



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

FOOD ALLERGY RESEARCH & EDUCATION, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Food Allergy Research & Education, Inc. (FARE), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FARE as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FARE and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FARE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FARE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FARE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited FARE's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
June 20, 2022

FOOD ALLERGY RESEARCH & EDUCATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

	2021	2020
Assets		
Cash and cash equivalents	\$ 9,892,876	\$ 18,951,327
Investments	33,560,253	34,972,668
Contributions receivable, net	5,573,112	7,502,300
Other receivables	107,290	149,299
Prepaid expenses and other assets	220,085	99,763
Property and equipment, net	<u>386,727</u>	<u>209,097</u>
Total Assets	<u>\$ 49,740,343</u>	<u>\$ 61,884,454</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,071,127	\$ 499,101
Accrued salaries, leave and other benefits	212,531	192,017
Grants payable	863,986	1,079,111
Deferred rent and lease incentives	<u>185,373</u>	<u>272,273</u>
Total Liabilities	<u>2,333,017</u>	<u>2,042,502</u>
Net Assets		
Without donor restrictions		
Undesignated	1,004,957	2,976,836
Board designated	<u>33,751,444</u>	<u>40,778,254</u>
Total without donor restrictions	34,756,401	43,755,090
With donor restrictions		
Purpose and time restrictions	<u>12,650,925</u>	<u>16,086,862</u>
Total with donor restrictions	12,650,925	16,086,862
Total Net Assets	<u>47,407,326</u>	<u>59,841,952</u>
Total Liabilities and Net Assets	<u>\$ 49,740,343</u>	<u>\$ 61,884,454</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, 2021

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

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenue and Support				
Contributions	\$ 7,082,946	\$ 4,706,687	\$ 11,789,633	\$ 17,326,498
Government grants	--	--	--	808,932
Program service fees	131,916	--	131,916	413,072
Special events, net	11,113	--	11,113	316,501
Other revenue	8,546	--	8,546	93,502
Interest income	2,818	--	2,818	10,242
Net assets released from restrictions:				
Satisfaction of program restrictions	5,881,533	(5,881,533)	--	--
Satisfaction of time restrictions	2,261,091	(2,261,091)	--	--
Total Revenue and Support	<u>15,379,963</u>	<u>(3,435,937)</u>	<u>11,944,026</u>	<u>18,968,747</u>
Expenses				
Program services	17,301,881	--	17,301,881	17,918,336
Supporting services	7,079,932	--	7,079,932	3,620,018
Total Expenses	<u>24,381,813</u>	<u>--</u>	<u>24,381,813</u>	<u>21,538,354</u>
Change in Net Assets Before Non-Operating Activities	(9,001,850)	(3,435,937)	(12,437,787)	(2,569,607)
Non-Operating Activities				
Net investment (loss) income	3,161	--	3,161	(305,896)
Change in Net Assets	(8,998,689)	(3,435,937)	(12,434,626)	(2,875,503)
Net Assets – Beginning of Year	<u>43,755,090</u>	<u>16,086,862</u>	<u>59,841,952</u>	<u>62,717,455</u>
Net Assets – End of Year	<u>\$ 34,756,401</u>	<u>\$ 12,650,925</u>	<u>\$ 47,407,326</u>	<u>\$ 59,841,952</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, 2021

