

Cystic Fibrosis Foundation

Financial Statements

For the Years Ended December 31, 2020 and 2019



KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

Independent Auditors' Report

The Board of Trustees
Cystic Fibrosis Foundation:

We have audited the accompanying financial statements of Cystic Fibrosis Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 the Cystic Fibrosis Foundation as of December 31, 2020 and 2019, 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.

KPMG LLP

McLean, Virginia
May 5, 2020

Cystic Fibrosis Foundation
Statements of Financial Position
As of December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 69,557,739	\$ 69,364,201
Investments	5,201,460,415	4,331,314,555
Program-related investments	26,512,601	-
Due from investment managers	11,155,925	29,206,032
Receivables, net	47,664,844	29,154,940
Other assets	5,799,425	6,356,702
Fixed assets, net	7,848,712	11,114,652
Total assets	<u>\$ 5,369,999,661</u>	<u>\$ 4,476,511,082</u>
Liabilities and Net Assets		
Accounts payable and other liabilities	\$ 34,541,037	\$ 42,933,110
Awards payable	236,465,610	196,869,140
Total liabilities	<u>271,006,647</u>	<u>239,802,250</u>
Net Assets		
Without donor restrictions	5,089,568,156	4,226,469,269
With donor restrictions	9,424,858	10,239,563
Total net assets	<u>5,098,993,014</u>	<u>4,236,708,832</u>
Total liabilities and net assets	<u>\$ 5,369,999,661</u>	<u>\$ 4,476,511,082</u>

The accompanying notes are an integral part of these financial statements.

Cystic Fibrosis Foundation
Statement of Activities
For the year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Support received from the public			
Special event revenue	\$ 45,769,850	\$ 2,296,385	\$ 48,066,235
Direct benefit expenses	(3,754,416)	-	(3,754,416)
Net special event revenue	42,015,434	2,296,385	44,311,819
General contributions	24,712,591	4,263,946	28,976,537
Total support received from the public	66,728,025	6,560,331	73,288,356
Proceeds of sale of intangible rights under drug discovery agreement	571,461,652	-	571,461,652
Other	49,222,942	819,750	50,042,692
Net assets released from restriction	8,643,595	(8,643,595)	-
Total revenue	696,056,214	(1,263,514)	694,792,700
Expenses			
Program services			
Medical programs	282,175,539	-	282,175,539
Public and professional information and education	24,580,646	-	24,580,646
Community services	20,822,084	-	20,822,084
Total program services	327,578,269	-	327,578,269
Supporting services			
Management and general	23,803,901	-	23,803,901
Fundraising	21,579,521	-	21,579,521
Total supporting services	45,383,422	-	45,383,422
Total expenses	372,961,691	-	372,961,691
Increase (decrease) in net assets from operations	323,094,523	(1,263,514)	321,831,009
Other changes in net assets			
Net nonoperating investment income	540,004,364	448,809	540,453,173
Increase (decrease) in net assets	863,098,887	(814,705)	862,284,182
Net assets, beginning of year	4,226,469,269	10,239,563	4,236,708,832
Net assets, end of year	\$ 5,089,568,156	\$ 9,424,858	\$ 5,098,993,014

The accompanying notes are an integral part of these financial statements.

Cystic Fibrosis Foundation
Statement of Activities
For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Support received from the public			
Special event revenue	\$ 92,902,173	\$ 3,353,247	\$ 96,255,420
Direct benefit expenses	(15,820,602)	-	(15,820,602)
Net special event revenue	77,081,571	3,353,247	80,434,818
General contributions	22,284,715	6,301,552	28,586,267
Total support received from the public	99,366,286	9,654,799	109,021,085
Other	54,819,802	1,156,307	55,976,109
Net assets released from restriction	12,171,910	(12,171,910)	-
Total revenue	166,357,998	(1,360,804)	164,997,194
Expenses			
Program services			
Medical programs	245,607,343	-	245,607,343
Public and professional information and education	17,584,009	-	17,584,009
Community services	22,103,810	-	22,103,810
Total program services	285,295,162	-	285,295,162
Supporting services			
Management and general	25,897,119	-	25,897,119
Fundraising	28,709,962	-	28,709,962
Total supporting services	54,607,081	-	54,607,081
Total expenses	339,902,243	-	339,902,243
Decrease in net assets from operations	(173,544,245)	(1,360,804)	(174,905,049)
Other changes in net assets			
Net nonoperating investment income	635,682,232	568,177	636,250,409
Increase (decrease) in net assets	462,137,987	(792,627)	461,345,360
Net assets, beginning of year	3,764,331,282	11,032,190	3,775,363,472
Net assets, end of year	\$ 4,226,469,269	\$ 10,239,563	\$ 4,236,708,832

The accompanying notes are an integral part of these financial statements.

