

Cystic Fibrosis Foundation

Consolidated Financial Statements

**For the years ended December 31, 2010 and
December 31, 2009**



Report of Independent Auditors

To the Board of Trustees of
Cystic Fibrosis Foundation:

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities, cash flows, and functional costs of services present fairly, in all material respects, the consolidated financial position of the Cystic Fibrosis Foundation, its subsidiaries and affiliate (the "Foundation") at December 31, 2010 and December 31, 2009, and the consolidated changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

March 23, 2011

Cystic Fibrosis Foundation
Consolidated Statement of Financial Position
As of December 31, 2010 and December 31, 2009

	2010	2009
Assets		
Cash and cash equivalents	\$ 21,677,916	\$ 30,961,284
Investments	136,749,336	107,668,776
Receivables, net	104,226,549	34,438,910
Inventories	6,583,935	8,099,543
Prepaid expenses and other assets	1,281,371	1,511,570
Fixed assets, net	<u>2,015,703</u>	<u>2,179,032</u>
Total assets	<u>\$ 272,534,810</u>	<u>\$ 184,859,115</u>
Liabilities and Net Assets		
Awards payable	\$ 42,166,994	\$ 42,758,590
Accounts payable and accrued expenses	<u>42,074,107</u>	<u>16,027,809</u>
Total liabilities	<u>84,241,101</u>	<u>58,786,399</u>
Unrestricted net assets	165,901,802	100,674,842
Temporarily restricted net assets	19,046,213	22,579,133
Permanently restricted net assets	<u>3,345,694</u>	<u>2,818,741</u>
Total net assets	<u>188,293,709</u>	<u>126,072,716</u>
Total liabilities and net assets	<u>\$ 272,534,810</u>	<u>\$ 184,859,115</u>

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

Cystic Fibrosis Foundation
Consolidated Statement of Activities
For the years ended December 31, 2010 and December 31, 2009

	2010	2009
Revenue		
Support received from the public		
Special event revenue (including \$1,444,564 and \$499,563 in temporarily restricted revenue in 2010 and 2009, respectively)	\$ 93,739,643	\$ 90,025,792
Direct benefit expenses	(12,245,988)	(11,675,074)
Net special event revenue	<u>81,493,655</u>	<u>78,350,718</u>
General contributions (including \$9,730,240 and \$10,031,174 in temporarily restricted contributions and \$227,270 and \$0 in permanently restricted contributions in 2010 and 2009, respectively) (Assets released from restriction amounted to \$14,924,602 and \$9,885,663 for 2010 and 2009, respectively)	37,057,721	39,949,748
Total support received from the public	<u>118,551,376</u>	<u>118,300,466</u>
Pharmacy services	137,975,525	96,196,306
Investment income (including \$117,388 and \$105,149 in temporarily restricted revenue in 2010 and 2009, respectively)	585,008	800,439
Royalty revenue	53,933,009	143,748
Other	2,263,955	2,097,232
Total revenue	<u>313,308,873</u>	<u>217,538,191</u>
Costs of services		
Program services		
Medical programs	215,001,258	181,576,864
Public and professional information and education	15,034,221	18,470,716
Community services	6,644,778	7,282,441
Total program services	<u>236,680,257</u>	<u>207,330,021</u>
Supporting services		
Management and general	9,276,491	5,986,634
Fundraising	15,343,759	17,505,771
Total supporting services	<u>24,620,250</u>	<u>23,492,405</u>
Total costs of services	<u>261,300,507</u>	<u>230,822,426</u>
Increase (decrease) in net assets from operations	52,008,366	(13,284,235)
Other changes in net assets		
Net nonoperating investment income (losses) (including increase of \$299,681 and \$389,720 in permanently restricted net assets in 2010 and 2009, respectively)	<u>10,212,627</u>	<u>(3,061,364)</u>
Increase (decrease) in net assets (including decrease in temporarily restricted net assets of \$3,532,920 and \$750,223 and increase of \$526,953 and \$389,720 in permanently restricted net assets in 2010 and 2009, respectively)	62,220,993	(16,345,599)
Net assets, beginning of year (includes temporarily restricted net assets of \$22,579,133 and \$21,828,910 and permanently restricted net assets of \$2,818,741 and \$2,429,021 at January 1, 2010 and 2009, respectively)	<u>126,072,716</u>	<u>142,418,315</u>
Net assets, end of year (includes temporarily restricted net assets of \$19,046,213 and \$22,579,133 and permanently restricted net assets of \$3,345,694 and \$2,818,741 at December 31, 2010 and 2009, respectively)	<u>\$188,293,709</u>	<u>\$126,072,716</u>

