

Cystic Fibrosis Foundation

Financial Statements

For the Years Ended December 31, 2021 and 2020



KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

Independent Auditors' Report

The Board of Trustees
Cystic Fibrosis Foundation:

Opinion

We have audited the financial statements of Cystic Fibrosis Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years 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 the Foundation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 U.S. generally accepted accounting principles, 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 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 the Foundation'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 the Foundation'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.

KPMG LLP

McLean, Virginia
May 18, 2022

Cystic Fibrosis Foundation
Statements of Financial Position
As of December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 70,761,826	\$ 69,557,739
Investments	5,511,454,593	5,201,460,415
Program-related investments	44,431,815	26,512,601
Due from investment managers	11,258,440	11,155,925
Receivables, net	37,504,449	47,664,844
Other assets	8,057,398	5,799,425
Fixed assets, net	7,641,454	7,848,712
Total assets	<u>\$ 5,691,109,975</u>	<u>\$ 5,369,999,661</u>
Liabilities and Net Assets		
Accounts payable and other liabilities	\$ 42,584,432	\$ 34,541,037
Awards payable	231,895,234	236,465,610
Total liabilities	<u>274,479,666</u>	<u>271,006,647</u>
Net Assets		
Without donor restrictions	5,398,556,832	5,089,568,156
With donor restrictions	18,073,477	9,424,858
Total net assets	<u>5,416,630,309</u>	<u>5,098,993,014</u>
Total liabilities and net assets	<u>\$ 5,691,109,975</u>	<u>\$ 5,369,999,661</u>

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

Cystic Fibrosis Foundation
Statement of Activities
For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Support received from the public			
Special event revenue	\$ 47,296,415	\$ 2,004,072	\$ 49,300,487
Direct benefit expenses	(3,448,201)	-	(3,448,201)
Net special event revenue	43,848,214	2,004,072	45,852,286
General contributions	25,364,489	15,329,684	40,694,173
Total support received from the public	69,212,703	17,333,756	86,546,459
Licensing, royalties, and other revenue	24,262,248	343,250	24,605,498
Net assets released from restriction	9,385,556	(9,385,556)	-
Total revenue	102,860,507	8,291,450	111,151,957
Expenses			
Program services			
Medical programs	276,420,200	-	276,420,200
Public and professional information and education	23,518,542	-	23,518,542
Community services	19,555,794	-	19,555,794
Total program services	319,494,536	-	319,494,536
Supporting services			
Management and general	24,733,935	-	24,733,935
Fundraising	20,846,912	-	20,846,912
Total supporting services	45,580,847	-	45,580,847
Total expenses	365,075,383	-	365,075,383
(Decrease) increase in net assets from operations	(262,214,876)	8,291,450	(253,923,426)
Other changes in net assets			
Net nonoperating investment income	571,203,552	357,169	571,560,721
Increase in net assets	308,988,676	8,648,619	317,637,295
Net assets, beginning of year	5,089,568,156	9,424,858	5,098,993,014
Net assets, end of year	\$ 5,398,556,832	\$ 18,073,477	\$ 5,416,630,309

