



**American Diabetes Association
Research Foundation, Inc.**

Financial Statements
Year Ended December 31, 2020

**American Diabetes Association
Research Foundation, Inc.**

Financial Statements
Year Ended December 31, 2020

**American Diabetes Association
Research Foundation, Inc.**

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-17



Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
McLean, VA 22102

Independent Auditor's Report

The Board of Directors
American Diabetes Association Research Foundation, Inc.
Arlington, Virginia

Opinion

We have audited the financial statements of American Diabetes Association Research Foundation, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of American Diabetes Association as of December 31, 2020, 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 Financial Statements* section of our report. We are required to be independent of American Diabetes Association Research Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Research Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Diabetes Association Research Foundation, Inc.'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 Research Foundation, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

McLean, Virginia
May 27, 2021

Financial Statements

**American Diabetes Association
Research Foundation, Inc.**

**Statement of Financial Position
December 31, 2020 (With Summarized Comparative Totals for 2019)**

<i>December 31,</i>	2020	2019 Total (Summarized)
Assets		
Cash and cash equivalents	\$ 270,594	\$ 448,604
Receivable from American Diabetes Association	17,271,147	32,831,409
Contributions receivable, net	908,231	1,116,962
Interest in perpetual trust	95,715	88,495
Total assets	\$ 18,545,687	\$ 34,485,470
Liabilities and Net Assets		
Research grants payable	\$ 3,575,966	\$ 13,201,125
Total liabilities	3,575,966	13,201,125
Commitments and contingencies		
Net assets:		
Without donor restrictions	-	-
With donor restrictions	14,969,721	21,284,345
Total net assets	14,969,721	21,284,345
Total liabilities and net assets	\$ 18,545,687	\$ 34,485,470

See accompanying notes to financial statements.

**American Diabetes Association
Research Foundation, Inc.**

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020 (With Summarized Comparative Totals for 2019)**

<i>December 31,</i>	Without donor restrictions	With donor restrictions	2020 Total	2019 Total (Summarized)
Revenue:				
Donations, bequests, and change in value of perpetual trusts	\$ 2,415,394	\$ 150,683	\$ 2,566,077	\$ 3,291,589
Contributed professional services	82,788	-	82,788	643,924
Grant from the American Diabetes Association	6,193,814	1,113,406	7,307,220	17,660,067
Total contributions and grants	8,691,996	1,264,089	9,956,085	21,595,580
Net assets released from restrictions	7,578,713	(7,578,713)	-	-
Total revenue	16,270,709	(6,314,624)	9,956,085	21,595,580
Expenses:				
Program activities:				
Research	15,753,419	-	15,753,419	26,936,035
Supporting services:				
Management and general	181,052	-	181,052	239,015
Fundraising	336,238	-	336,238	398,358
Total supporting services	517,290	-	517,290	637,373
Total expenses	16,270,709	-	16,270,709	27,573,408
Change in net assets	-	(6,314,624)	(6,314,624)	(5,977,828)
Net assets, beginning of year	-	21,284,345	21,284,345	27,262,173
Net assets, end of year	\$ -	\$ 14,969,721	\$ 14,969,721	\$ 21,284,345

See accompanying notes to financial statements.

**American Diabetes Association
Research Foundation, Inc.**

Statement of Functional Expenses

For the Year Ended December 31, 2020 (With Summarized Comparative Totals for 2019)

<i>December 31,</i>	Program activities research	<u>Supporting services</u>		2020 Total	2019 Total (Summarized)
		Management and general	Fundraising		
Research grants	\$ 15,670,631	\$ -	\$ -	\$ 15,670,631	\$ 26,292,111
American Diabetes Association management fee	-	181,052	336,238	517,290	637,373
Contributed professional services	82,788	-	-	82,788	643,924
Total expenses	\$ 15,753,419	\$ 181,052	\$ 336,238	\$ 16,270,709	\$ 27,573,408

See accompanying notes to financial statements.

