



American Diabetes Association

Consolidated Financial Statements and Supplementary Information Year Ended December 31, 2021

American Diabetes Association

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2021

American Diabetes Association

Contents

Independent Auditor's Report	3-4
Consolidated Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities and Changes in Net Assets	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9-28
Supplemental Schedules	
Independent Auditor's Report on the Supplemental Schedules	29
Consolidating Statement of Financial Position	30
Consolidating Statement of Activities and Changes in Net Assets	31



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Independent Auditor's Report

Board of Directors
American Diabetes Association
Arlington, Virginia

Opinion

We have audited the consolidated financial statements of American Diabetes Association, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of American Diabetes Association as of December 31, 2021, 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of American Diabetes Association 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 American Diabetes Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Diabetes Association'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 the American Diabetes Association's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 27, 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 consolidated financial statements from which it has been derived.

BDO USA, LLP

McLean, VA
May 27, 2022

Consolidated Financial Statements

American Diabetes Association
Consolidated Statement of Financial Position
December 31, 2021 (With Summarized Comparative Totals for 2020)
(in thousands)

<i>December 31,</i>	2021	2020 Total (Summarized)
Assets		
Cash and cash equivalents	\$ 40,517	\$ 30,692
Investments	49,367	31,029
Restricted investment in real estate	12,818	12,818
Accounts receivable, net	8,924	14,405
Inventory and supplies, net	296	949
Prepaid expenses and other assets	2,248	2,014
Contributions receivable, net	54,877	43,692
Property and equipment, net	5,587	8,375
Interest in perpetual trusts	12,517	11,822
Total assets	\$ 187,151	\$ 155,796
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 18,438	\$ 21,412
Bank line-of-credit	-	10,000
Research grants payable	3,903	3,576
Deferred revenue	5,594	6,340
Refundable advances	2,475	8,322
Total liabilities	30,410	49,650
Commitments and contingencies		
Net assets		
Without donor restrictions	58,559	12,103
With donor restrictions	98,182	94,043
Total net assets	156,741	106,146
Total liabilities and net assets	\$ 187,151	\$ 155,796

See accompanying notes to consolidated financial statements.

American Diabetes Association

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2021 (With Summarized Comparative Totals for 2020)

(in thousands)

<i>December 31,</i>	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total (Summarized)
Revenue:				
Contributions and grants:				
Donations	\$ 25,322	\$ 44,624	\$ 69,946	\$ 56,517
Special events	8,017	374	8,391	9,455
Less: costs of direct benefits to donors	(589)	-	(589)	(683)
Bequests	19,221	7,549	26,770	23,114
Federated and nonfederated organizations	2,364	79	2,443	2,893
Total contributions and grants	54,335	52,626	106,961	91,296
Fees from exchange transactions:				
Subscriptions and other income from periodicals	6,905	-	6,905	10,431
Sales of materials	921	-	921	1,329
Program service fees	9,615	-	9,615	6,448
Other revenue	2,808	-	2,808	2,050
Total fees from exchange transactions	20,249	-	20,249	20,258
Investment return, net	3,537	1,073	4,610	5,133
Payroll Protection Program funding forgiveness	10,322	-	10,322	-
Insurance recovery	-	-	-	5,613
Net assets released from restrictions	49,560	(49,560)	-	-
Total revenue	138,003	4,139	142,142	122,300
Expenses:				
Program activities:				
Research	21,833	-	21,833	20,821
Information	32,437	-	32,437	37,502
Advocacy and public awareness	13,129	-	13,129	18,046
Total program activities	67,399	-	67,399	76,369
Supporting services:				
Management and general	6,253	-	6,253	8,321
Fundraising	17,895	-	17,895	23,961
Total supporting services	24,148	-	24,148	32,282
Total expenses	91,547	-	91,547	108,651
Change in net assets	46,456	4,139	50,595	13,649
Net assets, beginning of year	12,103	94,043	106,146	92,497
Net assets, end of year	\$ 58,559	\$ 98,182	\$ 156,741	\$ 106,146

See accompanying notes to consolidated financial statements.

American Diabetes Association

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2021 (With Summarized Comparative Totals for 2020)

(in thousands)

<i>Year ended December 31,</i>	Program activities				Supporting services			2021 Total	2020 Total (Summarized)
	Research	Information	Advocacy and public awareness	Total	Management and general	Fundraising	Total		
Employee costs	\$ 2,390	\$ 10,149	\$ 6,841	\$ 19,380	\$ 3,709	\$ 7,135	\$ 10,844	\$ 30,224	\$ 40,437
Professional fees	780	11,177	2,664	14,621	987	3,186	4,173	18,794	18,299
Grants	15,643	1,881	10	17,534	-	-	-	17,534	16,768
Printing and publications	750	3,631	761	5,142	25	3,134	3,159	8,301	12,086
Occupancy cost	336	1,465	991	2,792	502	1,033	1,535	4,327	6,003
Depreciation and amortization	240	990	690	1,920	360	720	1,080	3,000	3,336
Miscellaneous	39	589	450	1,078	444	1,077	1,521	2,599	2,872
Postage and shipping	51	633	372	1,056	32	1,212	1,244	2,300	3,699
Conferences and meetings	1,476	601	32	2,109	3	22	25	2,134	1,967
Data processing	28	682	21	731	-	75	75	806	1,007
Equipment rental and maintenance	51	236	156	443	79	166	245	688	699
Telecommunications	33	157	91	281	48	93	141	422	810
Supplies	8	207	26	241	53	24	77	318	343
Travel	8	39	24	71	11	18	29	100	325
	\$ 21,833	\$ 32,437	\$ 13,129	\$ 67,399	\$ 6,253	\$ 17,895	\$ 24,148	\$ 91,547	\$ 108,651

See accompanying notes to consolidated financial statements.