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
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
Licensing, royalties, and other revenue	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
Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 317,637,295	\$ 862,284,182
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gains on investments	(520,086,415)	(490,104,428)
Decrease in discount on pledges and other receivable	(26,290)	(156,857)
Contributed partnership interest	(746,000)	-
Depreciation	2,726,418	4,111,985
Loss on disposal of fixed assets	-	774,974
Provision for losses on accounts receivable	307,271	5,604
Decrease (increase) in receivables	9,879,414	(18,358,651)
(Increase) decrease in other assets	(2,257,973)	557,277
Increase (decrease) in accounts payable and accrued expenses	8,043,395	(8,392,073)
(Decrease) increase in awards payable	(4,570,376)	39,596,470
Net cash (used in) provided by operating activities	<u>(189,093,261)</u>	<u>390,318,483</u>
Cash flows from investing activities		
Purchases of fixed assets	(2,519,159)	(1,621,019)
Maturities/sales of investments	1,787,567,438	1,531,328,335
Purchases of investments	(1,566,099,263)	(1,924,884,567)
Funding of program-related investments	(28,549,153)	(12,997,801)
(Increase) decrease in due from investment managers	(102,515)	18,050,107
Net cash provided by (used in) investing activities	<u>190,297,348</u>	<u>(390,124,945)</u>
Net increase in cash and cash equivalents	1,204,087	193,538
Cash and cash equivalents, beginning of year	69,557,739	69,364,201
Cash and cash equivalents, end of year	<u>\$ 70,761,826</u>	<u>\$ 69,557,739</u>
Supplemental disclosure for noncash activity:		
Contributed partnership interest	\$ 746,000	\$ -

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

Cystic Fibrosis Foundation
Statement of Functional Expenses
For the year ended December 31, 2021

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	\$ 105,013,015	\$ -	\$ -	\$ -	\$ -	\$ 105,013,015
Research grants	25,391,798	-	-	-	-	25,391,798
Clinical research grants	37,534,190	-	-	-	-	37,534,190
Center and adult care grants	39,287,663	-	-	-	-	39,287,663
Clinical and research fellowship grants	10,353,766	-	-	-	-	10,353,766
Quality improvement training program	7,939,255	-	-	-	-	7,939,255
Patient assistance and other program grants	-	-	4,941,110	-	-	4,941,110
Salaries	27,960,901	13,963,060	8,032,851	15,712,258	12,349,410	78,018,480
Employee benefits and payroll taxes	7,227,421	4,632,261	2,713,361	4,563,496	4,337,031	23,473,570
Publications and printing	226,113	339,167	76,861	50,368	465,688	1,158,197
Occupancy and insurance	2,841,958	1,105,053	642,245	1,166,846	1,178,451	6,934,553
Postage and shipping	46,697	80,182	45,955	63,340	531,840	768,014
Travel and conferences	1,618,149	150,269	79,993	94,679	191,281	2,134,371
Information technology	4,652,550	2,200,264	879,512	1,506,126	1,189,890	10,428,342
Lab and other supplies	1,396,646	62,040	36,512	63,164	70,234	1,628,596
Fees for legal hotline and other community services	-	-	1,378,200	-	-	1,378,200
Professional fees and medical honoraria	2,450,539	533,429	473,412	507,728	199,563	4,164,671
Depreciation	1,882,997	285,601	145,670	197,081	185,088	2,696,437
Other	596,542	167,216	110,112	808,849	148,436	1,831,155
Total functional expenses before costs of direct benefits to donors	276,420,200	23,518,542	19,555,794	24,733,935	20,846,912	365,075,383
Costs of direct benefits to donors	-	-	-	-	-	3,448,201
Total functional expenses after costs of direct benefits to donors	\$ 276,420,200	\$ 23,518,542	\$ 19,555,794	\$ 24,733,935	\$ 20,846,912	\$ 368,523,584

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
Information technology	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

Notes to Financial Statements

December 31, 2021 and 2020

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.

Subsequent to the ongoing coronavirus (COVID-19) pandemic coronavirus outbreak in 2020, there has been substantial volatility in financial markets and the economy. In response, the Foundation implemented measures to help protect the health and safety of its employees and the CF community, without significant business disruption. The Foundation also significantly restricted fundraising events beginning March 16, 2020, reducing its special event revenue in 2020 and 2021.

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

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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

The overall investment objective is to support the mission of the Foundation over a multi-decade horizon with risk levels that balance minimizing the probability of permanent loss of capital with the need to generate positive inflation-adjusted returns. To achieve this goal, the Foundation's assets are invested in accordance with a long-term asset allocation policy. Investments are diversified among various asset classes incorporating multiple strategies and managers. The Board's Investment Committee oversees the Foundation's investment program in accordance with established guidelines, which cover asset allocation, manager performance objectives and various guidelines and restrictions.