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

Cystic Fibrosis Foundation
Consolidated Statement of Cash Flows
For the years ended December 31, 2010 and December 31, 2009

	2010	2009
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 62,220,993	\$ (16,345,599)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gains) and losses on investments	(8,226,692)	5,232,716
Receipt of contributed securities	(1,206,259)	(5,231,417)
Decrease in discount on pledges	(89,558)	(207,474)
Depreciation	851,024	923,495
Provision for losses on accounts receivable	3,034,555	2,592,530
(Increase) decrease in receivables	(72,732,636)	1,451,397
Decrease (increase) in inventories	1,515,608	(1,405,562)
Decrease in prepaid and other assets	230,199	1,206,024
Decrease in awards payable	(591,596)	(11,170,715)
Increase (decrease) in accounts payable and accrued expenses	26,046,298	(6,207,164)
Net cash provided by (used in) operating activities	<u>11,051,936</u>	<u>(29,161,769)</u>
Cash flows from investing activities		
Purchases of fixed assets	(687,695)	(1,079,232)
Maturities/sales of investments	118,652,759	156,767,533
Purchases of investments	<u>(138,300,368)</u>	<u>(123,315,294)</u>
Net cash (used in) provided by investing activities	<u>(20,335,304)</u>	<u>32,373,007</u>
Net (decrease) increase in cash and cash equivalents	(9,283,368)	3,211,238
Cash and cash equivalents, beginning of year	<u>30,961,284</u>	<u>27,750,046</u>
Cash and cash equivalents, end of year	<u>\$ 21,677,916</u>	<u>\$ 30,961,284</u>
Other supplemental information:		
Income taxes paid	\$ -	\$ 287
Contributed securities	\$ 1,206,259	\$ 5,231,417

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

Cystic Fibrosis Foundation
Consolidated Statement of Functional Costs of Services
For the year ended December 31, 2010

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	\$ 33,419,158	\$ -	\$ -	\$ -	\$ -	\$ 33,419,158
Research grants	6,409,955	-	-	-	-	6,409,955
Clinical research grants	4,487,332	-	-	-	-	4,487,332
Center and adult care grants	12,298,205	-	-	-	-	12,298,205
Clinical and research fellowship grants	2,112,665	-	-	-	-	2,112,665
Quality improvement training program	633,921	-	-	-	-	633,921
Patient assistance grants	596,723	-	-	-	-	596,723
Pharmaceuticals	122,823,467	-	-	-	-	122,823,467
Salaries	13,564,637	7,354,015	4,021,508	5,362,347	5,356,492	35,658,999
Employee benefits and payroll taxes	2,829,211	1,753,420	953,744	1,208,231	1,286,000	8,030,606
Publications and printing	723,539	1,672,850	155,551	116,190	3,346,060	6,014,190
Occupancy and insurance	1,755,265	951,357	519,148	636,962	717,696	4,580,428
Postage and shipping	268,598	1,494,613	123,247	99,965	3,119,203	5,105,626
Travel and conferences	2,954,341	333,254	195,205	162,165	250,149	3,895,114
Data processing	1,977,076	626,883	229,616	341,934	612,771	3,788,280
Telephone	255,493	114,538	72,486	59,979	94,253	596,749
Supplies	299,163	221,042	137,831	121,652	179,410	959,098
Professional fees and honoraria	1,832,319	178,562	34,374	260,402	84,022	2,389,679
Depreciation	494,034	123,418	62,475	78,358	92,739	851,024
Provision for doubtful receivables	2,920,000	-	-	698,440	-	3,618,440
Other	2,346,156	210,269	139,593	129,866	204,964	3,030,848
Total	\$ 215,001,258	\$ 15,034,221	\$ 6,644,778	\$ 9,276,491	\$ 15,343,759	\$ 261,300,507

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

Cystic Fibrosis Foundation
Consolidated Statement of Functional Costs of Services
For the year ended December 31, 2009

