

FINANCIAL STATEMENTS

**THE AMERICAN SOCIETY
OF HUMAN GENETICS**

**FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

THE AMERICAN SOCIETY OF HUMAN GENETICS

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The American Society of Human Genetics (ASHG), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ASHG as of June 30, 2022, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ASHG 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 ASHG's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists.

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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, including omissions, 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 generally accepted auditing standards, 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 ASHG'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 ASHG'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 ASHG's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information Included in ASHG's Annual Report

Management is responsible for the other information included in ASHG's annual report. The other information comprises of a message from the President, member engagement, membership, meeting, publications, awards, learning & career development, diversity, equity & inclusion, advocacy & policy, public engagement, finances, partners, donors and leadership & staff but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



October 24, 2022

THE AMERICAN SOCIETY OF HUMAN GENETICS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,254,706	\$ 1,850,815
Investments		18,972,893	21,178,832
Accounts receivable		14,093	130,261
Grants receivable		101,896	180,917
Prepaid expenses		<u>315,538</u>	<u>398,924</u>
Total current assets		<u>20,659,126</u>	<u>23,739,749</u>
FIXED ASSETS			
Furniture and fixtures		14,645	10,145
Leasehold improvements		<u>562,604</u>	<u>562,604</u>
		577,249	572,749
Less: Accumulated depreciation and amortization		<u>(213,983)</u>	<u>(163,214)</u>
Net fixed assets		<u>363,266</u>	<u>409,535</u>
TOTAL ASSETS		<u>\$ 21,022,392</u>	<u>\$ 24,149,284</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Federal loan payable	\$	-	\$ 579,651
Accounts payable and accrued liabilities		443,688	426,319
Deferred revenue		1,623,856	988,275
Current portion of deferred rent and tenant improvement allowance		<u>67,970</u>	<u>61,142</u>
Total current liabilities		<u>2,135,514</u>	<u>2,055,387</u>
LONG-TERM LIABILITIES			
Deferred rent and tenant improvement allowance		<u>591,626</u>	<u>659,596</u>
Total liabilities		<u>2,727,140</u>	<u>2,714,983</u>
NET ASSETS			
Without donor restrictions		18,252,189	21,410,439
With donor restrictions		<u>43,063</u>	<u>23,862</u>
Total net assets		<u>18,295,252</u>	<u>21,434,301</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 21,022,392</u>	<u>\$ 24,149,284</u>

See accompanying notes to financial statements.

THE AMERICAN SOCIETY OF HUMAN GENETICS
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>			<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT				
Annual meeting	\$ 2,498,930	\$ -	\$ 2,498,930	\$ 2,449,094
Royalty income	1,553,524	-	1,553,524	1,550,653
Membership dues	819,057	-	819,057	854,137
Government grants	240,085	-	240,085	271,347
Advertising	74,855	-	74,855	184,337
Other income	130,866	-	130,866	1,327,136
Contributions	172,060	55,000	227,060	347,802
Interest on short-term investments, net	86,544	-	86,544	70,993
Net assets released from donor restrictions	<u>35,799</u>	<u>(35,799)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>5,611,720</u>	<u>19,201</u>	<u>5,630,921</u>	<u>7,055,499</u>
EXPENSES				
Program Services:				
Annual Meeting	1,493,783	-	1,493,783	1,262,866
Journal	781,397	-	781,397	843,118
Education	155,958	-	155,958	183,626
Program Awards	390,380	-	390,380	438,317
Fellowships and Public Policy	689,684	-	689,684	597,126
Marketing and Communication	1,146,673	-	1,146,673	746,306
Genomic Workforce Diversity and Inclusion	517,402	-	517,402	117,885
Human Genetics Scholar Initiative	41,142	-	41,142	53,867
Digital Programming	<u>301,227</u>	<u>-</u>	<u>301,227</u>	<u>293,839</u>
Total program services	<u>5,517,646</u>	<u>-</u>	<u>5,517,646</u>	<u>4,536,950</u>
Supporting Services:				
Management and General Development	1,398,764	-	1,398,764	2,167,999
	<u>140,728</u>	<u>-</u>	<u>140,728</u>	<u>100,854</u>
Total supporting services	<u>1,539,492</u>	<u>-</u>	<u>1,539,492</u>	<u>2,268,853</u>
Total expenses	<u>7,057,138</u>	<u>-</u>	<u>7,057,138</u>	<u>6,805,803</u>
Change in net assets from operations	(1,445,418)	19,201	(1,426,217)	249,696
OTHER ITEMS				
Investments (loss) income, net	(2,292,483)	-	(2,292,483)	2,209,358
Extinguishment of debt	<u>579,651</u>	<u>-</u>	<u>579,651</u>	<u>527,949</u>
Change in net assets	(3,158,250)	19,201	(3,139,049)	2,987,003
Net assets at beginning of year	<u>21,410,439</u>	<u>23,862</u>	<u>21,434,301</u>	<u>18,447,298</u>
NET ASSETS AT END OF YEAR	<u>\$ 18,252,189</u>	<u>\$ 43,063</u>	<u>\$ 18,295,252</u>	<u>\$ 21,434,301</u>