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.

Cystic Fibrosis Foundation

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December 31, 2021 and 2020

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.

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 6.

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 year ended December 31, 2020 that included requests for contributions as well as program components. The costs of conducting those activities included a total of approximately \$1,241,000. Of those costs, \$882,000 was allocated to fundraising expense and \$359,000 was allocated to public and professional information and education program services. The costs of conducting those activities in the year ended December 31, 2021 have been included entirely as fundraising expense.

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.

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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 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, 2021 and 2020:

	2021	2020
Time restricted	\$ 4,553,526	\$ 2,286,818
Medical research and other purposes	8,686,302	2,657,846
Perpetual trusts	4,833,649	4,480,194
	<u>\$ 18,073,477</u>	<u>\$ 9,424,858</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, 2021 and 2020. 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.

Recent accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance and requires lessees to recognize right of use assets and corresponding lease liabilities and disclose key information about leasing arrangements. Topic 842 applies to leases classified as operating, except for short-term leases. In June 2020, the FASB issued ASU 2020-05, which provides for the elective deferral of adoption to fiscal years beginning after December 15, 2021, for certain entities. The Foundation has elected to adopt Topic 842 for the year ended December 31, 2022 and is currently evaluating the impact to its 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.

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Level 2 - Observable inputs other than Level 1 prices, 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 supported 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 assets or liabilities.

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

Description	2021	Quoted Prices in	Significant Other	Significant	Investments
		Active Markets for	Observable Inputs	Unobservable	
		Identical Assets		Inputs	NAV ¹
		Level 1	Level 2	Level 3	
Cash equivalents (operating)	\$ 58,842,325	\$ -	\$ 58,842,325	\$ -	\$ -
Investments					
Money market mutual funds and other cash equivalents	205,694,711	-	205,694,711	-	-
Fixed income	1,435,639,462	-	1,435,399,462	240,000	-
Global public equity	2,288,046,782	2,287,348,779	-	698,003	-
Investments measured at NAV	1,570,698,517	-	-	-	1,570,698,517
Perpetual trusts	4,833,643	-	-	4,833,643	-
Other	6,541,478	5,795,478	-	746,000	-
Total investments	5,511,454,593	2,293,144,257	1,641,094,173	6,517,646	1,570,698,517
Program-related investments	44,431,815	24,545,218	-	15,887,616	3,998,981
	<u>\$ 5,614,728,733</u>	<u>\$ 2,317,689,475</u>	<u>\$ 1,699,936,498</u>	<u>\$ 22,405,262</u>	<u>\$ 1,574,697,498</u>

Description	2020	Quoted Prices in	Significant Other	Significant	Investments
		Active Markets for	Observable Inputs	Unobservable	
		Identical Assets		Inputs	NAV ¹
		Level 1	Level 2	Level 3	
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>

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.

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, 2021 and 2020:

Description	Fair value		2021 unfunded commitments	Redemption frequency	Redemption Notice Days
	2021	2020			
Global public equity (a)	\$ 427,949,533	\$ 736,320,177	\$ 25,000,000	Quarterly to annual	60 - 180 days
Absolute return (b)	122,285,560	279,077,167	200,000,000	Quarterly to annual	90 days
Private equity and other illiquid funds (c)	1,024,462,405	554,564,905	745,594,503	Illiquid	N/A
	<u>\$ 1,574,697,498</u>	<u>\$ 1,569,962,249</u>	<u>\$ 970,594,503</u>		

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- (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.
- (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 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.
- (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 growth-stage companies. These are limited partnerships where distributions are made to investors through the liquidation of the underlying assets. The initial terms for these funds are up 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 2021 and 2020.