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	\$ 44,217,295	\$ -	\$ -	\$ -	\$ -	\$ 44,217,295
Research grants	8,175,775	-	-	-	-	8,175,775
Clinical research grants	5,325,635	-	-	-	-	5,325,635
Center and adult care grants	11,875,552	-	-	-	-	11,875,552
Clinical and research fellowship grants	2,479,998	-	-	-	-	2,479,998
Quality improvement training program	1,553,052	-	-	-	-	1,553,052
Patient assistance grants	247,929	-	-	-	-	247,929
Pharmaceuticals	82,169,578	-	-	-	-	82,169,578
Salaries	10,108,793	9,268,223	4,319,203	3,396,836	6,299,864	33,392,919
Employee benefits and payroll taxes	2,545,504	2,606,146	1,226,631	832,060	1,795,414	9,005,755
Publications and printing	631,169	1,872,394	175,438	49,891	3,762,036	6,490,928
Occupancy and insurance	1,583,888	1,290,357	602,864	408,424	901,422	4,786,955
Postage and shipping	196,734	1,466,884	131,204	46,400	3,214,692	5,055,914
Travel and conferences	2,432,232	373,747	185,161	78,110	259,613	3,328,863
Data processing	1,484,543	629,670	207,423	172,602	603,806	3,098,044
Telephone	218,768	171,086	88,281	33,334	126,215	637,684
Supplies	234,792	231,264	118,961	47,214	170,545	802,776
Professional fees and honoraria	1,800,053	115,916	29,942	265,197	43,289	2,254,397
Depreciation	460,062	196,557	79,046	59,375	128,455	923,495
Provision for doubtful receivables	1,850,000	-	-	543,193	-	2,393,193
Other	1,985,512	248,472	118,287	53,998	200,420	2,606,689
Total	\$ 181,576,864	\$ 18,470,716	\$ 7,282,441	\$ 5,986,634	\$ 17,505,771	\$ 230,822,426

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

Cystic Fibrosis Foundation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization

The accompanying consolidated financial statements include the operations of the Cystic Fibrosis Foundation, including all of its chapters (the "Foundation"), Cystic Fibrosis Foundation Therapeutics, Inc. ("CFFT"), Cystic Fibrosis Services, Inc. ("CF Services"), Cystic Fibrosis Foundation Pharmacy, LLC ("CFFP") and the Cystic Fibrosis Patient Assistance Foundation, LLC ("CFPAF"). CFFT, an affiliate of the Foundation, operates the Therapeutics Development Program, which supports activities related to cystic fibrosis drug discovery through the many stages of drug development and clinical evaluation. The primary mission of the Foundation and CFFT is to assure the development of the means to cure and control cystic fibrosis and to improve the quality of life for those with the disease.

The Foundation, CFFT, CFFP and CFPAF are not-for-profit voluntary health organizations exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and from state taxes and have been classified as organizations that are not private foundations under Section 509(a) of the Code. The Foundation does not have any unrelated business income tax liability as of December 31, 2010. Contributions to the Foundation qualify for the charitable contributions deduction to the extent provided by Section 170 of the Code.

CF Services provides pharmacy services for the benefit of cystic fibrosis patients. Payment for these services is provided by individuals, commercial insurance carriers and other third party payors. CF Services is a taxable entity however the IRS has determined that its activities are substantially related to the mission of the Foundation. CF Services is a wholly owned subsidiary of CFFP and CFFP is a wholly owned subsidiary of the Foundation, its sole member. CFPAF helps CF patients obtain access to FDA-approved medications and devices for inhalation for the nebulized treatment of cystic fibrosis pulmonary disease.

2. Summary of significant accounting policies

Basis of accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to voluntary health and welfare organizations. All inter-entity balances at year-end and transactions during the year have been eliminated in the consolidated financial statements. The financial statements are presented on an accrual basis. The expenses reported in the consolidated statement of activities are classified by function.

Recently adopted accounting pronouncements

In 2009, the Financial Accounting Standards Board ("FASB") issued the FASB Accounting Standards Codification ("ASC" or "Codification") and the Hierarchy of Generally Accepted Accounting Principles ("GAAP"). This standard was effective for the Foundation in 2009. The Codification is the source of authoritative U.S. GAAP recognized by the FASB and the Foundation's notes to the consolidated financial statements no longer make reference to the Statement of Financial Accounting Standards ("SFAS") or other U.S. GAAP pronouncements. The adoption of the Codification had no impact on the Foundation's consolidated financial position or results of activities.