**American Diabetes Association
Research Foundation, Inc.**

Statement of Cash Flows

For the Year Ended December 31, 2020 (With Summarized Comparative Totals for 2019)

<i>December 31,</i>	2020	2019 Total (Summarized)
Cash flows from operating activities:		
Change in net assets	\$ (6,314,624)	\$ (5,977,828)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized gain in interest in perpetual trust and funds held in remainder trust	(65,796)	(9,050)
(Increase) decrease in:		
Receivable from American Diabetes Association	15,560,262	17,383,692
Contributions receivable	267,307	(758,504)
Decrease (increase) in:		
Research grants payable	(9,625,159)	(10,309,423)
Net cash (used in) provided by operating activities	(178,010)	328,887
Cash and cash equivalents, beginning of year	448,604	119,717
Cash and cash equivalents, end of year	\$ 270,594	\$ 448,604

See accompanying notes to financial statements.

American Diabetes Association Research Foundation, Inc.

Notes to Financial Statements

1. Organization

The American Diabetes Association (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. In October 1994, the Association's board of directors established the American Diabetes Association Research Foundation, Inc. (the Foundation), as a subsidiary of ADA. The objective of the Foundation is to fund diabetes related research leading to:

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

The Foundation is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and charitable contributions to the Foundation qualify for charitable tax deductions as described in the Code. The Foundation is subject to taxation on any net unrelated business income and has been classified as an organization that is not a private foundation under Section 509(a) of the Code.

The Foundation 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. The Foundation has analyzed the tax positions taken and has concluded that as of December 31, 2020, 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 financial statements. The Foundation is still open to examination by taxing authorities from its year ended December 31, 2017 and forward.

The Foundation has been and continues to be dependent on the continued financial support of the Association to operate its core programs. The Association is committed to continue such support as necessary in order for the Foundation to sustain its research activities and to continue as a going concern.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation 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 the Foundation are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported 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.

American Diabetes Association Research Foundation, Inc.

Notes to Financial Statements

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 the Foundation 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 the Foundation 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 statements of activities and change 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, and financial instruments with original maturities of less than three months.

Contributions Receivable

Unconditional promises to give, including donations and 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 of 3.0%. Accretion of the discount is included in contribution revenue. The Foundation 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. Such allowance of \$11,000 and \$143,000 was deemed necessary as of December 31, 2020 and 2019, respectively.

Split-Interest Agreements

The Foundations receives certain planned gift donations that benefit not only the Foundation, 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 the Foundation in the future. The Foundation benefits from the following types of split-interest agreements: perpetual trusts, and charitable lead and remainder trusts.

The Foundation's share of split-interest agreements is included in contributions receivable and interest in perpetual trusts. Assets of \$324,232 and \$258,436 are reported in the statement of financial position as of December 31, 2020 and 2019, 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 2020 and 2019 was 1.3% and 3.0%, respectively.

American Diabetes Association Research Foundation, Inc.

Notes to Financial Statements

Revenue Recognition

Donations, bequests and perpetual trusts

All unconditional donations are recognized when received and are considered available for the research program of the Foundation unless specifically restricted by the donor. The research program is the sole program of the Foundation. Therefore, all contributions to the general research program are reported as revenues without donor restrictions unless further restricted by the donor. Generally, there is no time restriction presumed on unconditional promises to give as it is the practice of the Foundation to spend these contributions on the research program in the same year as received. Contributions recognized with donor restrictions are more specifically restricted than the broad research mission of the Foundation. 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.

The Foundation 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.

Conditional promises to give are those with a measurable performance or other barrier and right of return. The Foundation 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. There were no conditional contributions in 2020 and 2019.

The Foundation 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.

Contributed Professional Services

Contributed services are reported in the statement of activities and changes in net assets at the fair value of the services 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. Contributed services reported by the Foundation relate to the panel review of research grant applications and are recorded as both contributed professional services revenue and expense in the statement of activities.