Cystic Fibrosis Foundation
Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Increase in net assets	\$ 862,284,182	\$ 461,345,360
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(490,104,428)	(572,991,280)
(Decrease) increase in discount on pledges and other receivable	(156,857)	1,136,091
Equity securities received for royalties	-	(1,000,000)
Depreciation	4,111,985	4,034,527
Loss (gain) on disposal of fixed assets	774,974	(1,495)
Provision for losses on accounts receivable	5,604	(47)
Increase in receivables	(18,358,651)	(18,026,392)
Decrease (increase) in other assets	557,277	(2,841,696)
(Decrease) increase in accounts payable and accrued expenses	(8,392,073)	1,243,343
Increase (decrease) in awards payable	39,596,470	(13,577)
Net cash provided by (used in) operating activities	<u>390,318,483</u>	<u>(127,115,166)</u>
Cash flows from investing activities		
Purchases of fixed assets	(1,621,019)	(3,601,742)
Maturities/sales of investments	1,531,328,335	4,304,985,564
Purchases of investments	(1,924,884,567)	(4,192,377,573)
Funding of program-related investments	(12,997,801)	-
Decrease in due from investment managers	18,050,107	4,551,621
Net cash (used in) provided by investing activities	<u>(390,124,945)</u>	<u>113,557,870</u>
Net increase (decrease) in cash and cash equivalents	193,538	(13,557,296)
Cash and cash equivalents, beginning of year	<u>69,364,201</u>	<u>82,921,497</u>
Cash and cash equivalents, end of year	<u>\$ 69,557,739</u>	<u>\$ 69,364,201</u>
Supplemental disclosure for noncash activity:		
Equity securities received for royalties	\$ -	\$ 1,000,000

The accompanying notes are an integral part of these financial statements.

Cystic Fibrosis Foundation
Statement of Functional Expenses
For the year ended December 31, 2020

Nature of Costs of Services	Program Services			Supporting Services		Total
	Medical Programs	Public and Professional Information and Education	Community Services	Management and General	Fundraising	
Therapeutics Development Program awards	\$ 110,580,371	\$ -	\$ -	\$ -	\$ -	\$ 110,580,371
Research grants	25,641,640	-	-	-	-	25,641,640
Clinical research grants	38,061,936	-	-	-	-	38,061,936
Center and adult care grants	39,722,706	-	-	-	-	39,722,706
Clinical and research fellowship grants	10,774,865	-	-	-	-	10,774,865
Quality improvement training program	7,178,117	-	-	-	-	7,178,117
Patient assistance and other program grants	-	-	4,302,884	-	-	4,302,884
Salaries	26,342,244	14,682,264	8,521,070	14,961,960	13,167,922	77,675,460
Employee benefits and payroll taxes	6,048,304	4,136,844	2,406,457	3,954,243	4,000,516	20,546,364
Publications and printing	162,108	294,567	69,280	68,990	319,518	914,463
Occupancy and insurance	2,927,438	1,326,277	763,199	1,411,275	1,454,232	7,882,421
Postage and shipping	48,137	208,251	69,405	88,350	371,888	786,031
Travel and conferences	925,240	272,699	191,449	138,348	239,710	1,767,446
Data processing	4,863,939	2,163,893	1,900,532	1,464,453	1,203,291	11,596,108
Lab and other supplies	1,186,093	205,765	108,822	151,846	255,995	1,908,521
Fees for legal hotline and other community services	-	-	1,533,300	-	-	1,533,300
Professional fees and medical honoraria	4,504,482	623,781	475,521	792,015	92,070	6,487,869
Depreciation	2,497,151	527,271	350,546	329,507	365,411	4,069,886
Other	710,768	139,034	129,619	442,914	108,968	1,531,303
Total functional expenses before costs of direct benefits to donors	282,175,539	24,580,646	20,822,084	23,803,901	21,579,521	372,961,691
Costs of direct benefits to donors	-	-	-	-	-	3,754,416
Total functional expenses after costs of direct benefits to donors	\$ 282,175,539	\$ 24,580,646	\$ 20,822,084	\$ 23,803,901	\$ 21,579,521	\$ 376,716,107

The accompanying notes are an integral part of these financial statements.

