

Audited Financial Statements

**The Alliance for
Eating Disorders Awareness, Inc.**

December 31, 2019 and 2018



**CALER, DONTEN, LEVINE,
COHEN, PORTER & VEIL, P.A.**

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITOR'S REPORT..... 1

AUDITED FINANCIAL STATEMENTS

Statements of Financial Position..... 3
Statements of Activities 4
Statements of Functional Expenses..... 5
Statements of Cash Flows..... 7
Notes to Financial Statements..... 8



CALER, DONTEN, LEVINE, COHEN, PORTER & VEIL, P.A.

WILLIAM K. CALER, JR., CPA
LAURA E. CLARK, CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
MICHAEL J. NALEZYTY, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA
MARTIN R. WOODS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401
TELEPHONE: (561) 832-9292

759 SW FEDERAL HIGHWAY, SUITE 301
STUART, FL 34994
TELEPHONE: (772) 872-2123

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
The Alliance for Eating Disorders Awareness, Inc.
West Palm Beach, Florida

We have audited the accompanying financial statements of The Alliance for Eating Disorders Awareness, Inc. (the "Alliance", a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Alliance for Eating Disorders Awareness, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Subsequent Event

As discussed in Note G to the financial statements, subsequent to December 31, 2019, the citizens and economies of the United States and other countries were significantly impacted by the coronavirus (COVID-19) global pandemic. The severity and duration of the disease are presently uncertain and the ultimate effects of the pandemic on the Alliance's operations and financial position cannot presently be determined. Accordingly, no provisions for any implications of the pandemic have been made in the financial statements. Our opinion is not modified with respect to this matter.

West Palm Beach, Florida
May 18, 2020

*Cale, Douten, Levine,
Cohen, Porter & Veil, P.A.*

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,414,306	\$ 909,409
Investments	112,333	437,559
Prepaid expenses	19,733	11,791
TOTAL CURRENT ASSETS	<u>1,546,372</u>	<u>1,358,759</u>
PROPERTY AND EQUIPMENT, net	55,417	75,938
OTHER ASSET		
Security deposit	<u>1,800</u>	<u>1,800</u>
TOTAL ASSETS	<u>\$ 1,603,589</u>	<u>\$ 1,436,497</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 21,074	\$ 16,788
Accrued payroll and related liability	28,672	20,680
Refundable grant advance	31,917	29,500
Deferred rent	-	4,259
Deferred revenue	124,520	206,850
TOTAL CURRENT LIABILITIES	<u>206,183</u>	<u>278,077</u>
NET ASSETS		
Without donor restrictions	1,251,466	1,086,091
With donor restrictions	<u>145,940</u>	<u>72,329</u>
TOTAL NET ASSETS	<u>1,397,406</u>	<u>1,158,420</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,603,589</u>	<u>\$ 1,436,497</u>

See notes to financial statements.

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS, AND OTHER SUPPORT		
Revenues and gains		
Contributions	\$ 340,608	\$ 311,308
Special events	653,751	474,320
Costs of direct benefits to donors	(94,436)	(62,358)
Grants	109,083	110,972
Partnerships	120,000	110,000
Conferences	11,236	28,471
Psychological services fees	13,070	14,202
Investment return, net	24,020	(3,211)
Other	3,846	4,445
	<u>1,181,178</u>	<u>988,149</u>
Net assets released from restrictions	42,772	12,475
Total revenues, gains and other support	<u>1,223,950</u>	<u>1,000,624</u>
EXPENSES		
Program services		
Outreach, education, prevention, and treatment	738,252	665,435
Supporting services		
Management and general	190,131	199,632
Fundraising	130,192	117,223
Total supporting services	<u>320,323</u>	<u>316,855</u>
Total expenses	<u>1,058,575</u>	<u>982,290</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	165,375	18,334
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Special events	66,383	30,627
Contributions	50,000	-
Grants	-	37,038
Net assets released from restrictions	<u>(42,772)</u>	<u>(12,475)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>73,611</u>	<u>55,190</u>
INCREASE IN NET ASSETS	238,986	73,524
Net assets at beginning of year, as originally reported	1,158,420	1,186,318
Restatement for adoption of new accounting standard	-	(101,422)
Net assets at beginning of year, as restated	<u>1,158,420</u>	<u>1,084,896</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,397,406</u>	<u>\$ 1,158,420</u>

See notes to financial statements.