	2021			2020		
	Perpetual trusts	Other	Total	Perpetual trusts	Other	Total
Purchases/additions	\$ 172,063	\$ 14,040,459	\$ 14,212,522	\$ 117,883	\$ 1,626,791	\$ 1,744,674

Operating cash equivalents and investments amounted to \$64,637,804 and \$49,612,765 as of December 31, 2021 and 2020, respectively. Nonoperating cash equivalents and investments amounted to \$5,550,090,929 and \$5,223,035,957 as of December 31, 2021 and 2020, respectively. The investment income during the years ended December 31, 2021 and 2020 is reflected on the statements of activities as follows:

	2021	2020
Investment income - operating (included in other)	\$ 76,334	\$ 3,900,202
Net nonoperating investment income	571,560,721	540,453,173
	<u>\$ 571,637,055</u>	<u>\$ 544,353,375</u>

4. Derivatives

The Foundation uses listed derivatives to equitize cash, minimize unintended exposures, and to offset deviations from the strategic asset allocation. A third-party manager executes derivatives transactions on behalf of the Foundation through a separately managed account. As of December 31, 2021, the Foundation has long-only positions in treasury futures contracts. A futures contract is a legal agreement between two parties to buy and sell a particular commodity, asset, or security, at a

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predetermined price on a future date. These are standardized contracts for quality and quantity listed and traded on an exchange (Level 1). Upon entering into such a contract, the Foundation is required to pledge to the relevant exchange an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contract is traded. Pursuant to the contract, the Foundation agrees to receive from, or pay to, the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. These contracts are marked-to-market on a daily basis, with the resulting realized gain of \$6,886,914 included in nonoperating investment income without donor restrictions on the statement of activities. The contract settlement amount at the end of each day, or variation margin, is included in investments in the statement of financial position and represents the fair value of the contracts.

The Foundation did not hold any positions in futures as of December 31, 2020. As of December 31, 2021, the Foundation held direct positions in futures contracts listed below:

Derivative type	Notional Market Value	Notional Cost	Unrealized Gain
Long-only fixed income futures contracts	\$ 119,417,578	\$ 118,683,520	\$ 734,058

5. 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:

	2021	2020
Cash and cash equivalents	\$ 70,761,826	\$ 69,557,739
Investments	5,511,454,593	5,201,460,415
Program-related investments	44,431,815	26,512,601
Due from investment managers	11,258,440	11,155,925
Receivables, net	37,504,449	47,664,844
Total financial assets, end of year	<u>5,675,411,123</u>	<u>5,356,351,524</u>
Less those unavailable for general expenditures within one year, due to:		
Time restricted pledges due in greater than one year	(5,951,417)	(2,628,049)
Royalty receivable due in greater than one year	(7,527,417)	(9,760,308)
Program-related note receivable, net	(5,716,037)	(3,716,037)
Donor restrictions held in perpetuity	(4,833,649)	(4,480,194)
Investments not redeemable within one year	(278,897,260)	(470,807,801)
Private equity and other illiquid funds	(1,020,463,424)	(553,673,217)
Program-related investments	(44,431,815)	(26,512,601)
Unfunded capital commitments	(970,594,503)	(528,190,202)
Funds held for retirement plan assets	(5,795,478)	(4,937,057)
Total financial assets unavailable for general expenditures within one year	<u>(2,344,211,000)</u>	<u>(1,604,705,466)</u>
Total financial assets available within one year	<u>\$ 3,331,200,123</u>	<u>\$ 3,751,646,058</u>

*Excludes unfunded capital commitments of \$970,594,503 and \$528,190,202 as of December 31, 2021 and 2020, respectively.

The Foundation has a line of credit available to meet general expenditures within one year, as disclosed in Note 12.

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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.

