17,326,498	\$ 21,526,740
Government grants	808,932	--	808,932	--
Program service fees	413,072	--	413,072	--
Special events, net	218,319	98,182	316,501	1,005,591
Other revenue	93,502	--	93,502	82,890
Interest income	10,242	--	10,242	63,763
Net assets released from restrictions:				
Satisfaction of program restrictions	4,702,610	(4,702,610)	--	--
Satisfaction of time restrictions	1,104,223	(1,104,223)	--	--
<b>Total Revenue and Support</b>	<u>16,759,466</u>	<u>2,209,281</u>	<u>18,968,747</u>	<u>22,678,984</u>
<b>Expenses</b>				
Program services	17,918,336	--	17,918,336	9,468,981
Supporting services	3,620,018	--	3,620,018	3,526,501
<b>Total Expenses</b>	<u>21,538,354</u>	<u>--</u>	<u>21,538,354</u>	<u>12,995,482</u>
<b>Change in Net Assets Before Non-Operating Activities</b>	(4,778,888)	2,209,281	(2,569,607)	9,683,502
<b>Non-Operating Activities</b>				
Net investment (loss) income	(305,896)	--	(305,896)	1,093,763
<b>Change in Net Assets</b>	(5,084,784)	2,209,281	(2,875,503)	10,777,265
<b>Net Assets – Beginning of Year</b>	<u>48,839,874</u>	<u>13,877,581</u>	<u>62,717,455</u>	<u>51,940,190</u>
<b>Net Assets – End of Year</b>	<u>\$ 43,755,090</u>	<u>\$ 16,086,862</u>	<u>\$ 59,841,952</u>	<u>\$ 62,717,455</u>

*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, 2020**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)**

	Program Services				Supporting Services				2020 Total	2019 Total
	Research	Advocacy and Education	Shared Awareness and Outreach	Total Programs	Management and General	Fundraising	Total Supporting Services			
Salaries	\$ 1,541,878	\$ 1,426,376	\$ 1,866,481	\$ 4,834,735	\$ 918,072	\$ 946,248	\$ 1,864,320	\$ 6,699,055	\$ 4,822,326	
Payroll taxes	90,625	94,069	128,243	312,937	69,055	53,583	122,638	435,575	318,597	
Other employee benefits	121,707	131,701	172,702	426,110	80,182	81,903	162,085	588,195	342,174	
Retirement benefits	58,538	52,676	72,531	183,765	36,698	35,297	71,995	255,760	166,613	
Total personnel costs	1,812,768	1,704,822	2,239,957	5,757,547	1,104,007	1,117,031	2,221,038	7,978,585	5,649,710	
Research grants	7,754,305	149,239	30,000	7,933,544	--	--	--	7,933,544	721,023	
Conferences, events and travel	109,662	650,952	10,746	771,360	9,080	224,647	233,727	1,005,087	1,677,213	
Other professional services	77,758	259,319	194,768	531,845	186,616	264,184	450,800	982,645	1,701,438	
Clinical studies and patient registry	670,695	--	--	670,695	--	--	--	670,695	303,062	
Advertising and promotions	10,000	221,176	155,752	386,928	104,865	156,343	261,208	648,136	507,953	
Educational training and publications	20,698	421,705	40,480	482,883	--	15,384	15,384	498,267	494,832	
Medical honoraria	494,697	--	--	494,697	--	--	--	494,697	424,707	
Information technology	153,049	65,156	109,969	328,174	34,397	100,780	135,177	463,351	398,432	
Office, insurance and other	32,882	63,637	52,914	149,433	102,800	109,874	212,674	362,107	522,052	
Occupancy	85,246	62,515	56,831	204,592	56,832	22,733	79,565	284,157	349,196	
Legal and audit fees	80,735	34,969	44,201	159,905	100,805	20,766	121,571	281,476	255,714	
Depreciation and amortization	19,472	14,280	12,981	46,733	12,980	18,736	31,716	78,449	97,810	
Bad debt	--	--	--	--	32,315	--	32,315	32,315	62,500	
Restructuring	--	--	--	--	--	--	--	--	508,059	
<b>Total Expenses</b>	<b>\$ 11,321,967</b>	<b>\$ 3,647,770</b>	<b>\$ 2,948,599</b>	<b>\$ 17,918,336</b>	<b>\$ 1,744,697</b>	<b>\$ 2,050,478</b>	<b>\$ 3,795,175</b>	<b>\$ 21,713,511</b>	<b>\$ 13,673,701</b>	
Less: Expenses included with revenue in the statement of activities:	--	--	--	--	--	(175,157)	(175,157)	(175,157)	(678,219)	
Direct special event expenses	--	--	--	--	--	--	--	--	--	
<b>Total Expenses Reported in the Expense Section in the Statement of Activities</b>	<b>\$ 11,321,967</b>	<b>\$ 3,647,770</b>	<b>\$ 2,948,599</b>	<b>\$ 17,918,336</b>	<b>\$ 1,744,697</b>	<b>\$ 1,875,321</b>	<b>\$ 3,620,018</b>	<b>\$ 21,538,354</b>	<b>\$ 12,995,482</b>	