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

	2019				
	Program Services	Supporting Services			Total
	Outreach, Education, Prevention, and Treatment	Management and General	Fundraising	Costs of Direct Benefits to Donors	
Salaries	\$ 285,834	\$ 112,676	\$ 34,383	\$ -	\$ 432,893
Payroll taxes and benefits	46,816	17,062	6,825	-	70,703
Auto expense	7,366	2,454	-	-	9,820
Board expense	-	3,647	-	-	3,647
Computer expense	25,052	2,249	1,497	-	28,798
Conferences	32,057	-	-	-	32,057
Depreciation	15,391	4,104	1,026	-	20,521
Event expenses	-	-	66,989	94,436	161,425
Independent contractors	156,483	1,087	-	-	157,570
Insurance	7,427	794	-	-	8,221
Meals	3,082	585	-	-	3,667
Membership	7,832	-	-	-	7,832
Office expense	32,947	7,980	7,043	-	47,970
Postage and printing	39,338	-	9,162	-	48,500
Professional fees	-	29,000	-	-	29,000
Rent	33,606	3,857	964	-	38,427
Social media	13,500	750	750	-	15,000
Travel	16,356	774	775	-	17,905
Utilities	15,165	3,112	778	-	19,055
TOTAL EXPENSES	738,252	190,131	130,192	94,436	1,153,011
Less expenses included with revenues on the statement of activities	-	-	-	(94,436)	(94,436)
Total expenses included in the expense section of the statement of activities	\$ 738,252	\$ 190,131	\$ 130,192	\$ -	\$ 1,058,575

2018

Program Services	Supporting Services			Costs of Direct Benefits to Donors	Total
	Management and General	Fundraising			
\$ 281,946	\$ 116,227	\$ 36,314	\$ -	\$ 434,487	
44,157	17,454	5,173	-	66,784	
6,357	2,119	-	-	8,476	
-	4,412	-	-	4,412	
25,141	2,785	-	-	27,926	
34,010	-	-	-	34,010	
14,911	3,977	994	-	19,882	
-	-	65,937	62,358	128,295	
115,357	3,561	-	-	118,918	
4,311	450	-	-	4,761	
1,863	377	-	-	2,240	
7,862	-	-	-	7,862	
23,443	7,501	5,743	-	36,687	
37,775	-	-	-	37,775	
-	32,445	-	-	32,445	
28,100	3,825	957	-	32,882	
-	-	-	-	-	
23,840	1,307	1,307	-	26,454	
16,362	3,192	798	-	20,352	
665,435	199,632	117,223	62,358	1,044,648	
-	-	-	(62,358)	(62,358)	
<u>\$ 665,435</u>	<u>\$ 199,632</u>	<u>\$ 117,223</u>	<u>\$ -</u>	<u>\$ 982,290</u>	

See notes to financial statements.

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

STATEMENTS OF CASH FLOWS

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Increase in net assets	\$ 238,986	\$ 73,524
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	20,521	19,882
Net realized and unrealized (gain) loss on investments	(15,126)	11,442
Contributed securities	(10,064)	-
Changes in operating assets and liabilities		
Prepaid expenses	(7,942)	6,578
Accounts payable	4,286	6,669
Accrued payroll and related liability	7,992	2,853
Refundable grant advance	2,417	-
Deferred rent	(4,259)	(8,518)
Deferred revenue	(82,330)	91,561
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>154,481</u>	<u>203,991</u>
INVESTING ACTIVITIES		
Sales of investments	1,012,000	400,000
Purchases of investments	(661,584)	(604,386)
Purchases of property and equipment	-	(12,291)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>350,416</u>	<u>(216,677)</u>
INCREASE (DECREASE) IN CASH	504,897	(12,686)
Cash at beginning of year	<u>909,409</u>	<u>922,095</u>
CASH AT END OF YEAR	<u>\$ 1,414,306</u>	<u>\$ 909,409</u>
NON-CASH INVESTING ACTIVITY		
Contributed securities	<u>\$ 10,064</u>	<u>\$ -</u>

See notes to financial statements.

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization: The Alliance for Eating Disorders Awareness, Inc. (the "Alliance") is a not-for-profit organization incorporated under the laws of the State of Florida on October 2, 2000. The Alliance was formed to create a source of community outreach, education, awareness, and prevention of the various eating disorders for the greater Palm Beach County, Florida, area.

Basis of Presentation: The accompanying financial statements are presented on the accrual basis of accounting and present balances and transactions of the Alliance according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions as follows:

Net Assets Without Donor Restrictions are resources generated from operations, unrestricted donations and lapse of temporary restrictions and are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions are those whose use by the Alliance has been limited by donors and grantors to a specific time period, purpose or in perpetuity.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of net assets without donor restrictions.