American Diabetes Association

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2021 (with Summarized Comparative Totals for 2020)

(in thousands)

<i>December 31,</i>	2021	2020 Total (Summarized)
Cash flows from operating activities:		
Change in net assets	\$ 50,595	\$ 13,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,000	3,336
Net unrealized and realized gains on investments	(1,716)	(2,378)
Loss on disposal of property and equipment	4	96
Provisions for doubtful receivables and obsolete inventory	961	856
Contributions to third-party perpetual trusts	(72)	(692)
Donated securities	(2,766)	(186)
(Increase) decrease in:		
Accounts receivable	5,165	(4,996)
Inventory and supplies	348	1,793
Prepaid expenses and other assets	(234)	1,447
Contributions receivable	(11,525)	629
Increase (decrease) in:		
Accounts payable and accrued liabilities	(2,974)	(1,751)
Research grants payable	327	(9,625)
Refundable advances	(5,847)	8,322
Deferred revenues	(746)	(2,677)
Net cash provided by operating activities	34,520	7,823
Cash flows from investing activities:		
Purchases of investments	(116,608)	(47,507)
Sales or maturities of investments	99,363	51,733
Purchase of property and equipment	(216)	(97)
Net cash (used in) provided by investing activities	(17,461)	4,129
Cash flows from financing activities:		
Repayment of bank line-of-credit	(10,000)	-
Proceeds from bank line-of-credit	-	10,000
Proceeds from donated securities	2,766	186
Net cash (used in) provided by financing activities	(7,234)	10,186
Net increase in cash and cash equivalents	9,825	22,138
Cash and cash equivalents, beginning of year	30,692	8,554
Cash and cash equivalents, end of year	\$ 40,517	\$ 30,692
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 192	\$ 156

See accompanying notes to consolidated financial statements.

American Diabetes Association

Notes to the Consolidated Financial Statements

1. Consolidation and Organization

The consolidated financial statements include the American Diabetes Association, the American Diabetes Association Research Foundation, Inc. (the RF), and the American Diabetes Association Property Title Holding Corporation (PTHC), formed to hold an investment in real estate (collectively referred to as “ADA”). All significant inter-Association transactions have been eliminated in consolidation.

On December 31, 2021, the RF was merged into the American Diabetes Association, and the RF was dissolved. Assets and liabilities of the RF were received by the American Diabetes Association at their book value in a net asset transfer (see Note 20).

The American Diabetes Association and the RF are generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and charitable contributions to these organizations qualify for tax deductions as described in the Code. PTHC is generally exempt from income taxes under Section 501(c)(2) of the Code. These entities are subject to taxation on any net unrelated business income and have been classified as organizations that are not private foundations under Section 509(a) of the Code.

ADA recognizes the effect of income tax positions only if those positions more likely than not would not be sustained upon examination by the Internal Revenue Service. ADA has analyzed the tax positions taken and has concluded that as of December 31, 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. ADA is open to examination by taxing authorities for the years ended December 31, 2018 and forward.

2. Program Activities

ADA is a not-for-profit voluntary health agency that works to prevent and cure diabetes and to improve the lives of all people affected by diabetes. This mission is accomplished through programs in communities throughout the country. The principal program activities of ADA are as follows:

Research - ADA provides financial support to researchers who are seeking knowledge in the following areas:

- The prevention and cure of diabetes
- The prevention and cure of the complications of diabetes
- New and improved therapies for individuals affected by diabetes

Information - ADA conducts programs that provide diabetes information to individuals with diabetes, their families, and their healthcare providers.

Advocacy and public awareness - ADA acts as an advocate for people with diabetes by delivering programs with important diabetes messages to the general public and to all levels of the government.

American Diabetes Association

Notes to the Consolidated Financial Statements

3. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of ADA have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets

The net assets and revenues, gains, and losses of ADA are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ADA are classified and reported into the two categories, net assets without donor restrictions and net assets with donor restrictions, as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. These net assets generally result from providing services and receiving contributions without donor restrictions, restricted gifts whose donor-imposed restrictions were met during the fiscal year less expenses incurred in providing services, raising contributions, and performing administrative functions.

Net assets with donor restrictions - Net assets with donor restrictions are subject to stipulations imposed by donors. These net assets generally result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ADA pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit ADA to use the income earned on related investments for operations or specific purposes.

When a donor restriction expires as a result of a stipulated time restriction ending or purpose restriction being accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are defined as currency on hand, demand deposits with banks or financial institutions, federally insured certificates of deposit with original maturities of less than three months, money market funds of U.S. government securities, and other amounts that have the general characteristics of demand deposits. ADA has classified any cash or money market accounts held by external investment managers as investments as these funds are intended to be part of ADA's long-term investment strategy.

