

# **Cystic Fibrosis Foundation**

**Financial Statements**

**For the Years Ended December 31, 2022 and 2021**



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, 2022 and 2021, 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, 2022 and 2021, 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.

### *Emphasis of Matter*

As discussed in Note 2 to the financial statements, as of January 1, 2022, the Foundation changed its method of accounting for leases in accordance with the adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

### *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, 2023

**Cystic Fibrosis Foundation**  
**Statements of Financial Position**  
**As of December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 89,345,517	\$ 70,761,826
Investments	4,448,228,889	5,511,454,593
Program-related investments	70,183,691	44,431,815
Due from investment managers	40,531,240	11,258,440
Receivables, net	45,280,452	37,504,449
Other assets	6,408,437	8,057,398
Fixed assets, net	10,429,966	7,641,454
Operating lease right-of-use asset	24,650,798	-
Total assets	<u>\$ 4,735,058,990</u>	<u>\$ 5,691,109,975</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and other liabilities	\$ 34,590,068	\$ 42,584,432
Awards payable	226,137,686	231,895,234
Operating lease liabilities	30,612,220	-
Total liabilities	<u>291,339,974</u>	<u>274,479,666</u>
<b>Net Assets</b>		
Without donor restrictions	4,421,196,358	5,398,556,832
With donor restrictions	22,522,658	18,073,477
Total net assets	<u>4,443,719,016</u>	<u>5,416,630,309</u>
Total liabilities and net assets	<u>\$ 4,735,058,990</u>	<u>\$ 5,691,109,975</u>

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

**Cystic Fibrosis Foundation**  
**Statement of Activities**  
**For the year ended December 31, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue</b>			
Support received from the public			
Special event revenue	\$ 60,194,316	\$ 2,310,300	\$ 62,504,616
Special event revenue from nonfinancial assets	6,090,674	-	6,090,674
Direct benefit expenses	(12,405,197)	-	(12,405,197)
Net special event revenue	53,879,793	2,310,300	56,190,093
Contributions of cash and other financial assets	23,029,905	15,998,453	39,028,358
Contributions of nonfinancial assets	2,769,562	-	2,769,562
Total support received from the public	79,679,260	18,308,753	97,988,013
Licensing, royalties, and other revenue	23,065,751	403,500	23,469,251
Net assets released from restriction	13,217,145	(13,217,145)	-
Total revenue	115,962,156	5,495,108	121,457,264
<b>Expenses</b>			
Program services			
Medical programs	282,331,776	-	282,331,776
Public and professional information and education	19,125,953	-	19,125,953
Community services	21,891,088	-	21,891,088
Total program services	323,348,817	-	323,348,817
Supporting services			
Management and general	29,684,084	-	29,684,084
Fundraising	30,435,741	-	30,435,741
Total supporting services	60,119,825	-	60,119,825
Total expenses	383,468,642	-	383,468,642
(Decrease) increase in net assets from operations	(267,506,486)	5,495,108	(262,011,378)
<b>Other changes in net assets</b>			
Net nonoperating investment income	(709,853,988)	(1,045,927)	(710,899,915)
(Decrease) increase in net assets	(977,360,474)	4,449,181	(972,911,293)
Net assets, beginning of year	5,398,556,832	18,073,477	5,416,630,309
Net assets, end of year	\$ 4,421,196,358	\$ 22,522,658	\$ 4,443,719,016

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

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue</b>			
Support received from the public			
Special event revenue	\$ 44,681,413	\$ 2,004,072	\$ 46,685,485
Special event revenue from nonfinancial assets	2,615,002	-	2,615,002
Direct benefit expenses	(3,448,201)	-	(3,448,201)
Net special event revenue	43,848,214	2,004,072	45,852,286
Contributions of cash and other financial assets	25,314,269	15,329,684	40,643,953
Contributions of nonfinancial assets	50,220	-	50,220
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
<b>Expenses</b>			
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)
<b>Other changes in net assets</b>			
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**  
**Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
(Decrease) increase in net assets	\$ (972,911,293)	\$ 317,637,295
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Net realized and unrealized losses (gains) on investments	760,543,147	(520,086,415)
Increase (decrease) in discount on pledges and other receivable	1,045,508	(26,290)
Contributed partnership interest	-	(746,000)
Increase in carrying value of right of use asset	(3,486,000)	-
Depreciation	2,238,383	2,726,418
Provision for losses on accounts receivable	(428,982)	307,271
(Increase) decrease in receivables	(8,392,529)	9,879,414
Decrease (increase) in other assets	1,648,961	(2,257,973)
(Decrease) increase in accounts payable and accrued expenses	(1,449,784)	8,043,395
Decrease in awards payable	(5,757,548)	(4,570,376)
Increase in operating lease liability	2,902,842	-
Net cash used in operating activities	<u>(224,047,295)</u>	<u>(189,093,261)</u>
<b>Cash flows from investing activities</b>		
Purchases of fixed assets	(5,026,895)	(2,519,159)
Maturities/sales of investments	1,153,650,164	1,787,567,438
Purchases of investments	(847,694,420)	(1,566,099,263)
Funding of program-related investments	(29,025,063)	(28,549,153)
Increase in due from investment managers	(29,272,800)	(102,515)
Net cash provided by investing activities	<u>242,630,986</u>	<u>190,297,348</u>
Net increase in cash and cash equivalents	18,583,691	1,204,087
Cash and cash equivalents, beginning of year	70,761,826	69,557,739
Cash and cash equivalents, end of year	<u>\$ 89,345,517</u>	<u>\$ 70,761,826</u>
<b>Supplemental disclosure for noncash activity:</b>		
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, 2022**