6. Receivables

Receivables consist of the following at December 31, 2021 and 2020:

	2021	2020
Special events and other contributions	\$ 724,787	\$ 1,068,321
Pledges receivable	10,231,407	5,813,837
Accrued interest on investments	9,566,140	7,847,551
Royalties receivable	12,347,425	25,165,122
Program-related note receivable	7,400,000	5,400,000
Other receivables	1,831,521	6,742,346
	<u>42,101,280</u>	<u>52,037,177</u>
Discount on pledges and other receivable (at rates ranging from 1%-4%)	(2,131,608)	(2,157,898)
Allowance for doubtful accounts	(2,465,223)	(2,214,435)
	<u>\$ 37,504,449</u>	<u>\$ 47,664,844</u>

The pledges receivable as of December 31, 2021 and 2020 are payable in the following periods:

	2021	2020
Within one year	\$ 3,349,997	\$ 2,311,016
One to five years	4,811,177	1,957,683
After five years	2,070,233	1,545,138
	<u>\$ 10,231,407</u>	<u>\$ 5,813,837</u>

As of December 31, 2021 and 2020, pledges receivable amounting to approximately \$154,000 and \$201,000 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, 2021. The related drug discovery agreement provides for additional contingent payments of \$2,100,000 that when paid will increase the balance of the note receivable.

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7. Fixed assets

Fixed assets at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Equipment and software	\$ 19,334,225	\$ 16,478,728
Furniture and fixtures	1,028,688	1,179,759
Leasehold improvements	5,525,259	5,710,526
	<u>25,888,172</u>	<u>23,369,013</u>
Accumulated depreciation	(18,246,718)	(15,520,301)
	<u>\$ 7,641,454</u>	<u>\$ 7,848,712</u>

8. Awards payable and commitments

Changes in awards payable during the years ended December 31, 2021 and 2020 are summarized as follows:

	2021	2020
Awards payable, beginning of year	\$ 236,465,610	\$ 196,869,140
Awards expensed	225,250,296	231,562,543
Awards disbursed	(229,820,672)	(191,966,073)
Awards payable, end of year	<u>\$ 231,895,234</u>	<u>\$ 236,465,610</u>

As of December 31, 2021, the Foundation has additional medical scientific grant commitments of approximately \$89,709,000 which extend through 2027. 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 \$110,397,000. These costs will be expensed when the services are provided.

9. Accounts payable and other liabilities

Accounts payable and other liabilities at December 31, 2021 and 2020 consist of the following:

	2021	2020
Accounts payable and accrued expenses	\$ 38,869,228	\$ 28,095,639
Former office lease liabilities	988,703	1,910,937
Refundable advances for special events	1,427,713	1,053,103
Deferred licensing and other revenue	834,113	2,314,376
Other liabilities	464,675	1,166,982
	<u>\$ 42,584,432</u>	<u>\$ 34,541,037</u>

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10. Lease commitments

The Foundation is obligated under various operating leases for office space as of December 31, 2021. The approximate future minimum commitments for each calendar year, subject to escalation, are as follows:

2022	\$ 7,468,000
2023	5,248,000
2024	4,253,000
2025	3,667,000
2026	3,324,000
Thereafter	7,960,000
Total minimum payments required	<u>\$ 31,920,000</u>

The Foundation has entered into lease agreements with tenants to occupy its former headquarters and certain chapter office spaces. As of December 31, 2021, the approximate future minimum sublease rental payments to be received for each calendar year, subject to escalation, are as follows:

2022	\$ 1,262,000
2023	573,000
2024	211,000
2025	119,000
2026	82,000
Total minimum sublease payments	<u>\$ 2,247,000</u>

Rental costs for the years ended December 31, 2021 and 2020 were approximately \$6,604,000 and \$7,306,000, respectively.

11. 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 \$5,778,000 and \$2,820,000 respectively, for the years ended December 31, 2021 and 2020.

12. Line of credit

The Foundation has 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 June 30, 2022 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 years ended December 31, 2021 and 2020.

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13. Subsequent events

The Foundation has performed an evaluation of subsequent events through May 18, 2022, which is the date the financial statements were available to be issued, noting no events which affect the financial statements or require additional disclosure.