Investments

Investments in marketable equity securities and all debt securities are recorded at fair value, which is based on quoted market prices or dealer quotes. Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities and the volatility in the capital markets, changes in the value of investment securities could occur in the near term, and those investment values could materially differ from the amounts reported in the accompanying consolidated financial statements.

American Diabetes Association

Notes to the Consolidated Financial Statements

Restricted Investment in Real Estate

The restricted investment in real estate represents a 1998 donor bequest that restricted ADA from selling the property for 25 years. The restricted investment in real estate was reported at the fair value at the time of the donation which established historical cost. The restricted investment in real estate is evaluated for impairment on an annual basis. A portion of the property is leased to corporations and derives monthly rental income that is reported in net investment return in the consolidated statement of activities and changes in net assets.

Inventory

Inventory comprises primarily publications and is valued at the lower of cost (first-in, first-out method) or market at net realizable value. Annually, the inventory value is reviewed and items with net realizable value less than cost are written off.

Accounts Receivable

ADA's receivables consist of amounts due for program service fees, publications, advertising, land rental (see Note 19), and other exchange transactions. ADA records an allowance for doubtful accounts on its outstanding receivables based on its collection history, analysis of subsequent collections and specific identification of uncollectible accounts.

Contributions Receivable

Unconditional promises to give, including grants, contributions and bequests that are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a risk-adjusted rate at the time of the contribution ranging from 0.8% to 3.0%. Accretion of the discount is included in contribution revenue. ADA records an allowance for doubtful accounts on its outstanding receivables based on its collection history, analysis of subsequent collections and specific identification of uncollectible accounts.

Property and Equipment

All property and equipment greater than \$1,000 are capitalized at cost or fair value on the date of receipt and are depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvements	10 years or life of lease if shorter
Furniture, fixtures, and equipment	5 years
Software	5-7 years

If donors stipulate the purpose for which the assets must be used and/or how long the assets must be held, the contributions are recorded with donor restrictions, otherwise such donations are reported as contributions without donor restrictions. Land is not depreciated or amortized.

Split-Interest Agreements

ADA receives certain planned gift donations that benefit not only ADA, but also the donor or another beneficiary designated by the donor. These contributions are termed split-interest agreements and are generally gifts to be received by ADA in the future. ADA benefits from the following types of

American Diabetes Association

Notes to the Consolidated Financial Statements

split-interest agreements: perpetual trusts, charitable lead and remainder trusts, gift annuities, and a pooled income fund.

ADA's share of split-interest agreements is included in investments, contributions receivable, or interest in perpetual trusts. Assets of approximately \$25,476,000 and \$24,716,000 are reported in the consolidated statement of financial position as of December 31, 2021 and 2020, respectively. When applicable, amounts to be received in future periods are discounted using a risk-adjusted rate based on the expected term of the split-interest agreements. The rate for 2021 and 2020 was 1.6% and 1.3%, respectively.

Amounts payable to beneficiaries, gift annuities payable, and pooled income fund liabilities of approximately \$703,000 and \$681,000 are reported as accrued liabilities in the consolidated statement of financial position as of December 31, 2021 and 2020, respectively.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Contributions and Grants and Refundable Advances

All unconditional contributions and grants, including donations, those related to special events, and those related to federated and nonfederated organizations, are recognized when received and are considered available for the general programs of ADA unless specifically restricted by the donor. ADA reports monetary gifts as support with donor restrictions if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

ADA records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of gift using risk-adjusted interest rates applicable to the years in which the promised funds are expected to be received. Accretion of the discounts is recognized as contribution revenue.

ADA is the beneficiary under various wills and trust agreements. Contributions received under such arrangements are recorded when a will is declared valid by a probate court and the proceeds are measurable.

Conditional promises to give are those with a measurable performance or other barrier and right of return. ADA recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

American Diabetes Association

Notes to the Consolidated Financial Statements

As of December 31, 2021, ADA has six conditional gifts totaling \$2.48 million. As of December 31, 2020, ADA has one conditional gift totaling \$8.32 million related to the Corona Aid, Relief, and Economic Security Act (CARES Act) (see Note 4). These amounts are classified as refundable advances in the accompanying consolidated statement of financial position will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred or qualifying for the forgiveness.

The following table does contain “conditions” details of refundable advances at December 31, 2021 and 2020 (in thousands):

		2021		2020
CARES Act- qualifying for the forgiveness	\$	-	\$	8,322
Performance:				
“What Can I Eat” program		2,233		-
Other		242		-
Total	\$	2,475	\$	8,322

Contributed Services and Materials

Contributed services and materials are reported as contributions in the consolidated statement of activities and changes in net assets at the fair value of the services and materials received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or if the services require specialized skills and would typically need to be purchased if not provided by donation.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when ADA satisfies a performance obligation by transferring a promised good to or performing a service for, a customer. The amount of revenue recognized reflects the consideration ADA expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, ADA combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the consolidated statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts with customers, ADA recognizes revenue as follows:

Fees from Exchange Transactions and Deferred Revenue

ADA records revenue from exchange transactions as increases in net assets without donor restrictions to the extent that the earnings process is complete. Resources received in exchange transactions are recognized as deferred revenue to the extent the earnings process has not yet been completed. These transactions include the following:

American Diabetes Association

Notes to the Consolidated Financial Statements

Subscriptions and other income from periodicals include member dues and fees, publication and journal subscriptions and advertising revenue. Member dues and fees and publication and journal subscriptions are recognized ratably over the term which is generally one year. Advertising revenue is recognized at a point in time when the advertisement is published.