THE AMERICAN SOCIETY OF HUMAN GENETICS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

2022										
Program Services										
	Annual Meeting	Journal	Education	Program Awards	Fellowships and Public Policy	Marketing and Communication	Genomic Workforce Diversity and Inclusion	Human Genetics Scholar Initiative	Digital Programming	Total Program Services
Salaries, benefits and payroll taxes	\$ 736,945	\$249,059	\$ 129,559	\$156,599	\$ 423,139	\$ 650,873	\$ 360,849	\$ 27,793	\$ 216,614	\$ 2,951,430
Printing, mailing and labels	11,598	721	367	981	1,507	2,942	7,922	79	613	26,730
Editor's office and stipend	-	155,050	-	-	-	-	-	-	-	155,050
Accounting and human resource services	-	-	-	-	-	-	-	-	-	-
Hotel and travel	7,401	3,667	884	1,069	2,888	4,462	2,463	1,190	1,479	25,503
Office rental	35,497	11,997	6,240	7,543	20,382	31,351	17,381	1,339	10,434	142,164
Projection and audio visual	10	-	-	-	-	-	-	-	-	10
Exhibits, posters, signs and registration décor	-	-	-	4,024	-	-	-	-	-	4,024
Audit and legal fees	4,682	-	-	-	-	-	-	-	-	4,682
Contributions to other organizations	-	2,000	-	145,611	2,000	6,176	-	4,506	-	160,293
Telephone and fax	1,416	479	249	301	813	1,251	694	53	416	5,672
Supplies and duplicating	4,057	1,371	713	2,570	2,329	3,722	1,987	153	1,192	18,094
Depreciation and amortization	9,360	3,163	1,646	1,989	5,374	8,267	4,583	353	2,751	37,486
Computer, software, internet, and web services	47,248	10,662	5,546	14,817	23,947	69,699	18,717	1,190	31,561	223,387
Credit card fees	48,191	-	-	31,960	-	-	-	-	601	80,752
Promotion	4,136	717	152	1,605	497	52,157	424	33	8,125	67,846
Contracted services	548,497	332,946	5,933	12,067	182,256	292,014	84,848	3,451	16,662	1,478,674
Insurance	11,948	4,038	2,101	2,539	6,861	10,553	5,850	451	3,512	47,853
Membership fees / professional development	10,087	1,922	846	3,349	5,087	4,466	6,891	182	4,389	37,219
Unrelated business income taxes	-	-	-	-	-	-	-	-	-	-
Catered events/coffee breaks	4,846	657	342	1,639	1,185	1,810	952	73	572	12,076
FASEB dues	577	195	102	123	7,245	510	282	22	170	9,226
Miscellaneous	7,287	2,753	1,278	1,594	4,174	6,420	3,559	274	2,136	29,475
TOTAL	\$1,493,783	\$781,397	\$ 155,958	\$390,380	\$ 689,684	\$ 1,146,673	\$ 517,402	\$ 41,142	\$ 301,227	\$ 5,517,646

See accompanying notes to financial statements.

THE AMERICAN SOCIETY OF HUMAN GENETICS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022 (Continued)			2021	
	Supporting Services				
	Management and General	Development	Total Supporting Services	Total Expenses	Total Expenses
Salaries, benefits and payroll taxes	\$ 940,697	\$ 105,160	\$ 1,045,857	\$ 3,997,287	\$ 3,896,677
Printing, mailing and labels	2,661	4,903	7,564	34,294	16,985
Editor's office and stipend	557	-	557	155,607	130,785
Accounting and human resource services	221,019	-	221,019	221,019	103,660
Hotel and travel	6,420	718	7,138	32,641	(1,458)
Office rental	45,311	5,065	50,376	192,540	190,051
Projection and audio visual	-	-	-	10	6,736
Exhibits, posters, signs and registration décor	-	-	-	4,024	5,379
Audit and legal fees	33,940	2,170	36,110	40,792	114,252
Contributions to other organizations	-	406	406	160,699	168,810
Telephone and fax	1,807	202	2,009	7,681	21,318
Supplies and duplicating	5,179	579	5,758	23,852	41,705
Depreciation and amortization	11,947	1,336	13,283	50,769	50,177
Computer, software, internet, and web services	40,267	7,490	47,757	271,144	256,262
Credit card fees	20,749	462	21,211	101,963	105,593
Promotion	1,106	124	1,230	69,076	40,571
Contracted services	32,191	6,403	38,594	1,517,268	1,491,518
Insurance	15,252	1,705	16,957	64,810	42,082
Membership fees / professional development	6,144	2,284	8,428	45,647	53,453
Unrelated business income taxes	1,014	-	1,014	1,014	27,202
Catered events/coffee breaks	2,482	277	2,759	14,835	4,407
FASEB dues	737	82	819	10,045	10,918
Miscellaneous	9,284	1,362	10,646	40,121	28,720
TOTAL	\$ 1,398,764	\$ 140,728	\$ 1,539,492	\$ 7,057,138	\$ 6,805,803