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

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (2,875,503)	\$ 10,777,265
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in discount on contributions receivable	(73,685)	(13,486)
Provision for doubtful contributions receivable	(51,250)	61,250
Realized loss on investments	468,501	118,205
Unrealized loss (gain) on investments	44,188	(285,715)
Depreciation and amortization	78,449	97,810
Change in discount on grants payable	(12,368)	15,933
Amortization of deferred lease benefit	(64,549)	(64,548)
Changes in assets and liabilities:		
Contributions receivable	272,746	(630,542)
Other receivables	(52,376)	(46,209)
Prepaid expenses and other assets	223,733	(46,557)
Accounts payable and accrued expenses	(414,833)	502,005
Accrued salaries, leave and other benefits	47,736	18,804
Grants payable	(378,156)	(1,295,653)
Deferred rent	(26,528)	(29,339)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(2,813,895)</b>	<b>9,179,223</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(41,951,192)	(44,730,147)
Proceeds from the sale of investments	48,619,639	41,933,920
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>6,668,447</b>	<b>(2,796,227)</b>
<b>Net Increase In Cash and Cash Equivalents</b>	<b>3,854,552</b>	<b>6,382,996</b>
<b>Cash and Cash Equivalents – Beginning of Year</b>	<b>17,104,120</b>	<b>10,721,124</b>
<b>Cash and Cash Equivalents – End of Year</b>	<b>\$ 20,958,672</b>	<b>\$ 17,104,120</b>
<b>Cash and Cash Equivalents Reported on the Statement of Financial Position</b>		
Cash and cash equivalents	\$ 18,951,327	\$ 14,953,754
Cash and cash equivalents within investments	2,007,345	2,150,366
<b>Total Cash and Cash Equivalents</b>	<b>\$ 20,958,672</b>	<b>\$ 17,104,120</b>

*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, 2020

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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 AND CASH EQUIVALENTS***

FARE considers all money market funds to be cash equivalents except that any such cash and 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.

#### ***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.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

#### *PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION (CONTINUED)*

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 MEASUREMENT*

In accordance with accounting principles generally accepted in the United States of America (GAAP), applicable financial assets and liabilities are categorized based on inputs to 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.

##### 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.

As of and for the year ended December 31, 2020, 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*

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.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

#### *REVENUE RECOGNITION*

Contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. 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.

FARE received a government grant under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) that was conditional upon the incurrence of qualifying expenditures. The amounts are reported as revenue and support when the conditions are met.

Program services fees consists of patient registry fees and educational course. FARE recognizes the fees at the point in time in which the services are provided. Amounts earned but not received as of year-end are included in other receivables in the accompanying statement of financial position.

#### *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 GAAP 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, 2020

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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 driving innovation and advancing breakthroughs in food allergy diagnosis and treatment. FARE provides grants for foundational research that aim to transform the field of food allergy science leading to new therapies and cures. FARE has partnered with major medical centers at research universities to directly fund large scale, multi-million dollar and multi-year clinical studies and trials. These research studies are key steps in the approval of new therapies by the US Food and Drug Administrations (FDA). Major research study grants provided by FARE includes; oral immunotherapy (OIT) which introduces increasing amounts of an allergen, such as peanuts, to allergic individuals with the goal of increasing the threshold triggering a reaction; the FAITH challenge, a multi-million dollar competition designed to promote the development of food allergy diagnosis tools; the Gut-Brain study which maps the interplay of the brain, the gut and the immune system, which scientists expect will lead to therapies in food allergies.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

#### 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.

#### 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.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

As of December 31, 2020, 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	\$ 18,951,327
Investments	34,972,668
Contributions receivable, net, due within one year	5,703,602
Other receivables	<u>149,299</u>
Total financial assets available within one year	59,776,896
Less: Amounts unavailable for general expenditures within one year due to donor restrictions (purpose or time restrictions)	<u>(14,231,862)</u>
<b>Total financial assets available to meet general expenditures within one year</b>	<b><u>\$ 45,545,034</u></b>

As outlined in Note 8 to these financial statements, FARE's Board of Directors has designated a portion of its resources totaling \$40,778,254 as of December 31, 2020 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.

### NOTE 4 - INVESTMENTS AND FAIR VALUE

FARE has used the following fair value measurements as of December 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond mutual fund	\$ 32,964,860	\$ 32,964,860	\$ --	\$ --
Equities	<u>463</u>	<u>463</u>	<u>--</u>	<u>--</u>
<b>Total investments carried at fair value</b>	32,965,323	<u>\$ 32,965,323</u>	<u>\$ --</u>	<u>\$ --</u>
Cash equivalents	<u>2,007,345</u>			
<b>Total investments</b>	<u>\$ 34,972,668</u>			

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### NOTE 4 - INVESTMENTS AND FAIR VALUE (CONTINUED)

The mutual fund and equities held by FARE as of December 31, 2020 are listed on major securities exchanges with readily obtainable trading values and have been classified as “level 1” by FARE.