Sales of materials is revenue from the sale of professional and consumer books and other publications and is recognized at a point in time when shipped from warehouses maintained by ADA vendors.

Program service fees results from registration fees paid for professional events and youth and family activities and from booth and other space rentals at our professional events. Revenue for such activities is recognized at a point in time when the related event occurs.

Other revenue relates primarily to royalties, translation rights and permissions. Such revenue is earned based on the performance obligations. Under fixed fee arrangements, revenue is earned ratably over the period of the agreement for allowing the third-party organizations to use ADA's intellectual property. Under variable agreements, revenue is recognized in the period in which the sale of goods utilizing ADA's intellectual property are reported.

Research Program

The research program of ADA is administered through the American Diabetes Association Research Foundation, Inc. Research grants awarded by ADA generally extend over a period of one to five years, subject to renewal on an annual basis. These are considered to be unconditional and the liability and related expenses are recorded when the recipients are notified of their annual award amount. The liability is recorded as research grants payable in the consolidated statement of financial position.

Management Estimates and Uncertainties

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Expenses have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Expenses that are specifically associated with a programmatic activity or supporting service are allocated to that activity. Employee costs are allocated based on employee time attributed to each programmatic activity or supporting service. Costs associated with the development and distribution of mail pieces that include a call to action along with fundraising component, as described further in Note 14, are allocated based on the proportion of space used for each purpose. Overhead costs are allocated based on a weighted average of employee costs attributed to each programmatic activity or supporting service.

American Diabetes Association

Notes to the Consolidated Financial Statements

Concentrations of credit risk

ADA maintains its cash balance in bank deposit accounts, which, at times, may exceed Federal Deposit Insurance Corporation limits up to \$250,000. ADA has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

Credit risk with respect to account and contributions receivable is mitigated by ADA through the creation of allowances for uncollectible receivables and the discounting of long-term contributions to present value. ADA also believe the credit risk is limited due to the diversity of its donor and customer base and the size of the amount owed.

Summarized Financial Information

The consolidated statements of financial position, of activities, and of functional expenses include certain summarized comparative information for the year ended December 31, 2020. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with ADA's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Recently Adopted Authoritative Guidance

In March 2020, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The ASU applies only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The ASU is effective for ADA as of March 12, 2020 through December 31, 2022. ADA has adopted this ASU and there was no effect on the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10, 2020-05, 2021-05 and 2021-09. This ASU is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedient available. ADA is currently evaluating the impact of this ASU on the consolidated financial statements.

American Diabetes Association

Notes to the Consolidated Financial Statements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The ASU requires that a nonprofit present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets. Information that shows the contributed nonfinancial assets disaggregated by category will be required to be disclosed. In addition, the ASU requires that for each type of contributed nonfinancial asset the following will be disclosed: (a) policy (if any) on liquidating rather than using the contributed nonfinancial assets, (b) qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period and, if used, a description of how the asset was employed should be included, (c) any donor imposed restrictions related to contributed nonfinancial assets, (d) valuation methods and inputs utilized to determine a fair value measure at initial recognition, and (e) the principal or most advantageous market utilized to calculate fair value if it is a market in which the organization is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption of the ASU is permitted. ADA is currently evaluating the impact of this ASU on the consolidated financial statements.

4. Risks and Uncertainties

In January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In March 2020, CARES Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

ADA applied for, and in April 2020 received, funds under the Paycheck Protection Program (PPP) as part of the CARES Act in the amount of \$8,322,000. The application for these funds required the ADA to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the ADA. This certification further required the ADA to take into account their current business activity and their ability to access other sources of liquidity sufficient to support ongoing operations in a manner that was not significantly detrimental to the business. The receipt of these funds, and the recognition of the advance attendant to these funds, was dependent on the ADA having initially qualified for the funding and qualifying for the forgiveness of such funding based on their future adherence to the forgiveness criteria. ADA complied with the conditions required by the lender and applied for loan forgiveness. As a result, the loan was forgiven in June 2021 and the amount of \$8,322,000 was recognized as a contribution without donor restrictions during 2021.

American Diabetes Association

Notes to the Consolidated Financial Statements

On December 28, 2020, the Consolidated Appropriations Act, 2021 (the 2020 Act) was signed into law, which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. The 2020 Act included provisions to allow a second round of PPP loans allowing certain eligible borrowers that previously received a PPP loan to apply for a second draw PPP loan. In February 2021, ADA applied for and received additional funding of \$2,000,000 pursuant to the Paycheck Protection Program. ADA complied with the conditions required by the lender and applied for loan forgiveness. As a result, the loan was forgiven in September 2021, and the amount of \$2,000,000 was recognized as a contribution without donor restrictions during 2021.

On March 11, 2021, the American Rescue Plan Act of 2021 (the 2021 Act) was signed into law which includes \$1.9 trillion in stimulus relief as a result of the COVID-19 pandemic. ADA did not opt to adopt any provisions under the 2021 Act.