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

	Program Services			Supporting Services			2021 Total	2020 Total	
	Research	Advocacy and Education	Shared Awareness and Outreach	Total Programs	Management and General	Fundraising			Total Supporting Services
Salaries	\$ 1,687,991	\$ 1,534,758	\$ 1,882,694	\$ 5,105,443	\$ 1,219,231	\$ 2,749,945	\$ 3,969,176	\$ 9,074,619	\$ 6,699,055
Other employee benefits	153,672	155,887	186,388	495,947	122,320	291,716	414,036	909,983	588,195
Payroll taxes	125,599	107,689	131,789	365,077	77,713	165,678	243,391	608,468	435,575
Retirement benefits	67,520	58,990	65,894	192,404	46,576	90,873	137,449	329,853	255,760
Total personnel costs	2,034,782	1,857,324	2,266,765	6,158,871	1,465,840	3,298,212	4,764,052	10,922,923	7,978,585
Research grants	6,935,122	227,730	--	7,162,852	--	--	--	7,162,852	7,933,544
Other professional services	263,327	298,098	411,028	972,453	213,678	353,794	567,472	1,539,925	982,645
Advertising and promotions	--	236,830	313,481	550,311	570,830	280,424	851,254	1,401,565	648,136
Clinical studies and patient registry	528,605	--	--	528,605	--	--	--	528,605	670,695
Information technology	30,386	52,284	177,553	260,223	68,893	133,136	202,029	462,252	463,351
Legal and audit fees	83,965	30,099	6,528	120,592	309,347	25,564	334,911	455,503	281,476
Medical honoraria	447,150	--	--	447,150	--	--	--	447,150	494,697
Educational training and publications	28,072	117,299	287,335	432,706	--	--	--	432,706	498,267
Conferences, events and travel	93,742	195,780	24,703	314,225	25,338	25,096	50,434	364,659	1,005,087
Office, insurance and other	63,833	40,622	54,501	158,956	39,599	114,416	154,015	312,971	362,107
Occupancy	50,987	46,517	56,772	154,276	36,712	82,605	119,317	273,593	284,157
Depreciation, amortization and bad debt	13,438	12,260	14,963	40,661	14,676	21,772	36,448	77,109	110,764
Total Expenses	10,573,409	3,114,843	3,613,629	17,301,881	2,744,913	4,335,019	7,079,932	24,381,813	21,713,511
Less: Expenses included with revenue in the statement of activities:									
Direct special event expenses	--	--	--	--	--	--	--	--	(175,157)
Total Expenses Reported in the Expense Section in the Statement of Activities	\$ 10,573,409	\$ 3,114,843	\$ 3,613,629	\$ 17,301,881	\$ 2,744,913	\$ 4,335,019	\$ 7,079,932	\$ 24,381,813	\$ 21,538,354

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, 2021

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

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ (12,434,626)	\$ (2,875,503)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in discount on contributions receivable	2,529	(73,685)
Provision for doubtful contributions receivable	5,000	(51,250)
Realized loss on investments	(888)	468,501
Unrealized loss (gain) on investments	--	44,188
Depreciation and amortization	72,110	78,449
Change in discount on grants payable	(3,565)	(12,368)
Amortization of deferred lease benefit	(64,549)	(64,549)
Changes in assets and liabilities:		
Contributions receivable	1,921,659	272,746
Other receivables	42,009	(52,376)
Prepaid expenses and other assets	(120,322)	223,733
Accounts payable and accrued expenses	572,026	(414,833)
Accrued salaries, leave and other benefits	20,514	47,736
Grants payable	(211,560)	(378,156)
Deferred rent	(22,351)	(26,528)
Net Cash Used In Operating Activities	(10,222,014)	(2,813,895)
Cash Flows From Investing Activities		
Purchases of property and equipment	(249,740)	--
Purchases of investments	(792)	(41,951,192)
Proceeds from the sale of investments	1,666,667	48,619,639
Net Cash Provided By Investing Activities	1,416,135	6,668,447
Net Increase (Decrease) In Cash and Cash Equivalents	(8,805,879)	3,854,552
Cash and Cash Equivalents – Beginning of Year	20,958,672	17,104,120
Cash and Cash Equivalents – End of Year	\$ 12,152,793	\$ 20,958,672
Cash and Cash Equivalents Reported on the Statement of Financial Position		
Cash and cash equivalents	\$ 9,892,876	\$ 18,951,327
Cash and cash equivalents within investments	2,259,917	2,007,345
Total Cash and Cash Equivalents	\$ 12,152,793	\$ 20,958,672

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, 2021

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 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 31st.

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, 2021

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. Software costs incurred during the development phase are capitalized as incurred and software purchases off-the-shelf are capitalized at cost and amortized over 5 year. On-going costs related to maintenance and training are expensed as incurred. 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, 2021, 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, 2021

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.

Program services fees consists of patient registry fees and educational courses. 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.

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.

FOOD ALLERGY RESEARCH & EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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 U.S. Food and Drug Administration (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.

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

FOOD ALLERGY RESEARCH & EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Advocacy and Education (continued)

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.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As of December 31, 2021, 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	\$ 9,892,876
Investments	33,560,253
Contributions receivable, net, due within one year	3,401,943
Other receivables	<u>107,290</u>
Total financial assets available within one year	46,962,362
Less: Amounts unavailable for general expenditures within one year due to donor restrictions (purpose or time restrictions)	<u>(10,395,925)</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 36,566,437</u>

FOOD ALLERGY RESEARCH & EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

As outlined in Note 8 to these financial statements, FARE's Board of Directors has designated a portion of its resources totaling \$33,751,444 as of December 31, 2021 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, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond mutual fund	\$ 31,300,336	\$ 31,300,336	\$ --	\$ --
Total investments carried at fair value	31,300,336	<u>\$ 31,300,336</u>	<u>\$ --</u>	<u>\$ --</u>
Cash equivalents	<u>2,259,917</u>			
Total Investments	<u>\$ 33,560,253</u>			