See accompanying notes to financial statements.

THE AMERICAN SOCIETY OF HUMAN GENETICS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,139,049)	\$ 2,987,003
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	50,769	50,177
Unrealized loss (gain)	2,882,514	(1,792,718)
Realized loss (gain)	23,678	(378,440)
Extinguishment of debt	(579,651)	(527,949)
Decrease (increase) in:		
Accounts receivable	116,168	(93,335)
Grants receivable	79,021	(65,641)
Prepaid expenses	83,386	111,852
Increase (decrease) in:		
Accounts payable and accrued liabilities	17,369	(140,934)
Deferred revenue	635,581	(235,702)
Deferred rent and tenant improvement allowance	<u>(61,142)</u>	<u>(54,077)</u>
Net cash provided (used) by operating activities	<u>108,644</u>	<u>(139,764)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(4,500)	-
Net (purchase) sale of investments	<u>(700,253)</u>	<u>390,807</u>
Net cash (used) provided by investing activities	<u>(704,753)</u>	<u>390,807</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Federal loan payable	<u>-</u>	<u>579,651</u>
Net cash provided by financing activities	<u>-</u>	<u>579,651</u>
Net (decrease) increase in cash and cash equivalents	(596,109)	830,694
Cash and cash equivalents at beginning of year	<u>1,850,815</u>	<u>1,020,121</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,254,706</u>	<u>\$ 1,850,815</u>
SUPPLEMENTAL INFORMATION:		
Taxes Paid	<u>\$ 1,014</u>	<u>\$ 60,320</u>

THE AMERICAN SOCIETY OF HUMAN GENETICS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

Basis of presentation -

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

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

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ASHG's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and cash equivalents -

ASHG considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amount of \$492,627. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, ASHG maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

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

THE AMERICAN SOCIETY OF HUMAN GENETICS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Grants and accounts receivable -

Grants and accounts receivable are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years are measured at the present value of their future cash flows. As of June 30, 2022, all grants receivable are considered to be current. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2022 totaled \$50,769. Leasehold improvements are amortized over the remaining life of the lease.

Impairment of long-lived assets -

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

Income taxes -

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

ASHG is not a private foundation. The financial statements for the year ended June 30, 2022, include Federal and state income tax expenses totaling \$1,014.

Uncertain tax positions -

For the year ended June 30, 2022, ASHG has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue and support -

Contributions and grants are recognized in the appropriate category of net assets in the period received. ASHG performs an analysis of the individual contribution or grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

THE AMERICAN SOCIETY OF HUMAN GENETICS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Revenue and support (continued) -

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return from obligation provision that limits ASHG on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. ASHG recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as conditional contributions, ASHG had approximately \$321,000 in unrecognized awards as of June 30, 2022.

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

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

Royalty income pertains to the publishing and distribution of ASHG's journal by a third party publishing company. ASHG is entitled to the greater of 70% royalty of the journal's net profits or the minimum guaranteed royalty. ASHG recognizes the minimum guaranteed royalty on a pro-rata basis over the fiscal year. Any excess royalty is recorded once determined by the publishing company in the period the performance obligations are met.

Members receive the following benefits as part of their membership dues: reduced rates for the annual meeting, online subscription to the American Journal of Human Genetics and various other benefits. Membership dues are bifurcated amongst the different benefits received and recognized as revenue when the performance obligations are met. Transaction price is determined based on cost and/or sales price.

THE AMERICAN SOCIETY OF HUMAN GENETICS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Revenue and support (continued) -

A portion of membership dues assigned to the annual conference is recognized once the event has occurred. The remaining membership dues are recognized on a pro-rata basis over the annual membership period.