5. Liquidity and Availability

ADA funds its operations through contributions and grants and through fees from exchange transactions. ADA maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash required to meet operating needs is invested in short term accounts. ADA's policy is to manage its financial assets and budget to meet its general expenditure needs.

The following is a reconciliation of ADA's financial assets as of December 31, 2021 and 2020 to financial assets available to fund ADA's general expenditures for the following year (in thousands). General expenditures include all programmatic and supporting operating expenditures.

<i>December 31,</i>	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 40,517	\$ 30,692
Investments	49,367	31,029
Accounts receivable, net	8,924	14,405
Contributions receivable, net	54,877	43,692
Interest in perpetual trusts	12,517	11,822
Total financial assets	166,202	131,640
Adjustments for amounts not available for general expenditures within one year:		
Perpetual and term endowments	(22,505)	(22,169)
Accounts receivable due after one year, net	(7,325)	(7,242)
Contributions receivable due after one year, net	(14,392)	(18,379)
Split interest obligations	(703)	(681)
Donor restricted net assets that are not expected to be spent within one year	(12,252)	(14,023)
	\$ 109,025	\$ 69,146

American Diabetes Association

Notes to the Consolidated Financial Statements

6. Investments

Investments as of December 31 consist of the following (in thousands):

	2021	2020
U.S. government securities	\$ 4,354	\$ 7,421
Fixed-income mutual funds	18,295	8,197
Corporate equities	11,807	6,095
Equity mutual funds	10,310	5,137
Fixed-income bonds	1,209	3,670
Money market funds	3,363	3,300
Certificates of deposit	29	4
Total investments	\$ 49,367	\$ 31,029

Investments as of December 31, 2021 and 2020 include gift annuity investments of approximately \$897,000 and \$1,231,000, respectively, and the fair value of gift annuity obligations under those agreements was approximately \$703,000 and \$681,000, respectively. Reserves for gift annuities are held in separate investment accounts at a value equal to the original gift plus accrued income less beneficiary payments.

Net investment return consists of the following (in thousands):

<i>Years ended December 31,</i>	2021	2020
Property rental income, net	\$ 1,765	\$ 1,627
Net realized and unrealized gains	1,722	2,378
Interest and dividends	1,340	1,325
Investment fees	(217)	(197)
Total investment return, net	\$ 4,610	\$ 5,133

7. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value reflects ADA's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by ADA based on the best information available in the circumstances.

Accounting Standards Codification (ASC) 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the use of observable inputs when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for

American Diabetes Association

Notes to the Consolidated Financial Statements

identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

The following table presents the fair value hierarchy for ADA's financial assets and liabilities that are measured at fair value on a recurring basis as follows (in thousands):

<i>Description</i>	As of December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial Assets:				
Investments				
Fixed income securities:				
U.S. government securities	\$ 4,354	\$ -	\$ 4,354	-
Fixed Income-bonds	1,209	-	1,209	-
	<u>5,563</u>	<u>-</u>	<u>5,563</u>	<u>-</u>
Corporate equities	11,807	11,807	-	-
Mutual funds and others:				
Fixed-income mutual funds	18,295	18,295	-	-
Equity mutual funds	10,310	10,310	-	-
Money market funds	3,363	3,363	-	-
Total mutual funds and others	<u>31,968</u>	<u>31,968</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>49,338</u>	<u>43,775</u>	<u>5,563</u>	<u>-</u>
Certificates of deposits	29			
Total investments	<u>\$ 49,367</u>			
Interest in perpetual trusts (a)	\$ 12,517	\$ -	\$ -	12,517
Funds held in remainder trusts (b)	12,062	-	-	12,062
Total fair value of other assets	<u>\$ 24,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>24,579</u>
Financial liabilities:				
Split-interest obligations (c)	\$ 703	\$ -	\$ -	703
Total fair value of liabilities	<u>\$ 703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>703</u>

American Diabetes Association

Notes to the Consolidated Financial Statements

<i>Description</i>	As of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial Assets:				
Investments				
Fixed income securities:				
U.S. government securities	\$ 7,421	\$ -	\$ 7,421	-
Fixed Income-bonds	3,670	-	3,670	-
	<u>11,091</u>	-	<u>11,091</u>	-
Corporate equities	6,095	6,095	-	-
Mutual funds and others:				
Fixed-income mutual funds	8,197	8,197	-	-
Equity mutual funds	5,137	5,137	-	-
Money market funds	505	505	-	-
Total mutual funds and others	<u>13,839</u>	<u>13,839</u>	-	-
Total investments at fair value	<u>31,025</u>	<u>\$ 19,934</u>	<u>\$ 11,091</u>	-
Certificates of deposits	<u>4</u>			
Total investments	<u>\$ 31,029</u>			
Interest in perpetual trusts (a)	\$ 11,822	\$ -	\$ -	11,822
Funds held in remainder trusts (b)	11,664	-	-	11,664
Total fair value of other assets	<u>\$ 23,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>23,486</u>
Financial liabilities:				
Split-interest obligations (c)	\$ 681	\$ -	\$ -	681
Total fair value of liabilities	<u>\$ 681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>681</u>

(a) ADA's interest in perpetual trusts is carried at the fair value of ADA's share of the trust assets. Distributions from the trusts are recorded as investment income and the trust values are adjusted annually for changes in the fair value of the trust assets.