In 2009, the Foundation adopted authoritative guidance specific to the accounting for uncertainty in income taxes. The adoption did not have a material effect on the financial statements.

Cystic Fibrosis Foundation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

In May 2009, authoritative guidance was issued on subsequent events. This guidance is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The standard requires disclosure of the date through which the Foundation has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. The Foundation has disclosed the date through which it has evaluated subsequent events.

Use of estimates

The preparation of consolidated 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 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, pharmacy services revenue, income on investments designated for operations including interest and dividends and realized and unrealized gains and losses, royalty revenue, other revenue and all costs of program and supporting services. The measure of operations excludes gains or losses on nonoperating investments.

Revenue recognition

Support received directly or indirectly from the public is recorded as revenue when received or when the donor has made an unconditional promise to give. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Conditional pledges of \$5,805,336 have not been recorded as of December 31, 2010. Contributions of assets other than cash, including gifts-in-kind, are recorded at their estimated fair value at the date of the gift. CF Services records revenue from sales upon receipt of pharmaceuticals by customers and net of contractual discounts.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support, including related investment income and realized and unrealized gains and losses, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

CFF and CFFT retain legal and beneficial rights to intellectual property developed under certain scientific grants and drug discovery agreements. Royalties received under these agreements are recorded as revenue when they become due. In addition, at times CFFT may sell its rights under certain agreements in exchange for a lump sum. Amounts received under these agreements are recorded as royalty revenue when rights are forfeited and proceeds are receivable. In 2010, CFFT recorded approximately \$47,760,000 in royalty revenue under such agreements. Gross proceeds of \$63,000,000 were due from a third party under an agreement as of December 31, 2010, and were received by CFFT in January 2011. A balance of \$15,240,000 was payable to another party under an agreement relating to the same intellectual property. This amount is included in accounts payable as of December 31, 2010 and was paid in January 2011.

Cystic Fibrosis Foundation

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

Grants, contracts and awards

The Foundation and CFFT generally award medical/scientific grants and contracts for periods of three years or less. Grants are awarded contingent upon the availability of funds at the beginning of each award period. Awards are expensed at the time that the Foundation or CFFT unconditionally commits to fund the grant or incurs the contract expense.

Cash and cash equivalents

Cash and cash equivalents represent demand deposits and money market funds that consist of U.S. government and corporate securities. The Foundation considers these investments to be cash equivalents because they are highly liquid with original maturities of three months or less and present an insignificant risk of change in value.

Concentration of credit risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk principally consist of cash and cash equivalents and investments. The Foundation places its cash and cash equivalents and investments in various financial institutions that are Federally insured under the Federal Depository Insurance Corporation Act (FDICA) and the Securities Investor Protection Corporation (SIPC). At December 31, 2010, the Foundation's aggregate cash balances were in excess of the FDIC limits by \$12,108,000 and therefore bear some risk as they are not collateralized. At December 31, 2009, the Foundation's bank deposit balances were fully insured under the FDIC's Transaction Account Guarantee Program. In addition, the Foundation maintained uninsured money market deposits amounting to \$7,695,000 and \$7,563,000 as of December 31, 2010 and 2009, respectively. The Foundation's investments were diversified among 12 and 9 different managers and funds of funds in 2010 and 2009, respectively. Applicable investment aggregate balances were in excess of the SIPC insurance limits by approximately \$126,936,000 and \$98,728,000 as of December 31, 2010 and 2009, respectively. The Foundation has not experienced any losses on its cash and cash equivalents or investments to date related to the Federal insurance limits. CF Services grants credit without collateral to its customers throughout the country, most of whom are insured under third-party payor agreements.

Investments

Investment assets are stated at fair market value in the consolidated financial statements. Investment income is reported when earned. The change in unrealized appreciation or depreciation of investments is reflected in the consolidated statement 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.

Inventories

Inventories consist primarily of pharmaceuticals and supplies and are stated at the lower of first-in, first-out cost or market.

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 statement of activities.

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December 31, 2010 and 2009

Functional expenses

The costs of various Foundation activities have been accounted for on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the various activities.

Guarantees and indemnifications

The Foundation, and in particular CFFT, its affiliate, may from time to time enter into agreements with service providers in which it agrees to indemnify the service providers against certain losses and liabilities arising from the service providers' performance under the agreements. Generally, such indemnification obligations do not apply in situations in which a service provider is grossly negligent, engages in willful misconduct or acts in bad faith. The indemnifications serve to place the Foundation in a liability position no different than if it had performed the services for itself. The Foundation was not aware of any liability under such service agreements for the years ended December 31, 2010 and 2009.