The mutual fund held by FARE as of December 31, 2021 is 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, 2021 are summarized as follows:

Interest and dividends, net	\$ 2,273
Realized gains	<u>888</u>
Net Investment Income	<u>\$ 3,161</u>

NOTE 5 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2021, contributions receivable consisted of the following:

Due in less than one year	\$ 3,416,943
Due in one to five years	<u>2,229,999</u>
Total	5,646,942
Less: Present value discount (1.82%)	(58,830)
Less: Allowance for doubtful accounts	<u>(15,000)</u>
Contributions Receivable, Net	<u>\$ 5,573,112</u>

FOOD ALLERGY RESEARCH & EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

During the year ended December 31, 2021, FARE had conditional grants totaling \$13,000,000, which require certain milestones and/or the incurrence of other condition to be met prior to revenue recognition. During the year ended December 31, 2021, FARE recognized \$4,333,333 under these grants. As of December 31, 2021, FARE had not yet recognized \$4,333,333 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, 2021:

Leasehold improvements	\$ 356,979
Mobile application	227,740
Office furniture and equipment	134,509
Software	<u>22,000</u>
Total	741,228
Less: Accumulated depreciation and amortization	<u>(354,501)</u>
Property and Equipment, Net	<u>\$ 386,727</u>

Depreciation expense totaled \$72,110 for the year ended December 31, 2021.

NOTE 7 - GRANTS PAYABLE

FARE awards grants for research to universities and hospital systems. As of December 31, 2021, all of FARE's unconditional promises to give were due within one year.

During the year ended December 31, 2021, FARE had conditional promises to pay totaling \$21,000,000, which required certain milestones and/or other conditions to meet prior to being paid. During the year ended December 31, 2021, FARE recognized \$5,800,000 in expenses under these grants. As of December 31, 2021, FARE had yet to recognize \$9,050,000 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, 2021, was \$33,751,444.

FOOD ALLERGY RESEARCH & EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted to the following purposes or time periods as of December 31, 2021:

Research	\$ 5,817,529
Education	2,066,047
Research & Advocacy	2,512,349
General purposes for future years:	
Year ending December 31, 2022	1,038,334
Year ending December 31, 2023	683,333
Year ending December 31, 2024	<u>533,333</u>
Total Net Assets With Donor Restrictions	<u>\$ 12,650,925</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. During the year ended December 31, 2021, FARE also had a lease for office space in Skokie, IL which renewed on a month to month basis.

The Virginia office lease contains 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. 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, 2021, exclusive of pass-through operating costs, was approximately \$155,000 and is included in occupancy expense in the accompanying statement of functional expenses.

FOOD ALLERGY RESEARCH & EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - COMMITMENTS, RISKS AND CONTINGENCIES (CONTINUED)

As of December 31, 2021, 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>
2022	\$ 248,960
2023	<u>234,260</u>
Total Future Minimum Lease Payments	<u>\$ 483,220</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, 2021, 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 \$12,153,000 as of December 31, 2021.

Risks and Uncertainties

The COVID-19 pandemic has caused business disruptions and some uncertainty remains about the future severity and duration of the pandemic. FARE continues to operate in a remote environment as necessary to continue supporting its research and education goals; however, at this point the extent to which COVID-19 may impact FARE's financial condition or results of operations is uncertain. 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, 2021, was \$329,853 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, 2021

NOTE 11 - JOINT COSTS

During the year ended December 31, 2021, FARE incurred joint costs of approximately \$1,050,000 from activities including events and digital and print communications that included both educational and fundraising appeals. Of those costs, approximately \$280,000 was allocated to fundraising, \$219,000 was allocated to management and general, \$314,000 was allocated to the Shared Awareness and Outreach program and \$237,000 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, 2021 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, 2021, 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 2020 amounts have been reclassified to conform with the 2021 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. Accordingly, such information should be read in conjunction with FARE's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

FOOD ALLERGY RESEARCH & EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - SUBSEQUENT EVENTS

FARE's management has evaluated subsequent events through June 20, 2022, the date the financial statements were available to be issued. Except as disclosed below, there were no subsequent events identified through June 20, 2022, required to be disclosed in these financial statements.

In May 2022, FARE entered into an agreement to license the use of its mobile application to a third party. FARE will receive compensation equal to 5% of gross receipts received by the third party up to a maximum of \$400,000 for the use of the mobile application.