(b) Funds held in remainder trusts are measured at the present value of future distributions projected to be received over the expected remaining term of the trust, or upon the trust's expiration. Note 3 includes information about the discount rates used in determining the value of the assets.

(c) Split-interest obligations are measured as the present value of future cash flows expected to be paid to the donor or the donor's designee. These obligations are adjusted during the term of each annuity for payments to donors, accretion of discounts and changes in life expectancies of the donors.

There were no transfers of assets between Level 1, 2 or 3 classifications for the years ended December 31, 2021 and 2020.

American Diabetes Association

Notes to the Consolidated Financial Statements

The following table is a roll forward for the consolidated statement of financial position amount for perpetual trusts and funds held in remainder trusts classified by ADA within Level 3 of the fair value hierarchy as follows (in thousands):

	Perpetual trusts		Funds held in remainder trusts	
Balance, December 31, 2019	\$	10,638	\$	10,421
Contributions		692		627
Investment gains		492		1,347
Distributions		-		(731)
Balance, December 31, 2020		11,822		11,664
Contributions		72		149
Investment gains		623		1,544
Distributions		-		(1,295)
Balance, December 31, 2021	\$	12,517	\$	12,062

8. Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts of approximately \$817,000 and \$1,128,000 as of December 31, 2021 and 2020, respectively. Of the allowance amount, \$669,000 and \$663,000 as of December 31, 2021 and 2020, respectively, relates to the land rental (see Note 20).

9. Contributions Receivable

Contributions receivable consist of the following amounts due as of December 31, (in thousands):

	2021		2020	
Within one year	\$	29,526	\$	26,322
One to five years		14,641		6,599
More than five years		-		256
		44,167		33,177
Less:				
Allowance for doubtful accounts		(1,103)		(1,009)
Present value discount		(249)		(140)
Subtotal		42,815		32,028
Funds held in remainder trusts		12,062		11,664
Contributions receivable, net	\$	54,877	\$	43,692

American Diabetes Association

Notes to the Consolidated Financial Statements

10. Property and Equipment

Property and equipment consist of the following as of December 31, (in thousands):

	2021	2020
Land	\$ 4	\$ 4
Leasehold improvements	5,843	5,885
Software	10,044	9,930
Furniture, fixtures and equipment	10,617	12,239
Total property and equipment	26,508	28,058
Less: accumulated depreciation and amortization	(20,921)	(19,683)
Property and equipment, net	\$ 5,587	\$ 8,375

Depreciation and amortization expense on property and equipment totaled approximately \$3,000,000 and \$3,336,000 for the years ended December 31, 2021 and 2020, respectively.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31 (in thousands):

<i>As of December 31,</i>	2021	2020
Subject to expenditure for specified purpose and time:		
Research	\$ 8,390	\$ 14,820
Information	34,956	28,588
Advocacy	4,514	672
Sponsorship for fundraising activities	388	743
Future periods	14,612	14,233
Total subject to expenditure for specified purpose and time	62,860	59,056
Endowments and perpetual trusts:		
Research	4,859	4,667
Information	7,867	8,073
Advocacy	195	214
General operations of ADA	22,401	22,033
Total endowments and perpetual trusts	35,322	34,987
Total net assets with donor restrictions	\$ 98,182	\$ 94,043

American Diabetes Association

Notes to the Consolidated Financial Statements

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purpose as specified by donors or for the passage of time. Expenditures of donor-restricted funds are released from the appreciation related to those funds to the extent allowed by the donors. Such net assets were released as follows (in thousands):

<i>Years ended December 31,</i>	2021	2020
Satisfaction of purpose and time restrictions:		
Research	\$ 11,033	\$ 11,049
Information	27,040	13,190
Advocacy	4,951	4,562
Sponsorship for fundraising activities	5,678	6,660
Future periods	95	781
Total satisfaction of purpose and time restrictions	48,797	36,242
Restricted purpose spending rate distribution:		
Research	115	147
Information	464	625
Advocacy	34	19
General operations of ADA	150	189
Total restricted purpose spending rate distribution	763	980
Total release	\$ 49,560	\$ 37,222

12. Endowment

ADA's endowment consists of 51 individual donor restricted endowment funds and donor restricted term endowment funds established for a variety of purposes. ADA has no board-designated endowment funds.

ADA has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowed funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ADA classifies donor restricted net assets as (a) the original value of the gifts donated to a permanent endowment and (b) the original value of subsequent gifts to permanent endowments. The associated gains and income on donor-restricted endowed funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by ADA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, ADA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Endowment and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of ADA
- The investment policies of ADA

American Diabetes Association

Notes to the Consolidated Financial Statements

ADA has adopted an investment policy for endowment assets that provides continued financial stability for ADA and a revenue stream for spending on ADA's mission. Under this policy, as approved by the board of directors, ADA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ADA targets a diversified asset allocation that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints. ADA expects its endowment funds, over time, to provide an average rate of return of approximately 7.5% annually.

ADA's endowment spending policy permits spending at a rate of 4.0% of the endowments' market value over a rolling five-year average. The long-term return of 7.5% and a spending rate of 4.0% are intended to maintain the purchasing power of the endowment.