Cystic Fibrosis Foundation
Statement of Functional Expenses
For the year ended December 31, 2019

Nature of Costs of Services	Program Services			Supporting Services		Total
	Medical Programs	Public and Professional Information and Education	Community Services	Management and General	Fundraising	
Therapeutics Development Program awards	\$ 88,523,972	\$ -	\$ -	\$ -	\$ -	\$ 88,523,972
Research grants	23,173,804	-	-	-	-	23,173,804
Clinical research grants	30,975,839	-	-	-	-	30,975,839
Center and adult care grants	32,483,124	-	-	-	-	32,483,124
Clinical and research fellowship grants	7,703,029	-	-	-	-	7,703,029
Quality improvement training program	9,256,732	-	-	-	-	9,256,732
Patient assistance and other program grants	-	-	3,568,426	-	-	3,568,426
Salaries	24,695,639	9,114,873	9,454,760	15,111,241	16,167,980	74,544,493
Employee benefits and payroll taxes	6,053,395	2,538,936	2,746,900	4,278,027	4,925,972	20,543,230
Publications and printing	227,074	608,818	217,109	195,659	762,132	2,010,792
Occupancy and insurance	2,950,749	686,286	821,221	1,401,999	1,626,813	7,487,068
Postage and shipping	122,553	198,353	140,330	174,554	687,540	1,323,330
Travel and conferences	6,008,460	648,262	825,039	805,804	1,502,215	9,789,780
Data processing	4,165,365	2,147,450	1,416,418	1,639,808	1,721,332	11,090,373
Lab and other supplies	1,799,032	134,200	173,522	248,748	419,695	2,775,197
Fees for legal hotline and other community services	-	-	1,558,900	-	-	1,558,900
Professional fees and medical honoraria	3,957,258	899,733	530,884	938,210	208,806	6,534,891
Depreciation	2,426,660	403,267	414,177	341,604	410,810	3,996,518
Other	1,084,658	203,831	236,124	761,465	276,667	2,562,745
Total functional expenses before costs of direct benefits to donors	245,607,343	17,584,009	22,103,810	25,897,119	28,709,962	339,902,243
Costs of direct benefits to donors	-	-	-	-	-	15,820,602
Total functional expenses after costs of direct benefits to donors	\$ 245,607,343	\$ 17,584,009	\$ 22,103,810	\$ 25,897,119	\$ 28,709,962	\$ 355,722,845

The accompanying notes are an integral part of these financial statements.

Cystic Fibrosis Foundation

Notes to Financial Statements

December 31, 2020 and 2019

1. Organization

The accompanying financial statements include the operations of the Cystic Fibrosis Foundation, including all of its field offices (the “Foundation”). The mission of the Foundation is to cure cystic fibrosis (CF) and to provide all people with CF the opportunity to lead long, fulfilling lives by funding research and drug development, partnering with the CF community, and advancing high-quality, specialized care.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. In response, the Foundation implemented extensive measures to help protect the health and safety of its employees and the CF community, without significant disruption. The Foundation also significantly restricted fundraising events beginning March 16, 2020, reducing its special event revenue.

2. Summary of significant accounting policies

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented on the accrual basis.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts, investment fair value measurements and functional expense allocations. Actual results could differ materially, in the near term, from the amounts reported.

Measure of operations

The Foundation includes in its measure of operations all support received from the public, income on investments designated for operations, royalty revenue, other revenue and all costs of program and supporting services. The measure of operations excludes interest and dividends and realized and unrealized gains and losses on nonoperating and program-related investments. Nonoperating investments are amounts identified for investment over the intermediate to long term.