Research Grants

Research grants are awarded by the Foundation generally extend over a period of one to five years, subject to renewal on an annual basis. The research grant payable and related expense are recorded as unconditional contributions when the recipient is notified of the annual award amount.

American Diabetes Association Research Foundation, Inc.

Notes to Financial Statements

Management Estimates and Uncertainties

The preparation of financial statements in accordance 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 at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Functional Allocation of Expenses

Expenses have been reported on a functional basis in the statement of activities. Expenses that are specifically associated with a programmatic activity or supporting service are allocated to that activity. All management and general and fundraising expenses is provided by ADA. Employee costs are allocated based on employee time attributable to each support services. Overhead costs are allocated based on a weighted average of employee costs attributed to each support service.

Concentrations of credit risk

The Foundation maintains its cash balance in bank deposit accounts, which, at times, may exceed Federal Deposit Insurance Corporation limits up to \$250,000. The Foundation has not experienced any losses related to these cash and cash equivalents.

Credit risk with respect to contributions receivable is mitigated by the Foundation through the creation of allowances for uncollectible receivables and the discounting of long-term contributions to present value. The Foundation also believes 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 statements of financial position, statements of activities and changes in net assets and functional expenses include certain summarized comparative information for the year ended December 31, 2019. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Recently Adopted Authoritative Guidance

In June 2018, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU assists in the determination of the nature of the transaction which will then govern the expense recognition methodology and timing of the transaction. The ASU is effective for contributions made by the Foundation in periods beginning after December 15, 2019. As a resource provider, for contributions granted, the Foundation adopted this update on a prospective basis for the year ended December 31, 2020. The Foundation's management reviewed existing agreements as of the effective date, as well as new agreements for 2020, and concluded that there were no material changes in grant expense recognition related to contributions granted.

American Diabetes Association Research Foundation, Inc.

Notes to Financial Statements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for the Foundation's financial statements for fiscal years beginning after December 15, 2019. The adoption of the new standard did not have any impact to the disclosure of fair value investments in Note 6. The Foundation has adopted the ASU and there was no effect on the change in net assets reported in 2020 and 2019.

Recent Accounting Pronouncements Not Yet Adopted

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 NFP 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. The Foundation is currently evaluating the impact of this ASU on the financial statements.

3. Risks and Uncertainties - COVID-19 Pandemic

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.

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Foundation will depend on certain developments, including the duration and spread of the outbreak. The Foundation's operations are dependent on donations from individuals, foundations, and corporations. The outbreak may have a material adverse impact on economic and market conditions, triggering a period of economic slowdown. This situation may lead to a decline in contributions or collections of existing receivables. Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk with respect to the Foundation's assets. The fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the Foundation, its performance, and its financial results.

American Diabetes Association Research Foundation, Inc.

Notes to Financial Statements

In March 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” 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. The Foundation’s management has examined the provision of the CARES Act and has chosen not to avail itself of any of the provisions under the CARES Act. Management will assess any future aid packages to determine its impact on the Foundation.

4. Liquidity and Availability

The Foundation funds its operations through contributions from donors and from a grant from ADA, to the extent that private donations are not sufficient to meet its research grant commitments. Cash required to meet operating needs is invested in short term accounts.

The following is a reconciliation of the Foundation’s financial assets as of December 31, 2020 and 2019 to financial assets available to fund the Foundation’s general expenditures for the following fiscal year. General expenditures include all programmatic and supporting operating expenditures.

<i>December 31,</i>	2020	2019
Cash and cash equivalents	\$ 270,594	\$ 448,604
Receivable from the American Diabetes Association	17,271,147	32,831,409
Contributions receivable, net	908,231	1,116,962
	18,449,972	34,396,975
Adjustment for amounts not available for general expenditure within one year:		
Contributions receivable due after one year, net	(21,408)	(47,841)
Donor restricted net assets that are not expected to be spent within one year	(8,048,756)	(13,366,849)
Total financial assets available for generated expenditures within one year	\$ 10,379,808	\$ 20,982,285

5. Transactions with the American Diabetes Association

Research Program

The Foundation facilitates ADA’s research program. Accordingly, all contributions for research raised by ADA are granted to the Foundation. These research restricted contributions to ADA totaled \$1,713,946 and \$3,063,138 in 2020 and 2019, respectively. The Foundation also receives gifts for research directly from donors, which are reported as contributions in the statement of activities and changes in net assets.