At times, the fair value of assets associated with an individual donor restricted endowment fund may fall below the historic dollar value of the fund. During these periods, ADA does not spend income derived from underwater endowment funds but rather uses that income to replenish the corpus. Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2021 and 2020, there were no underwater funds.

ADA's endowment funds are recorded with donor restrictions and consist of the following as of December 31 (in thousands):

<i>As of December 31,</i>	2021	2020
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donors:	\$ 22,801	\$ 22,801
Accumulated investment gains	4	364
Total endowment funds	\$ 22,805	\$ 23,165

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2019	-	23,452	23,452
Investment return, net			
Investment income, net	1,627	237	1,864
Net appreciation	-	456	456
Appropriation for expenditure	(1,627)	(980)	(2,607)
Endowment net assets, December 31, 2020	-	23,165	23,165
Investment return, net			
Investment income, net	1,746	349	2,095
Net appreciation	-	54	54
Appropriation for expenditure	(1,746)	(763)	(2,509)
Endowment net assets, December 31, 2021	-	22,805	22,805

American Diabetes Association

Notes to the Consolidated Financial Statements

13. Contributed Services and In-Kind Contributions

ADA recognizes as contribution revenue and as professional fees expense the fair value of services donated by volunteers in conjunction with the peer review process by the Grant Review Panel, medical services provided in conjunction with ADA's program activities, camps held for children with diabetes, and corporate communication services. Contributed services for occupancy are recorded in occupancy expenses. ADA recognized approximately \$530,000 and \$588,000 and are included in donations in the accompanying consolidated statement of activities and changes in net assets during the years ended December 31, 2021 and 2020, respectively.

Many other volunteers made significant contributions of time to ADA's program and supporting functions. The values of those contributed services do not meet the criteria for recognition and, accordingly, are not recognized as revenues and expenses in the accompanying consolidated statement of activities and changes in net assets.

14. Allocation of Joint Costs

ADA conducts activities to distribute information related to diabetes and a call to action, such as assessing a person's risk for diabetes and seeking appropriate health services, as well as an appeal for funds. The joint costs incurred through these activities for the years ended December 31, were allocated as follows (in thousands):

<i>Years ended December 31,</i>	2021	2020
Advocacy and public awareness	\$ 2,185	\$ 3,184
Management and general	74	213
Fundraising	7,208	9,819
Total joint costs	\$ 9,467	\$ 13,216

15. Pension Plans

ADA has two defined contribution pension plans that cover most salaried employees who have reached the age of 21 and completed one year of service. Pension expense for the years ended December 31, 2021 and 2020 was approximately \$678,000 and \$549,000, respectively.

16. Self-Insured Medical and Dental Benefits

ADA self-insures its employee medical and dental benefits. Losses from claims identified under the incident reporting system, as well as provisions for estimated losses for incurred but not reported incidents, are accrued based on estimates that incorporate the past experience of ADA, as well as other considerations, including the nature of the claims or incidents and relevant trend factors.

Self-insured risk for employee health benefits is secured through stop loss insurance policies that protect ADA should total claims exceed a specified limit in a plan year. This limit was approximately \$5,700,000 and \$6,326,000 in 2021 and 2020, respectively.

American Diabetes Association

Notes to the Consolidated Financial Statements

The liability as of December 31, 2021 and 2020 was approximately \$231,000 and \$343,000, respectively, and is included in accounts payable and accrued liabilities in the consolidated statement of financial position. Benefit expense under this plan was approximately \$3,124,000 and \$3,766,000 for the years ended December 31, 2021 and 2020, respectively. The benefit expense includes claims paid and changes to the reserve for future claims.

17. Bank Line-of- Credit

On November 28, 2018, the PTHC obtained a \$10,00,000 revolving line-of-credit with a bank. The line-of-credit bears interest at the rate of LIBOR plus 2.5% (2.6% as of December 31, 2021), is secured by real property of PTHC and is guaranteed by ADA. The line-of-credit expires, if not renewed, on November 24, 2023. In March 2020, ADA drew \$10,000,000 from the line-of-credit. As of December 31, 2020, the outstanding balance on the line-of-credit was \$10,000,000. ADA repaid the outstanding balance on the line-of-credit in September 2021. The fees for the years ended December 31, 2021 and 2020 were approximately \$12,000 and \$29,000, respectively.

The line-of-credit is available for working capital and requires that PTHC maintain compliance with certain financial covenants. PTHC was in compliance with these covenants as of December 31, 2021 and 2020.

18. Lease Commitments

ADA is obligated under various noncancelable operating lease agreements for facilities expiring at various dates through July 2030. ADA has received improvement, equipment and other incentives from landlords and many of these agreements contain cost escalations providing for increases in rental rates. ADA recognizes rent expense on a straight-line basis over the life of the lease. ADA is also obligated under noncancelable operating leases for telephone and other equipment through March 2023.

As of December 31, 2021, the future minimum lease payments under operating leases with noncancelable lease terms in excess of one year were (in thousands):

Years ending December 31,

2022	\$	4,113
2023		3,645
2024		3,651
2025		3,724
2026		3,799
Thereafter		13,914
	\$	32,846

Rent expense totaled approximately \$3,863,000 and \$5,229,000 for the years ended December 31, 2021 and 2020, respectively.