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

Deferred revenue consisted of the following as of June 30, 2022:

Annual Meeting	\$ 1,290,473
Membership	332,493
Other	<u>890</u>
TOTAL DEFERRED REVENUE	\$ <u>1,623,856</u>

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

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

Risks and uncertainties -

ASHG invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

In accordance with FASB ASC 820, *Fair Value Measurement*, ASHG has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Fair value measurement (continued) -

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

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

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

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

New accounting pronouncement (not yet adopted) -

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

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

2. INVESTMENTS

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy by which the measurements were made. ASHG's investments as of June 30, 2022 were as follows:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 492,627	\$ -	\$ -	\$ 492,627
Equity mutual funds	6,682,717	-	-	6,682,717
Fixed income mutual funds	10,344,161	-	-	10,344,161
Real estate EFTs and Other funds	<u>1,453,388</u>	<u>-</u>	<u>-</u>	<u>1,453,388</u>
TOTAL	<u>\$ 18,972,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,972,893</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

2. INVESTMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2022.

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

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

Included in investment loss are the following:

Interest and dividends	\$ 804,733
Unrealized loss	(2,882,514)
Realized loss	(23,678)
Management fees	<u>(104,480)</u>
TOTAL INVESTMENT LOSS, NET	<u>\$ (2,205,939)</u>

Interest on short term investments, net of fees, totaling \$86,544 for the year ended June 30, 2022 are included under revenue and support. The remaining investment income, net of fees, are included as an Other Item in the accompanying Statement of Activities and Change in Net Assets.

3. FEDERAL LOAN PAYABLE

On March 19, 2021, ASHG received loan proceeds in the amount of \$578,000 under the Paycheck Protection Program. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note qualified for forgiveness by the Small Business Administration in whole or in part. ASHG used the proceeds for purposes consistent with the Paycheck Protection Program, and has met the conditions (and applied) for forgiveness of the loan.

During 2022, the full value of the loan was forgiven including \$1,651 of accrued interest, and accordingly, the extinguishment of debt is recognized as an Other Item in the 2022 Statement of Activities and Change in Net Assets.

4. LINE OF CREDIT

ASHG has a \$2,000,000 bank line of credit. Amounts borrowed under this agreement bear interest at the rate for one month loans as published in the Wall Street Journal As of June 30, 2022, the applicable interest rate was 2.7%. As of June 30, 2022, there was no outstanding balance on the line of credit. The line is secured by the investments portfolio.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2022:

Human Genetics Scholar Initiative (HGSI) \$ 43,063

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

Human Genetics Scholar Initiative (HGSI) \$ 35,799

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following at June 30, 2022:

Cash and cash equivalents	\$ 1,254,706
Investments	18,972,893
Accounts receivable	14,093
Grants receivable	101,896
Less: Donor restricted funds	<u>(43,063)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 20,300,525**

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

7. LEASE COMMITMENTS

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

Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position. The following is a schedule of the future minimum lease payments:

<u>Year Ending June 30,</u>	
2023	\$ 254,545
2024	261,532
2025	268,683
2026	276,072
2027	283,692
Thereafter	<u>667,742</u>
	\$ <u>2,012,266</u>

Rent expense for the year ended June 30, 2022 was \$192,540.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

8. RETIREMENT PLAN

All full time employees of ASHG may participate in a defined contribution plan sponsored by ASHG. Through December 31, 2020 the Plan provided a 10% contribution on each eligible salary when the employee contributes 3%. The employer contribution was changed to 8% beginning January 1, 2021. Contributions to the Plan during the year ended June 30, 2022 totaled \$246,280.

9. CONTINGENCY

Various lawsuits and other contingent liabilities arise in the ordinary course of ASHG's activities. While the final outcome of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on ASHG's financial statements.

10. COMMITMENTS

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

ASHG has a service agreement with the Genetics Society of America (GSA). Under this agreement, GSA reimburses ASHG for IT domain name costs. Reimbursements due to ASHG from GSA at June 30, 2022 totaled \$685.

11. AMERICAN JOURNAL OF HUMAN GENETICS

In June 2007, ASHG entered into a journal publishing agreement with Cell Press, for the professional publication, The American Journal of Human Genetics. Under the terms of the agreement, Cell Press publishes the journal, handles the subscription process, and keeps the accounting for the journal operations. This agreement expires in 2024. For the year ended June 30, 2022, total royalty and editorial support received from Cell Press as part of this agreement was \$1,545,190.

12. SUBSEQUENT EVENTS

In preparing these financial statements, ASHG has evaluated events and transactions for potential recognition or disclosure through October 24, 2022, the date the financial statements were issued.