American Diabetes Association Research Foundation, Inc.

Notes to Financial Statements

Grants from the American Diabetes Association and Management Fee

ADA provides grants to the Foundation for its research purpose as determined annually based on a formal budgeting process, which is approved by ADA's board of directors. The Foundation is reliant on this grant support, as well as donor support, for its continued operations.

The Foundation pays a management fee to ADA equal to twenty percent of contributions. This fee compensates ADA for staff and other administrative services provided to the Foundation. The management fee assessed on contributions for the Pathway to Stop Diabetes research campaign is spread over five years to align with the grant award schedule.

ADA transfers assets to the Foundation based on the timing of grant payments due. As of December 31, 2020 and 2019, ADA owed the Foundation \$17,271,147 and \$32,831,409, respectively.

6. 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 the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation 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 identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 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.

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. Split-interest obligations are classified as Level 2.

American Diabetes Association Research Foundation, Inc.

Notes to Financial Statements

The Foundation's interest in perpetual trusts is carried at the fair value of the Foundation's share of the trust assets, which was \$95,715 and \$88,495 as of December 31, 2020 and 2019, respectively. These were presented as Level 3 for both 2020 and 2019. 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.

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. Funds held in remainder trusts are included in contributions receivable in the accompanying statements of financial position. Note 2 includes information about the discount rates used in determining the value of the assets. These were presented as Level 3 for both 2020 and 2019.

The following table is a roll forward for Interest in perpetual trusts and funds held in remainder trusts classified by the Foundation within Level 3 of the fair value hierarchy as follows:

	Interest in Perpetual trusts	Fund held in Remainder trusts
Balance, December 31, 2018	\$ 79,445	\$ 169,941
Contributions	-	-
Investment gains	9,050	-
Distributions	-	-
Balance, December 31, 2019	88,495	169,941
Contributions	-	-
Investment gains	7,220	58,576
Distributions	-	-
Balance, December 31, 2020	\$ 95,715	\$ 228,517

**American Diabetes Association
Research Foundation, Inc.**

Notes to Financial Statements

7. Contributions Receivable

Contributions receivable as of December 31, 2020 and 2019, are expected to be received as follows:

	2020	2019
Within one year	\$ 669,306	\$ 1,042,180
In one to five years	25,000	50,000
Total contributions receivable	694,306	1,092,180
Less:		
Allowance for doubtful accounts	(11,000)	(143,000)
Present value discount	(3,592)	(2,159)
Subtotal	679,714	947,021
Funds held in remainder trusts	228,517	169,941
Contributions receivable, net	\$ 908,231	\$ 1,116,962

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2020	2019
Subject to expenditure for specified purpose:		
Pathway Campaign	\$ 14,873,756	\$ 21,194,350
Research	250	1,500
Total subject to expenditure for specified purpose and time	14,874,006	21,195,850
Perpetual Trusts	95,715	88,495
Total net assets with donor restrictions	\$ 14,969,721	\$ 21,284,345

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. Such net assets were released as follows:

<i>Years ended December 31,</i>	2020	2019
Satisfaction of purpose:		
Pathway Campaign	\$ 7,497,576	\$ 8,744,489
Other research	81,137	150,177
Total release	\$ 7,578,713	\$ 8,894,666

American Diabetes Association Research Foundation, Inc.

Notes to Financial Statements

9. Subsequent Events

The Foundation has evaluated subsequent events through May 27, 2021 the date the financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in the financial statements.