Cash: Cash includes amounts on deposit in checking accounts and in a brokerage account. The Alliance had deposits that exceeded federal deposit insurance by approximately \$670,000 and \$417,000 at December 31, 2019 and 2018, respectively.

Investments: Investments consist of equity securities, exchange traded funds and negotiable certificates of deposit, all of which are recorded at fair value. The Alliance's investments are held by a brokerage firm and are not collateralized or insured, except that certificates of deposit issued by financial institutions are insured up to \$250,000 per issuer through federal depository insurance. All certificates of deposit were fully insured as of December 31, 2018. No certificates of deposit were held as of December 31, 2019. Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date.

Property and Equipment: Property and equipment is stated at cost or if donated, fair value at the date of the gift. All property and equipment with a cost in excess of \$1,000 is capitalized. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the related assets as follows:

Leasehold improvements	6 years
Equipment	5 years

Donated assets are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long donated assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Alliance reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Refundable Grant Advance: During 2019 and 2018, the Alliance received conditional grant funds from a not-for-profit foundation which must be used in support of a specific aspect of the Alliance's psychological services program within a specified time period. These funds will be recognized as revenue when the Alliance incurs the specific expenses outlined in the grant agreement. Any unspent funds at the end of the grant term must be refunded to the grantor.

Deferred Revenue: Deferred revenue consists of amounts received for special events to be held in the subsequent year and partnerships applicable to the subsequent year.

Contributions: The Alliance recognizes contributions, including unconditional promises to give, as revenue in the period received and earned. Contributions are reported as with or without donor restrictions depending on the absence or existence of donor stipulations that limit the use of the support. Contributions received with donor restrictions that are met in the same reporting period are reported as revenue without donor restrictions and an increase in net assets without donor restrictions. Contributions from Board Members (cash and contributed services) totaled approximately \$223,000 or 17% of total revenues, gains and other support for 2019 and \$216,000 or 20% for 2018.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions to special events depend on hosting the related events. At December 31, 2019 and 2018, contributions received for special events totaling \$76,006 and \$130,445, respectively, have been reflected in the accompanying statements of financial position as deferred revenue until such time as the event occurs. Donor restricted support whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Contributed Services: Contributed services (i.e. in-kind contributions) are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed professional services with a value of \$54,000 and \$63,500 were received and recorded as contribution revenue and corresponding expenses during the years ended December 31, 2019 and 2018, respectively. Additionally, a substantial number of unpaid volunteers have made significant contributions of their time to the Alliance. The value of such volunteered time is not reflected in these financial statements, since it does not meet the accounting recognition requirements.

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: In 2019, the Alliance adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The ASU clarifies the principles for recognizing revenue and creates common revenue recognition guidance for U.S. generally accepted accounting principles (GAAP). The revenue recognition principles of the ASU apply only to exchange transactions and not to contributions and other nonreciprocal transfers to the Alliance. The ASU was applied using the modified retrospective method which did not result in any changes to previously reported amounts as of and for the year ended December 31, 2018.

The Alliance has five main sources of revenue: contributions, special events income, grants, partnerships, and conferences and service fees. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Alliance records special events revenue equal to the fair value of direct benefits to donors, and contribution income for excess received when the event takes place. At December 31, 2019 and 2018, deferred revenue on the statements of financial position include \$13,514 and \$31,405, respectively, of advance ticket sales and sponsorship revenue for special events that will not take place until the subsequent year. Grant revenue is generally conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Alliance has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as a refundable grant advance in the statement of financial position. At December 31, 2019 and 2018, the Alliance had received \$31,917 and \$29,500, respectively, of grants that have not been recognized because qualifying expenditures have not yet been incurred. These amounts are reported in the statements of financial position as a refundable grant advance.

Partnership revenues are nonrefundable exchange transactions in which other organizations pay a fee to become partners with the Alliance and receive benefits during the calendar year. These transactions include multiple performance obligations which are satisfied during the calendar year. Partnership payments received prior to the year the performance obligations will be satisfied are included in deferred revenue in the statement of financial position. At December 31, 2019 and 2018, partnership payments received in advance totaled \$35,000 and \$45,000, respectively. Conference and psychological services fees are recognized as revenue when the conference takes place or the psychological counseling services are provided. Conference fees paid in advance are refundable until such time as the conference begins. There was no liability for conference registration fees paid in advance at December 31, 2019 and 2018. Psychological services fees are generally paid when the services are rendered.