Revenue recognition

Contributions are recorded as revenue when received or when the donor has made an unconditional promise to give. Contributions received for future events are recorded as refundable advances and are recognized as revenue in the year in which the event takes place. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash, including gifts-in-kind, are recorded at their estimated fair value at the date of the gift.

Contributions received are recorded as revenues without donor restrictions or revenues with donor restrictions. All donor-restricted support, including related investment income and realized and unrealized gains and losses, is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is

Cystic Fibrosis Foundation

Notes to Financial Statements

December 31, 2020 and 2019

accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenues from contracts with customers are recognized when or as performance obligations have been satisfied. Licensing revenue is recognized at a point in time for licenses issued to use intellectual property or over time for licenses granted to access intellectual property. Sales-based royalty revenue is recognized at the later of when 1) the sales occur and 2) the associated performance obligation has been satisfied. Licensing and royalty revenue are included in other in the statement of activities. Amounts received in advance of the performance period are recorded as deferred revenue.

The Foundation retains legal and beneficial rights to intellectual property developed under certain scientific grants and drug discovery agreements. At times, the Foundation may sell its intangible rights under certain agreements in exchange for a lump sum. Amounts received under these agreements are recorded when rights are forfeited and proceeds are receivable. In October 2020, the Foundation entered into an agreement to sell its intangible rights to future revenue under a drug discovery agreement. Net revenue from the transaction was \$571,461,652, which consists of gross proceeds of \$575,000,000, net of \$3,538,348 of transaction costs. The net proceeds from the transaction are classified in operating activities on the statements of cash flows.

Grants, contracts and awards

The Foundation generally awards medical/scientific grants and contracts for periods of three years or less. Grants are awarded contingent upon renewal criteria at the beginning of each award period. Awards are expensed at the time that the Foundation unconditionally commits to fund the grant or, for those contracts with measurable performance milestones, when the milestone has been met.

Cash and cash equivalents

Cash and cash equivalents represent demand deposits, money market funds, and money market mutual funds. Cash equivalents consist of highly liquid investments with original maturities of three months or less and present an insignificant risk of change in value. Cash and cash equivalents that are held as part of the Foundation's investment portfolio are reported within investments.

Investments

Investment assets are stated at fair value in the financial statements. Marketable securities are reported at quoted market prices. Interests in alternative investment funds are stated at the net asset value (NAV) reported by the fund manager as a practical expedient to fair value. The stated NAV is the amount the Foundation would expect to receive upon redeeming from the investment and approximates fair value. The fair value of the Foundation's interest in perpetual trusts is estimated using the fair value of the assets in the trusts, as that amount approximates the fair value of the Foundation's beneficial interests in the trusts. Equity securities in privately held companies received under drug discovery agreements are recorded at fair value.

Investment income is reported when earned. The change in unrealized appreciation or depreciation of investments is reflected in the statements of activities. Realized gains and losses on sales of investments are computed on an average cost basis and are recorded on the trade date of the transaction. Investment expenses, such as custodial fees, investment advisory fees, and internal salaries and benefits are netted against investment returns in the statements of activities.

Cystic Fibrosis Foundation

Notes to Financial Statements

December 31, 2020 and 2019

Program-related investments

The Foundation makes program-related investments in companies with cystic fibrosis-related projects. These include direct equity investments, investments in equity funds, and a convertible promissory note. Equity investments are stated at fair value using quoted market prices or net asset value (NAV) as a practical expedient. The promissory note is recorded at net realizable value and included in receivables, net on the statements of financial position, see Note 5. There are unfunded capital commitments of \$32,265,356 related to program-related investments.

Fixed assets

Fixed assets consisting of furniture, fixtures, equipment, software and leasehold improvements are recorded at cost and are depreciated over their estimated useful lives, ranging from three to ten years, on a straight-line basis. The cost and related accumulated depreciation of furniture, fixtures, equipment, software and leasehold improvements are removed from the accounts upon sale or disposition and any resulting gain or loss is reflected in the statements of activities.

Functional allocation of expenses

The costs of various Foundation activities have been accounted for on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Where practicable, expenses are directly classified to specific program or supporting service categories. Costs that are not specifically identifiable within functional categories are classified using allocation methods such as time studies, square footage and other methodologies.