Net assets

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

Unrestricted Net Assets – Unrestricted net assets generally result from revenues derived from receiving unrestricted contributions, less expenses incurred in providing program services, raising contributions, and performing administrative functions.

Temporarily Restricted Net Assets – Temporarily restricted net assets 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 and CFFT pursuant to those stipulations. Temporarily restricted net assets consist of approximately \$4,363,000 and \$6,952,000 restricted for specific programs, including approximately \$1,605,000 and \$2,400,000 for CFPAF programs and approximately \$14,683,000 and \$15,627,000 restricted only as to time as of December 31, 2010 and 2009, respectively.

Permanently Restricted Net Assets – The Foundation's permanently restricted assets consist of the beneficial interest in seven 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 from the perpetual trusts.

Unrealized and realized gains and losses and dividends and interest from investing in marketable securities may be included in any of these net asset classifications depending on donor restrictions.

2009 Financial information

Certain figures presented in the 2009 consolidated financial statements have been reclassified to conform to the presentation in these financial statements.

Fair value measurements

Authoritative guidance on fair value measurements requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value: Level 1 - Quoted

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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. Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. The Foundation carries its cash and cash equivalents, all investment balances and certain other assets at fair value as described below:

- (a) Investment balances reported for all amounts classified as Level 1 are derived from quoted market prices on public exchanges.
- (b) Values reported for corporate bonds classified as Level 2 represent the portfolio managers' good faith estimate as to what a buyer in the marketplace would pay for these securities in a current sale and the Foundation believes these estimates are reflective of fair value. In deriving these estimates, the portfolio managers utilize pricing models and applications that incorporate available market information and, because many fixed income securities do not trade on a daily basis, apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing.
- (c) Mutual funds classified as Level 2 consist of investment in units of commingled funds to which proportionate net assets can be attributed. The Foundation maintains the ability to redeem these investments at the net asset values (NAV) reported by the investee managers and therefore uses these amounts to derive the reported investment values.
- (d) Alternative investments classified as Level 3 consist of shares in two alternative investment funds and a hedge fund and are subject to holdbacks. The Foundation has not incurred any losses related to holdbacks. Upon liquidation, approximately 10% of the alternative investment funds balance will be held back until the funds' financial statement audits are complete. The Foundation generally derives the reported values for these investments from the NAV provided by the funds' managers; however, in instances where NAV may not represent fair value because of redemption restrictions, the Foundation makes adjustments to net asset value to estimate the fair value of the investment.
- (e) 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. There is no active market for these agreements and they are therefore classified as Level 3.

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

Cystic Fibrosis Foundation
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December 31, 2010 and 2009

Description	2010	Quoted Prices in Active Markets for Identical Assets (Level 1) (a)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	\$ 8,113,112	\$ 8,113,112	\$ -	\$ -
Investments				
U.S. government/agency bonds	8,617,364	8,617,364	-	-
Corporate bonds	10,028,021	3,764,710	6,263,311 (b)	-
Low duration bond funds	41,632,676	41,632,676	-	-
U.S. equity mutual funds	11,502,386	11,502,386	-	-
Int. developed equity mutual funds	11,178,774	11,178,774	-	-
Emerging markets equity mutual funds	6,237,043	6,237,043	-	-
Global equity mutual funds	8,529,686	8,529,686	-	-
Inflation hedge mutual funds	10,861,914	3,369,410	7,492,504 (c)	-
Alternative investments:				
Long/short equity fund of funds	8,389,102	-	-	8,389,102 (d)
Absolute value fund of funds	14,949,420	-	-	14,949,420 (d)
Other - hedge fund	173,225	-	-	173,225 (d)
Perpetual trusts	3,118,422	-	-	3,118,422 (e)
Other	1,531,303	1,531,303	-	-
Total Investments	136,749,336	96,363,352	13,755,815	26,630,169
	<u>\$ 144,862,448</u>	<u>\$ 104,476,464</u>	<u>\$ 13,755,815</u>	<u>\$ 26,630,169</u>