Functional Allocation of Expenses: The costs of providing various programs and supporting services activities of the Alliance have been summarized on a functional basis in the accompanying statements of activities and functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses, which can be specifically identified with a functional category, are charged accordingly. Expenses which are not directly identifiable with a specific functional category require allocation on a reasonable basis that is consistently applied. Such expenses are allocated on the basis of estimates of time and effort.

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The Alliance is a not-for-profit organization exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Alliance is classified as a publicly supported organization other than a private foundation. Therefore, no provision for income taxes has been made in these financial statements.

The Alliance evaluates its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which states that management's determination of the taxable status of an entity, including its status as a tax-exempt entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that the Alliance has any significant uncertain tax positions that would be material to the financial statements. The Alliance's tax returns for tax years prior to 2016 are no longer subject to examination by taxing authorities.

Changes in Accounting Principles: The Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*, and five subsequent amendments to ASU 2014-09 (collectively "ASU 2014-09"), which was effective for the Alliance for the year ended December 31, 2019. The provisions and applicability of this ASU are described above under Revenue Recognition.

The FASB also issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which was effective for the Alliance for the year ended December 31, 2019. ASU 2018-08 clarifies the guidance for evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. ASU 2018-08 was applied using a retrospective approach which resulted in changes to the balances presented in the statement of financial position and the related statements of activities and cash flows for the year ended December 31, 2018. In accordance with ASU 2018-08, contributions for special events are conditioned upon the event taking place, whereas under the previous guidance, contributions for special events were recognized when received if the likelihood of the respective special events being cancelled was considered remote. Accordingly, unrestricted net assets at January 1, 2018 decreased by \$101,422. In addition, deferred revenue at December 31, 2018 increased by \$175,445 and revenue for 2018 decreased by \$74,023.

Use of Estimates and Assumptions: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Subsequent Events: The Alliance has evaluated subsequent events through May 18, 2020, which is the date the financial statements were available to be issued.

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE B - AVAILABILITY AND LIQUIDITY

The Alliance manages its liquidity to operate within a prudent range of financial soundness and stability, and maintain adequate liquid assets to fund operating needs. The Alliance aims to keep a minimum of nine months of budgeted operating expenditures in cash and also invests in liquid securities which include equity securities, exchange traded funds and certificates of deposit. In addition to financial assets available to meet general expenditures over the next 12 months, the Alliance operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following table reflects the Alliance's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. The Alliance considers contributions with donor restrictions for use in current programs which are ongoing, major, and central to its operations and expected to be used within one year to be available to meet cash needs for general expenditures within one year. General expenditures include administrative and general expenses, fundraising expenses and all expenditures related to its ongoing program related activities.

	<u>2019</u>	<u>2018</u>
Financial assets at December 31		
Cash and cash equivalents	\$ 1,414,306	\$ 909,409
Investments	<u>112,333</u>	<u>437,559</u>
Total financial assets at December 31	1,526,639	1,346,968
Less amounts not available to be used within one year:		
Donor restricted net assets not expected to be used for general expenditures within one year	<u>(12,279)</u>	<u>(15,583)</u>
Total financial assets available at December 31	<u>\$ 1,514,360</u>	<u>\$ 1,331,385</u>

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The cost and fair value of investments at December 31, 2019 and 2018 were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Marketable equity securities	\$ 56,277	\$ 54,998	\$ 46,213	\$ 40,794
Exchange traded funds	54,465	57,335	52,806	44,690
Negotiable certificates of deposit	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>352,075</u>
Total Investments	<u>\$ 110,742</u>	<u>\$ 112,333</u>	<u>\$ 449,019</u>	<u>\$ 437,559</u>

The Alliance's investments are exposed to various risks, such as interest rate, market and credit risks. In addition, certain investments may be subject to additional risks including, foreign currency risk, derivatives risk, foreign and emerging markets risk, leveraging risk, liquidity risk, real estate risk and small company risk. Due to the various risks associated with investments, it is at least reasonably possible

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

that changes in the values of investments will occur in the near term and that such changes could materially affect the Alliance's account balances and the amounts reported in the statements of financial position.

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value through a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Alliance has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Inputs are unobservable for the assets or liabilities.

The fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Items Measured at Fair Value on a Recurring Basis: The following methods and assumptions were used by the Alliance in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under FASB ASC 820:

Marketable equity securities and exchange traded funds: Actively traded securities are valued at the closing price reported in the market on which the individual securities are traded.

Negotiable certificates of deposit: Negotiable certificates of deposit are valued using a matrix pricing technique based on the securities' relationship to quoted benchmark prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Alliance believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methodologies used at December 31, 2019 and 2018.