American Diabetes Association

Notes to the Consolidated Financial Statements

19. Lease Payments Receivable

ADA holds leases on land that was donated in 1998 through a bequest. As part of the bequest, the donor restricted ADA from selling the land for 25 years from the date of the donation. As of December 31, 2021, the future minimum lease payments due to ADA under these leases were (in thousands):

Years ending December 31,

2022	\$	1,674
2023		1,726
2024		1,790
2025		1,799
2026		1,363
Thereafter		35,475
	\$	43,827

The accumulated difference between the rental income recognized and rental payments received recorded as deferred rent receivable, was approximately \$7,984,000 and \$7,885,000 as of December 31, 2021 and 2020, respectively, and is included in accounts receivable in the accompanying consolidated statement of financial position. Due to market conditions, management believes a significant risk exists that a portion of future rent revenue will not be recognized; therefore, an allowance against the deferred rent receivable has been recorded in the amount of \$669,000 and \$663,000 as of December 31, 2021 and 2020, respectively.

20. Merger

Assets and liabilities of the RF were received by ADA at book value in a net asset transfer under carry over basis method of accounting. The following is the RF's activities for the year ended December 31, 2021 prior to the merger (in thousands):

<i>Year ended December 31, 2021</i>		Research Foundation
Total Revenue	\$	9,825
Total Expenses		16,391
Change in net assets		(6,566)
Net assets transfer to ADA		(8,404)
Net assets, beginning of year		14,970
Net assets, end of year	\$	-

American Diabetes Association

Notes to the Consolidated Financial Statements

21. Subsequent Events

ADA has evaluated subsequent events through May 27, 2022 the date the consolidated financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in the consolidated financial statements.

Supplemental Schedules



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Independent Auditor's Report on the Supplemental Schedules

Board of Directors
American Diabetes Association
Arlington, Virginia

Our audit of the consolidated financial statements of the American Diabetes Association included in the preceding section of this report was conducted for the purpose of forming an opinion on those consolidated statements as a whole. The supplemental schedules presented in the following section of this report are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

McLean, VA
May 27, 2022

American Diabetes Association
Consolidating Statement of Financial Position

(in thousands)

<i>December 31, 2021</i>	American Diabetes Association	Property Title Holding Corp	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 40,517	\$ -	\$ -	\$ 40,517
Investments	49,367	-	-	49,367
Restricted investment in real estate	-	12,818	-	12,818
Intercompany receivables	6,720	-	(6,720)	-
Accounts receivable, net	1,465	7,459	-	8,924
Inventory and supplies, net	296	-	-	296
Prepaid expenses and other assets	2,248	-	-	2,248
Contributions receivable, net	54,877	-	-	54,877
Property and equipment, net	5,587	-	-	5,587
Interest in perpetual trusts	12,517	-	-	12,517
Total assets	\$ 173,594	\$ 20,277	\$ (6,720)	\$ 187,151
Liabilities and Net Assets				
Accounts payable and accrued liabilities	\$ 18,308	\$ 130	\$ -	\$ 18,438
Research grants payable	3,903	-	-	3,903
Intercompany payables	-	6,720	(6,720)	-
Deferred revenue	4,985	609	-	5,594
Refundable advances	2,475	-	-	2,475
Total liabilities	29,671	7,459	(6,720)	30,410
Net assets:				
Without donor restrictions	58,559	-	-	58,559
With donor restrictions	85,364	12,818	-	98,182
Total net assets	143,923	12,818	-	156,741
Total liabilities and net assets	\$ 173,594	\$ 20,277	\$ (6,720)	\$ 187,151

American Diabetes Association

Consolidating Statement of Activities and Change in Net Assets

(in thousands)

<i>Year ended December 31, 2021</i>	American Diabetes Association	Property Title Holding Corp	Eliminations	Total
Revenue:				
Contributions and grants:				
Donations	\$ 80,268	\$ -	\$ -	\$ 80,268
Special events	8,391	-	-	8,391
Less: costs of direct benefits to donors	(589)	-	-	(589)
Bequests	26,770	-	-	26,770
Federated and nonfederated organizations	2,443	-	-	2,443
Total contributions and grants	117,283	-	-	117,283
Fees from exchange transactions:				
Subscriptions and periodicals	6,905	-	-	6,905
Sale of materials	921	-	-	921
Program service fees	9,615	-	-	9,615
Miscellaneous revenues	2,808	-	-	2,808
Total fees from exchange transactions	20,249	-	-	20,249
Investment return, net	2,864	1,746	-	4,610
Intercompany revenues	8,689	193	(8,882)	-
Total revenue	149,085	1,939	(8,882)	142,142
Expenses:				
Program activities:				
Research	21,833	-	-	21,833
Information	32,410	27	-	32,437
Advocacy and public awareness	13,088	41	-	13,129
Total program activities	67,331	68	-	67,399
Management and general	6,182	71	-	6,253
Fundraising	17,841	54	-	17,895
Intercompany expenses	7,136	1,746	(8,882)	-
Total expenses	98,490	1,939	(8,882)	91,547
Change in net assets	50,595	-	-	50,595
Net assets, beginning of year	93,328	12,818	-	106,146
Net assets, end of year	\$ 143,923	\$ 12,818	\$ -	\$ 156,741