The Foundation conducted direct mail activities in the years ended December 31, 2020 and 2019 that included requests for contributions as well as program components. The costs of conducting those activities included a total of approximately \$1,241,000 and \$1,717,000 of joint costs during the years ended December 31, 2020 and 2019, respectively. Of those costs, \$882,000 and \$1,289,000 was allocated to fundraising expense and \$359,000 and \$427,000 was allocated to public and professional information and education program services respectively, for the years ended December 31, 2020 and 2019.

Net assets

The Foundation's net assets have been grouped into the following classes:

Without donor restrictions – Net assets without donor restrictions generally result from revenues derived from receiving contributions that are available for use at the discretion of the Board of Trustees and/or management for general operating purposes, investment income and royalty revenue, less expenses incurred in providing program services, raising contributions, and performing administrative functions.

With donor restrictions – Net assets with donor restrictions generally result from contributions and other inflows of assets whose use by the organization 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.

Included in this category are net assets subject to donor-imposed restrictions to be maintained permanently and consist of the beneficial interest in six donor-restricted funds that must be maintained in perpetuity. Net assets associated with perpetual trusts are classified and reported based on the existence or absence of donor-imposed

Cystic Fibrosis Foundation
Notes to Financial Statements
December 31, 2020 and 2019

restrictions. The Foundation has a policy of appropriating for operations each year the income received from the perpetual trusts.

The composition of net assets with donor restrictions are below as of December 31, 2020 and 2019:

	2020	2019
Time restricted	\$ 2,286,818	\$ 1,497,475
Medical research and other purposes	2,657,846	4,685,071
Perpetual trusts	4,480,194	4,057,017
	<u>\$ 9,424,858</u>	<u>\$ 10,239,563</u>

Unrealized and realized gains and losses and dividends and interest may be included in either of these net asset classifications depending on donor restrictions.

Income Taxes

The Foundation is a not-for-profit voluntary health organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and from state taxes and has been classified as an organization that is not a private foundation under Section 509(a) of the Code. The Foundation does not have any unrelated business income tax liability as of December 31, 2020 and 2019. Contributions to the Foundation qualify for the charitable contributions deduction to the extent provided by Section 170 of the Code.

The Foundation is not aware of any tax position taken that requires disclosure based on current facts and circumstances. The Foundation annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Recently adopted accounting pronouncements

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction. The Foundation adopted the provisions of ASU 2018-08 for resource recipients for the year ended December 31, 2019. The Foundation adopted the provisions of ASU 2018-08 for resource providers for the year ended December 31, 2020. The adoption of this ASU did not have a material impact on the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which changes the fair value measurement disclosure requirements of ASC 820, *Fair Value Measurement*. The Foundation adopted the provisions of ASU 2018-13 for the year ended December 31, 2020 with retrospective application to the 2019 financial statements. The adoption of ASU 2018-13 did not have a material impact on the financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (ASU 2018-15), which requires entities to defer potentially significant implementation costs incurred in a cloud

Cystic Fibrosis Foundation
Notes to Financial Statements
December 31, 2020 and 2019

computing arrangement that were often expensed as incurred under legacy US GAAP and recognize them as expense over the term of the hosting arrangement. The Foundation adopted the provisions of ASU 2018-15 for the year ended December 31, 2020. The adoption of this ASU did not have a material impact on the financial statements.

3. Fair value measurements

Authoritative guidance requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs supported by observable market data.

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

Financial instruments measured at fair value on a recurring basis are summarized below as of December 31:

Description	2020	Level 1	Level 2	Level 3	NAV ¹
Cash equivalents (operating)	\$ 44,675,709	\$ -	\$ 44,675,709	\$ -	\$ -
Investments					
Money market mutual funds and other cash equivalents	70,433,638	-	70,433,638	-	-
Fixed income	1,423,366,987	-	1,423,126,987	240,000	-
Global public equity	2,129,171,977	2,128,177,712	-	994,265	-
Investments measured at NAV	1,569,070,561	-	-	-	1,569,070,561
Perpetual trusts	4,480,194	-	-	4,480,194	-
Other	4,937,058	4,937,058	-	-	-
Total investments	5,201,460,415	2,133,114,770	1,493,560,625	5,714,459	1,569,070,561
Program-related investments	26,512,601	23,027,755	-	2,593,158	891,688
	<u>\$ 5,272,648,725</u>	<u>\$ 2,156,142,525</u>	<u>\$ 1,538,236,334</u>	<u>\$ 8,307,617</u>	<u>\$ 1,569,962,249</u>
Description	2019	Level 1	Level 2	Level 3	NAV ¹
Cash equivalents (operating)	\$ 41,397,526	\$ -	\$ 41,397,526	\$ -	\$ -
Investments					
Money market mutual funds and other cash equivalents	171,173,551	-	171,173,551	-	-
Fixed income	946,948,513	-	946,710,913	237,600	-
Global public equity	2,202,318,762	2,201,615,964	-	702,798	-
Investments measured at NAV	999,803,643	-	-	-	999,803,643
Perpetual trusts	4,057,017	-	-	4,057,017	-
Other	7,013,069	4,568,088	-	2,444,981	-
Total investments	4,331,314,555	2,206,184,052	1,117,884,464	7,442,396	999,803,643
	<u>\$ 4,372,712,081</u>	<u>\$ 2,206,184,052</u>	<u>\$ 1,159,281,990</u>	<u>\$ 7,442,396</u>	<u>\$ 999,803,643</u>

¹ Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Cystic Fibrosis Foundation
Notes to Financial Statements
December 31, 2020 and 2019

The following table summarizes the nature of the Foundation's investments in funds valued based on net asset value as a practical expedient for fair value as of December 31, 2020 and 2019:

Description	Fair value		2020 unfunded commitments	Redemption frequency	Redemption Notice Days
	2020	2019			
Global public equity (a)	\$ 736,320,177	\$ 422,998,835	\$ 52,088,556	Quarterly to illiquid	60 days - N/A
Absolute return (b)	279,077,167	242,052,193	-	Monthly to semi-annual	60 days - 2 years
Private equity and other illiquid funds (c)	553,673,217	334,752,615	447,836,289	Illiquid	N/A
	<u>\$ 1,569,070,561</u>	<u>\$ 999,803,643</u>	<u>\$ 499,924,845</u>		

- (a) Global Public Equity is comprised of investments in funds and strategies invested in publicly listed equity securities in the global developed and emerging markets. These funds may also invest in credit securities that provide the potential for equity-like returns. One fund totalling \$134,241,811 is not redeemable and has an initial life of five years with a possible one year extension. Approximately \$242,767,000 of the funds are subject to lock-ups expiring in four months to two years.
- (b) Absolute Return consist of investments in a broad array of securities and strategies aimed to reduce volatility and enhance returns. Their main value is that they are uncorrelated to the other asset classes, therefore providing good diversification and improving the risk-adjusted return of the portfolio. The Foundation's absolute return investments are in equity hedge and event driven strategies. Equity hedge fund managers utilize long and short positions, primarily in equity and equity related instruments to earn equity like returns while limiting the impact of downside market movements and volatility in the portfolio. Event driven managers seek to exploit pricing inefficiencies that may occur before or after a corporate event. Quantitative equity funds use different models and algorithms that exploit the unique value of alternative data. Approximately \$113,991,000 of the funds are subject to lock-ups expiring in three months to one year and three months.
- (c) Private equity and other illiquid funds consist of limited partnerships that are organized to invest primarily in shares of operating companies that are not listed on a publicly traded stock exchange. The Foundation invests in private equity and venture capital. Private equity strategies include investments in leveraged buyouts, growth capital, energy and natural resources, and distressed investments. Venture capital strategies include investments in start-ups and small business with perceived long-term growth potential. These investments cannot be redeemed. Instead, distributions to limited partners are made as soon as feasible and, in accordance with the limited partnership agreement, when realizations (sales of portfolio companies) are made, or when interest, dividends, or recapitalizations are received. The initial terms for these funds range from seven to fifteen years subject to extension provisions of one-year periods for up to three additional years.

The table below presents information for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2020 and 2019.