Description	2009	Quoted Prices in Active Markets for Identical Assets (Level 1) (a)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	\$ 19,464,185	\$ 19,464,185	\$ -	\$ -
Investments				
U.S. government/agency bonds	18,910,503	18,910,503	-	-
Corporate bonds	26,465,528	-	26,465,528 (b)	-
Low duration bond funds	24,832,315	24,832,315	-	-
U.S. equity mutual funds	4,460,752	4,460,752	-	-
Int. developed equity mutual funds	4,272,656	4,272,656	-	-
Emerging markets equity mutual funds	2,049,747	2,049,747	-	-
Inflation hedge mutual funds	3,603,600	961,618	2,641,982 (c)	-
Alternative investments:				
Long/short equity fund of funds	7,894,269	-	-	7,894,269 (d)
Absolute value fund of funds	10,085,052	-	-	10,085,052 (d)
Other - hedge fund	644,282	-	-	644,282 (d)
Perpetual trusts	2,818,742	-	-	2,818,742 (e)
Other	1,631,330	1,631,330	-	-
Total Investments	107,668,776	57,118,921	29,107,510	21,442,345
	<u>\$ 127,132,961</u>	<u>\$ 76,583,106</u>	<u>\$ 29,107,510</u>	<u>\$ 21,442,345</u>

Cystic Fibrosis Foundation
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December 31, 2010 and 2009

The table below presents reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2010 and 2009.

	2010	2009
Level 3 investments, beginning of year	\$ 21,442,345	\$ 35,745,799
Total gains or losses		
Net realized gains (losses)	3,556	(305,094)
Net unrealized gains	1,616,483	5,000,471
Net purchases, sales and settlements	<u>3,567,785</u>	<u>(18,998,831)</u>
Level 3 investments, end of year	<u>\$ 26,630,169</u>	<u>\$ 21,442,345</u>

The amount of net unrealized gains relating to Level 3 assets still held at December 31, 2010 and 2009 is approximately \$2,927,000 and \$1,314,000, respectively. There were no transfers in or out of Level 3 during 2010 and 2009.

The investment income (loss) is as follows for the years ended December 31:

	2010	2009
Interest and dividends	\$ 2,772,140	\$ 3,011,104
Net realized gains (losses)	2,940,984	(41,354,988)
Net unrealized gains	5,228,701	36,300,178
Investment expenses	<u>(144,190)</u>	<u>(217,219)</u>
	<u>\$ 10,797,635</u>	<u>\$ (2,260,925)</u>

Operating cash equivalents and investments amounted to \$44,944,165 and \$37,596,467 as of December 31, 2010 and 2009, respectively. Nonoperating cash equivalents and investments amounted to \$99,918,283 and \$89,536,494 as of December 31, 2010 and 2009, respectively. The investment income (loss) during the years ended December 31, 2010 and 2009 is reflected on the consolidated statement of activities as follows:

	2010	2009
Investment income (operating)	\$ 585,008	\$ 800,439
Net nonoperating investment income (losses)	<u>10,212,627</u>	<u>(3,061,364)</u>
	<u>\$ 10,797,635</u>	<u>\$ (2,260,925)</u>

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3. Receivables

Receivables consist of the following at December 31, 2010 and 2009:

	2010	2009
Special events	\$ 4,724,374	\$ 2,360,208
Pharmacy	17,601,309	12,186,794
Pledges receivable	24,241,830	25,619,995
Interest	122,982	487,743
Royalties receivable (see note 2)	66,788,635	-
Other	393,547	485,301
	<u>113,872,677</u>	<u>41,140,041</u>
Discount on pledges receivable	(2,488,563)	(2,578,121)
Allowance for doubtful accounts	<u>(7,157,565)</u>	<u>(4,123,010)</u>
	<u>\$ 104,226,549</u>	<u>\$ 34,438,910</u>

New pledges received in 2010 and 2009 were recorded at present value using a discount rate averaging 1% - 2%, which is reflective of market considerations as required by the FASB guidance. Pledges received prior to 2008 were recorded at present value, discounted using a rate averaging 3%-5%, representing the short-term risk-free interest rate in effect on the date the respective commitments were made. The pledges receivable as of December 31, 2010 are payable in the following periods: \$12,705,000 within one year; \$9,374,000 from one to five years; and \$2,163,000 after five years. As of December 31, 2010 and 2009, pledges receivable amounting to approximately \$4,009,000 and \$6,826,000, respectively, were due from members of the Board of Trustees or related organizations.