Investment returns for the year ended December 31, 2020 are summarized as follows:

Interest and dividends, net	\$ 206,793
Unrealized losses	(44,188)
Realized losses	<u>(468,501)</u>
<b>Net investment loss</b>	<b><u>\$ (305,896)</u></b>

### NOTE 5 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2020, contributions receivable consisted of the following:

Due in less than one year	\$ 5,713,602
Due in one to five years	<u>1,855,000</u>
Total	7,568,602
Less: Present value discount (1.21% - 2.5%)	(56,302)
Less: Allowance for doubtful accounts	<u>(10,000)</u>
<b>Contributions receivable, net</b>	<b><u>\$ 7,502,300</u></b>

During the year ended December 31, 2020, FARE had conditional grants totaling \$15,458,932, which require certain milestones and/or the incurrence of other condition to be met prior to revenue recognition. During the year ended December 31, 2020, FARE recognized \$6,142,266, including \$808,932 under the SBA’s PPP as all conditions were met. FARE has applied for forgiveness and received full forgiveness from the SBA on February 13, 2021. As of December 31, 2020, FARE had not yet recognized \$8,816,666 under these awards as the qualifying milestones and/or conditions had not been met.

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

FARE held the following property and equipment as of December 31, 2020:

Leasehold improvements	\$ 356,979
Office furniture and equipment	<u>134,509</u>
Total	491,488
Less: Accumulated depreciation and amortization	<u>(282,391)</u>
<b>Property and equipment, net</b>	<b><u>\$ 209,097</u></b>

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### NOTE 7 - GRANTS PAYABLE

FARE awards grants for research to universities and hospital systems. As of December 31, 2020, FARE had unconditionally promised to give which are due to be paid as follows:

Due in less than one year	\$ 932,676
Due in one to five years	<u>150,000</u>
Total	1,082,676
Less: Present value discount (1.21 %)	<u>(3,565)</u>
<b>Grants payable, net</b>	<b><u>\$ 1,079,111</u></b>

During the year ended December 31, 2020, FARE made conditional promises to pay totaling \$16,000,000, which required certain milestones and/or other conditions to meet prior to being paid. During the year ended December 31, 2020, FARE recognized \$5,650,000 in expenses under these grants. As of December 31, 2020, FARE had yet to recognize \$10,350,000 in expense as the milestones and/or other conditions had not yet been met.

### 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, 2020 was \$40,778,254.

#### Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted to the following purposes or time periods as of December 31, 2020:

Research	\$ 7,422,144
Education	1,890,347
Research & Advocacy	3,243,280
General purposes for future years:	
Year ending December 31, 2020	2,276,091
Year ending December 31, 2021	705,000
Year ending December 31, 2022	350,000
Year ending December 31, 2023	<u>200,000</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 16,086,862</u></b>



# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 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. In August 2020, this lease expired and was not renewed. During the year ended December 31, 2020, 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 GAAP, 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.

Rent expense under these leases for the year ended December 31, 2020, exclusive of pass-through operating costs, was approximately \$256,000 and is included in occupancy expense in the accompanying statement of functional expenses.

As of December 31, 2020, total future minimum lease payments required under FARE's operating leases for its office space are as follows:

<u>For the Years Ending December 31,</u>	<u>Total</u>
2021	\$ 245,026
2022	251,771
2023	<u>237,152</u>
<b>Total future minimum lease payments</b>	<b><u>\$ 733,949</u></b>

#### 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

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

#### Concentration of Credit Risk (continued)

31, 2020, 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 approximately \$20,459,000 as of December 31, 2020.

#### Risks and Uncertainties

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.

### **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, 2020 was \$255,760 and is included in retirement benefits in the accompanying statement of functional expenses.

### **NOTE 11 - JOINT COSTS**

During the year ended December 31, 2020, FARE incurred joint costs of approximately \$578,000 from activities including events and digital and print communications that included both educational and fundraising appeals. Of those costs, approximately \$156,000 was allocated to fundraising, \$105,000 was allocated to management and general, \$108,000 was allocated to the Shared Awareness and Outreach program and \$209,000 was allocated to the Advocacy and Education program.

# FOOD ALLERGY RESEARCH & EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 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, 2020 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, 2020, 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 - RECLASSIFICATIONS

Certain 2019 amounts have been reclassified to conform with the 2020 financial statement presentations.

### NOTE 14 - PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The accompanying 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 GAAP. Accordingly, such information should be read in conjunction with FARE's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

### NOTE 15 - SUBSEQUENT EVENTS

FARE's management has evaluated subsequent events through July 13, 2021, the date the financial statements were available to be issued. Aside from the matter in Note 5, there were no additional subsequent events identified through July 13, 2021, required to be disclosed in these financial statements.