	2020			2019		
	Perpetual trusts	Other	Total	Perpetual trusts	Other	Total
Purchases/additions	\$ 117,883	\$ 1,626,791	\$ 1,744,674	\$ 132,529	\$ 1,482,773	\$ 1,615,302
Transfers into Level 1 from Level 3	-	-	-	-	(1,495,561)	(1,495,561)

Cystic Fibrosis Foundation
Notes to Financial Statements
December 31, 2020 and 2019

Operating cash equivalents and investments amounted to \$49,612,765 and \$48,410,595 as of December 31, 2020 and 2019, respectively. Nonoperating cash equivalents and investments amounted to \$5,223,035,957 and \$4,324,301,486 as of December 31, 2020 and 2019, respectively. The investment income during the years ended December 31, 2020 and 2019 is reflected on the statements of activities as follows:

	2020	2019
Investment income - operating (included in other)	\$ 3,900,202	\$ 1,009,092
Net nonoperating investment income	540,453,173	636,250,409
	<u>\$ 544,353,375</u>	<u>\$ 637,259,501</u>

4. Liquidity and availability of resources

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures*, such as program expenses, grants and other operating expenses, are as follows:

	2020	2019
Cash and cash equivalents	\$ 69,557,739	\$ 69,364,201
Investments	5,201,460,415	4,331,314,555
Program-related investments	26,512,601	-
Due from investment managers	11,155,925	29,206,032
Receivables, net	47,664,844	29,154,940
Total financial assets, end of year	<u>5,356,351,524</u>	<u>4,459,039,728</u>
Less those unavailable for general expenditures within one year, due to:		
Time restricted pledges due in greater than one year	(2,628,049)	(2,734,327)
Royalty receivable due in greater than one year	(9,760,308)	(11,189,846)
Program-related note receivable, net	(3,716,037)	-
Donor restrictions held in perpetuity	(4,480,194)	(4,057,017)
Investments not redeemable within one year	(470,807,801)	(385,936,549)
Private equity and other illiquid funds	(553,673,217)	(396,150,022)
Program-related investments	(26,512,601)	-
Unfunded capital commitments	(528,190,202)	(643,369,871)
Funds held for retirement plan assets	(4,937,057)	(5,568,088)
Total financial assets unavailable for general expenditures within one year	<u>(1,604,705,466)</u>	<u>(1,449,005,720)</u>
Total financial assets available within one year	<u>\$ 3,751,646,058</u>	<u>\$ 3,010,034,008</u>

*Excludes unfunded capital commitments of \$528,190,202 and \$643,369,871 as of December 31, 2020 and 2019, respectively.

The Foundation has a line of credit available to meet general expenditures within one year, as disclosed in Note 11.

The Foundation's Board of Trustees approves an annual operating budget. The Investment Committee of the Board of Trustees approves redemptions from the investment portfolio sufficient to meet projected cash needs. The Foundation maintains cash and highly liquid securities sufficient to meet anticipated cash needs for operations, capital commitments, and new investments over an eighteen-month rolling period.

Cystic Fibrosis Foundation
Notes to Financial Statements
December 31, 2020 and 2019

5. Receivables

Receivables consist of the following at December 31, 2020 and 2019:

	2020	2019
Special events and other contributions	\$ 1,068,321	\$ 874,845
Pledges receivable	5,813,837	6,760,305
Accrued interest on investments	7,847,551	8,215,478
Royalties receivable	25,165,122	14,839,356
Program-related note receivable	5,400,000	-
Other receivables	6,742,346	1,069,395
	<u>52,037,177</u>	<u>31,759,379</u>
Discount on pledges and other receivable (at rates ranging from 1%-4%)	(2,157,898)	(2,314,755)
Allowance for doubtful accounts	(2,214,435)	(289,684)
	<u>\$ 47,664,844</u>	<u>\$ 29,154,940</u>

The pledges receivable as of December 31, 2020 and 2019 are payable in the following periods:

	2020	2019
Within one year	\$ 2,311,016	\$ 3,116,613
One to five years	1,957,683	2,083,459
After five years	1,545,138	1,560,233
	<u>\$ 5,813,837</u>	<u>\$ 6,760,305</u>

As of December 31, 2020 and 2019, pledges receivable amounting to approximately \$201,000 and \$912,000 respectively, were due from members of the Board of Trustees or related organizations.