The categorization of an investment or asset within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Company's perceived risk of that investment.

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Fair Value of Assets: The following table sets forth by level within the fair value hierarchy, the fair value of the Alliance's financial assets measured at fair value on a recurring basis at December 31, 2019 and 2018:

	Fair Value at December 31, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Marketable equity securities	\$ 54,998	\$ -	\$ -	\$ 54,998
Exchange traded funds	<u>57,335</u>	<u>-</u>	<u>-</u>	<u>57,335</u>
Total Investments	<u>\$ 112,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,333</u>
	Fair Value at December 31, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Marketable equity securities	\$ 40,794	\$ -	\$ -	\$ 40,794
Exchange traded funds	44,690	-	-	44,690
Negotiable certificates of deposit	<u>-</u>	<u>352,075</u>	<u>-</u>	<u>352,075</u>
Total Investments	<u>\$ 85,484</u>	<u>\$ 352,075</u>	<u>\$ -</u>	<u>\$ 437,559</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 118,986	\$ 118,986
Equipment	<u>30,239</u>	<u>30,239</u>
	149,225	149,225
Less accumulated depreciation	<u>(93,808)</u>	<u>(73,287)</u>
	<u>\$ 55,417</u>	<u>\$ 75,938</u>

Depreciation expense was \$20,521 and \$19,882 for 2019 and 2018, respectively.

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<i>Purpose Restrictions</i>		
Support groups and online referral guide	\$ 95,940	\$ 72,329
Programs in Palm Beach County	<u>50,000</u>	<u>-</u>
Total	<u>\$ 145,940</u>	<u>\$ 72,329</u>

Net assets with donor restrictions are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Net assets were released from donor restrictions during the years ended December 31, 2019 and 2018, as follows:

	<u>2019</u>	<u>2018</u>
<i>Purpose Restrictions Satisfied</i>		
Support groups and online referral guide	\$ 42,772	\$ 12,475

NOTE F - OPERATING LEASES

The Alliance conducts its operations from facilities which were leased under a three-year noncancelable operating lease which expired in September 2019, but was extended on a month-to-month basis. The Alliance is also leasing an automobile under a thirty-nine month noncancelable lease, expiring in February 2023 and office equipment under a sixty-three month noncancelable lease, expiring in December 2024.

In July 2016, the Alliance entered into a three-year operating lease agreement for a facility to provide counseling services which expired in June 2019, but was extended on a month-to-month basis. Rent expense under these leases for the years ended December 31, 2019 and 2018, was \$38,427 and \$32,882, respectively. Future minimum rental payments due under the leases as of December 31, 2019 were as follows:

<u>Year Ending</u> <u>December 31,</u>	
2020	\$ 10,650
2021	10,650
2022	10,650
2023	6,765
2024	<u>5,988</u>
	<u>\$ 44,703</u>

THE ALLIANCE FOR EATING DISORDERS AWARENESS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE G - SUBSEQUENT EVENTS

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S. as federal, state and local governments reacted to the public health crisis by ordering the temporary closures of schools, public facilities and non-essential businesses and organizations, imposing travel restrictions and advising or mandating that individuals remain in their homes in order to slow the spread of the disease. While these measures are expected to be temporary, the duration of the business and economic disruptions, and the related financial impact, cannot be determined at the present time.

The potential exists for the pandemic to have a significant adverse effect on the U.S. economy, financial markets, supply chains and labor availability, resulting in an economic downturn and changes in government policies that could have a material adverse impact on the Alliance's future business, operating results and financial condition. Due to the uncertainties involved with the pandemic, the ultimate impact on the Alliance cannot presently be determined and no provisions for any implications of the pandemic have been made in the financial statements. Nevertheless, it is at least reasonably possible that the adverse effects of the pandemic on the Alliance could be material in future periods.

During the first four months of 2020, the U.S. equity markets experienced a significant amount of volatility due to the coronavirus pandemic and other market factors, and market interest rates also declined significantly. While there has been some recovery in the U.S. equity markets through April 2020, the fair value of the Alliance's investments remains below the value at December 31, 2019. Management considers the market fluctuations to be temporary in nature, however, due to the uncertainties involved with the pandemic as describe above, the recoverability of the investment losses and the ultimate impact on the fair value of the Alliance's investments cannot be determined at the present time and no provisions for impairment, if any, have been made in the accompanying financial statements. Nevertheless, it is at least reasonably possible that losses on the Alliance's investments may not be recovered in future periods and such losses could be material.