4. Fixed assets

Fixed assets at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Equipment and software	\$ 6,597,366	\$ 6,014,224
Furniture and fixtures	327,190	327,464
Leasehold improvements	825,043	825,043
	<u>7,749,599</u>	<u>7,166,731</u>
Accumulated depreciation	<u>(5,733,896)</u>	<u>(4,987,699)</u>
	<u>\$ 2,015,703</u>	<u>\$ 2,179,032</u>

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5. Awards payable and commitments

Changes in awards payable during the years ended December 31, 2010 and 2009 are summarized as follows:

	2010	2009
Awards payable, beginning of year	\$ 42,758,590	\$ 53,929,305
Awards expensed	59,211,952	73,478,237
Awards disbursed	<u>(59,803,548)</u>	<u>(84,648,952)</u>
Awards payable, end of year	<u>\$ 42,166,994</u>	<u>\$ 42,758,590</u>

As of December 31, 2010, the Foundation and CFFT have medical scientific grant commitments of approximately \$4,412,000, which extend through December 31, 2011, in addition to those presented on the consolidated statement of financial position. Subsequent year awards are contingent upon renewal criteria, and therefore, the costs and liabilities are not reflected in the consolidated financial statements.

Certain awards contain clauses whereby CFFT is obligated to make additional payments if awardees achieve certain CF drug discovery or development milestones. As of December 31, 2010, total additional payments contingent on these milestones were approximately \$10,200,000. These contingent payments are not recognized as liabilities as the likelihood that the milestones will be achieved cannot be determined at this time. Additionally, certain agreements provide for future contracted drug discovery and development research payments amounting to \$6,440,000. These costs will be expensed when the services are provided.

Volunteers from the medical and scientific community are included among CFFT/CFFP Board members. These volunteers provide valuable leadership and assistance to the Foundation, but do not participate in decisions regarding awards to institutions with which they are affiliated. Awards to institutions affiliated with these volunteers totalled \$2,005,000 and \$2,492,000 for the years ended December 31, 2010 and 2009, respectively.

6. Accounts payable

Accounts payable at December 31, 2010 and 2009 consist of the following:

	2010	2009
Pharmacy payables	\$ 11,986,618	\$ 6,394,126
Other accounts payable and accrued expenses	12,157,673	8,067,217
Refundable advances for special events	2,689,816	1,566,466
Amount payable under royalty agreement (see note 2)	<u>15,240,000</u>	<u>-</u>
	<u>\$ 42,074,107</u>	<u>\$ 16,027,809</u>

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Notes to Consolidated Financial Statements

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7. Operating lease commitments

The Foundation is obligated under various operating leases for office space as of December 31, 2010. The approximate future minimum commitments for each calendar year, subject to escalation, are as follows:

2011	\$ 3,119,938
2012	2,761,700
2013	2,395,728
2014	1,452,234
2015	1,779,423
Thereafter	5,733,312
	<u>\$ 17,242,335</u>

Rental costs for the years ended December 31, 2010 and 2009 were approximately \$3,965,000 and \$4,098,000, respectively.

8. Retirement plan

Under the provisions of the Foundation's 401(k) retirement plan, after one year of service employees who defer wages are eligible for an employer match, which vests immediately. In addition, eligible employees receive a non-matching employer contribution that, for service in 2007 and beyond, vests after employees complete three years of service, as defined in the plan. The Foundation, CFFT, and CFFP made contributions in accordance with the provisions of the plan amounting to approximately \$1,805,000 and \$1,933,000, respectively, for the years ended December 31, 2010 and 2009.

9. Allocation of joint costs

The Foundation conducted direct mail activities in the years ended December 31, 2010 and 2009 that included requests for contributions as well as program components. The costs of conducting those activities included a total of approximately \$9,825,000 and \$10,185,000 of joint costs during the years ended December 31, 2010 and 2009, respectively. These costs were not specifically attributable to particular components of the activities. Of those costs, \$6,820,000 and \$7,272,000 was allocated to fundraising expense and \$3,004,000 and \$2,913,000 was allocated to public and professional information and education program services for the years ended December 31, 2010 and 2009, respectively.

10. Subsequent events

The Foundation has performed an evaluation of subsequent events through March 23, 2011, which is the date the financial statements were available to be issued, noting no events which affect the financial statements as of December 31, 2010.