Program-related note receivable represents a convertible promissory loan made to a company with cystic fibrosis-related projects. The note bears an interest rate of 8% and is convertible into shares of the company's common or preferred stock under certain conditions. The note receivable is recorded at net realizable value at December 31, 2020. The related drug discovery agreement provides for additional contingent payments of \$4,100,000 that when paid will increase the balance of the note receivable.

6. Fixed assets

Fixed assets at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Equipment and software	\$ 16,478,728	\$ 18,901,353
Furniture and fixtures	1,179,759	1,548,172
Leasehold improvements	5,710,526	6,653,212
	<u>23,369,013</u>	<u>27,102,737</u>
Accumulated depreciation	(15,520,301)	(15,988,085)
	<u>\$ 7,848,712</u>	<u>\$ 11,114,652</u>

Cystic Fibrosis Foundation
Notes to Financial Statements
December 31, 2020 and 2019

7. Awards payable and commitments

Changes in awards payable during the years ended December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Awards payable, beginning of year	\$ 196,869,140	\$ 196,882,717
Awards expensed	231,562,543	191,568,023
Awards disbursed	<u>(191,966,073)</u>	<u>(191,581,600)</u>
Awards payable, end of year	<u>\$ 236,465,610</u>	<u>\$ 196,869,140</u>

As of December 31, 2020, the Foundation has additional medical scientific grant commitments of approximately \$117,387,000 which extend through 2026. These subsequent year awards are contingent upon renewal criteria, and therefore the costs and liabilities are not reflected in the financial statements.

Certain agreements provide for future contracted drug discovery and development research payments amounting to approximately \$123,444,000. These costs will be expensed when the services are provided.

8. Accounts payable and other liabilities

Accounts payable at December 31, 2020 and 2019 consist of the following:

	2020	2019
Accounts payable and accrued expenses	\$ 28,095,639	\$ 34,676,577
Former office lease liabilities	1,910,937	2,257,146
Refundable advances for special events	1,053,103	3,391,684
Deferred licensing and other revenue	2,314,376	1,473,517
Other liabilities	<u>1,166,982</u>	<u>1,134,186</u>
	<u>\$ 34,541,037</u>	<u>\$ 42,933,110</u>

9. Lease commitments

The Foundation is obligated under various operating leases for office space as of December 31, 2020. The approximate future minimum commitments for each calendar year, subject to escalation, are as follows:

2021	\$ 7,542,000
2022	7,121,000
2023	4,908,000
2024	3,912,000
2025	3,371,000
Thereafter	<u>11,093,000</u>
Total minimum payments required	<u>\$ 37,947,000</u>

Cystic Fibrosis Foundation

Notes to Financial Statements

December 31, 2020 and 2019

The Foundation has entered into lease agreements with tenants to occupy its former headquarters space. As of December 31, 2020 the approximate future minimum sublease rental payments to be received for each calendar year, subject to escalation, are as follows:

2021	\$ 1,051,000
2022	1,088,000
2023	<u>370,000</u>
Total minimum sublease payments	<u>\$ 2,509,000</u>

Rental costs for the years ended December 31, 2020 and 2019 were approximately \$7,306,000 and \$6,738,000, respectively.

10. Retirement plan

Under the provisions of the Foundation's 401(k) retirement plan, employees who defer wages are eligible for an employer match, which vests immediately. In addition, eligible employees may receive a non-matching employer contribution at the discretion of the Foundation that vests after employees complete three years of service, as defined in the plan. The Foundation made contributions amounting to approximately \$2,820,000 and \$5,401,000 respectively, for the years ended December 31, 2020 and 2019.

11. Line of credit

During the year ended December 31, 2020, the Foundation entered into a line of credit note agreement (the Note) with a financial institution for \$100,000,000. The Note bears interest at the Variable Libor Rate (as defined in the Note) plus the Applicable Variable Rate Margin of 1.10%. The Note expires on July 31, 2021 and can be terminated at any time by the Foundation or the financial institution. There were no borrowings against the line of credit at and during the year ended December 31, 2020.

12. Subsequent events

The Foundation has performed an evaluation of subsequent events through May 5, 2021, which is the date the financial statements were available to be issued, noting no events which affect the financial statements or require additional disclosure.