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	\$ 98,353,063	\$ -	\$ -	\$ -	\$ -	\$ 98,353,063
Research grants	25,927,721	-	-	-	-	25,927,721
Clinical research grants	43,393,477	-	-	-	-	43,393,477
Center and adult care grants	38,313,058	-	-	-	-	38,313,058
Clinical and research fellowship grants	9,665,765	-	-	-	-	9,665,765
Quality improvement training program	7,443,343	-	-	-	-	7,443,343
Patient assistance and other program grants	-	-	5,771,860	-	-	5,771,860
Salaries	29,222,207	10,519,897	8,537,315	18,119,834	16,812,619	83,211,872
Employee benefits and payroll taxes	7,590,376	3,370,576	2,814,680	5,217,281	5,760,016	24,752,929
Publications and printing	131,878	452,026	119,343	128,437	807,845	1,639,529
Occupancy and insurance	3,663,450	801,332	670,883	1,268,932	1,572,996	7,977,593
Postage and shipping	34,500	57,784	53,179	76,994	678,543	901,000
Travel and conferences	6,721,453	528,453	432,218	563,732	1,080,460	9,326,316
Information technology	4,521,392	2,030,145	1,309,804	2,178,748	2,622,663	12,662,752
Lab and other supplies	2,131,490	153,548	133,791	223,483	351,966	2,994,278
Fees for legal hotline and other community services	-	-	1,267,400	-	-	1,267,400
Professional fees and medical honoraria	2,873,356	650,104	550,108	968,616	208,119	5,250,303
Depreciation	1,342,100	301,943	115,084	191,270	275,714	2,226,111
Other	1,003,147	260,145	115,423	746,757	264,800	2,390,272
Total functional expenses before costs of direct benefits to donors	282,331,776	19,125,953	21,891,088	29,684,084	30,435,741	383,468,642
Costs of direct benefits to donors	-	-	-	-	-	12,405,197
Total functional expenses after costs of direct benefits to donors	\$ 282,331,776	\$ 19,125,953	\$ 21,891,088	\$ 29,684,084	\$ 30,435,741	\$ 395,873,839

*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**

## **Notes to Financial Statements**

### **December 31, 2022 and 2021**

---

#### **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.

#### **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 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

# **Cystic Fibrosis Foundation**

## **Notes to Financial Statements**

### **December 31, 2022 and 2021**

---

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.

#### **Contributions of nonfinancial assets**

The Foundation receives gifts of nonfinancial assets, primarily donated cars and items that can be sold in auctions held as part of its fundraising events, which are sold as soon as practicable per the Foundation's policy. Gifts are recognized as special event revenue or general contributions in the statement of activities when sold, at the actual cash proceeds. In 2022 and 2021, the Foundation received and recognized as revenue \$6,125,530 and \$2,665,223 related to these items. In 2022, the Foundation also received a gift of real estate recognized at \$2,734,707, which was the selling price net of transaction costs.

#### **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.

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, 2022 and 2021

---

#### **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.

#### **Leases**

The Foundation adopted *Topic 842 Leases* effective January 1, 2022 using the modified retrospective transition approach. In connection with adopting Topic 842 the Foundation elected to apply the package of allowable practical expedients and, as a result, did not reassess whether expired or existing contracts contain leases under the new definition of a lease.

The Foundation analyzes each lease agreement at inception to determine if it is an operating or financing lease and has classified all leases as operating. On the lease commencement date, the right of use assets and liabilities related to operating leases are recorded on the statements of financial position at the estimated present value of lease payments over the lease term. The Foundation uses its incremental borrowing rate at the lease commencement date to calculate the present value of the lease payments. The Foundation has elected to apply the exemption related to short-term leases and therefore does not record on the statement of financial position any leases with a term of 12 months or less. Certain office leases provide renewal options which the Foundation does not consider in the initial lease term unless it is reasonably certain to exercise the option.

#### **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.

#### **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

# Cystic Fibrosis Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

---

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 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, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Time restricted	\$ 6,201,893	\$ 4,553,526
Medical research and other purposes	12,534,349	8,686,302
Perpetual trusts	3,786,416	4,833,649
	<u>\$ 22,522,658</u>	<u>\$ 18,073,477</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, 2022 and 2021. 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 adopted Topic 842 for the year ended December 31, 2022. As of January 1, 2022, the Foundation recognized \$21,164,798 in right of use assets and \$27,709,378 in operating lease liabilities, including \$6,544,580 in deferred rent previously reported under accounts payable and other liabilities in the statements of financial position.

# Cystic Fibrosis Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Topic 958 requires presentation of contributed nonfinancial assets in the statement of activities and disclosures regarding recognition of these contributions. The guidance did not have a material impact on the Foundation's financial statements. The Foundation adopted ASU No. 2020-07 for the year ended December 31, 2022 on a retrospective basis.

#### Reclassifications

Certain amounts presented in the 2021 consolidated financial statements have been reclassified to conform to the 2022 presentation.

### 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 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	2022	Quoted Prices in	Significant Other	Significant	Investments
		Active Markets for	Observable Inputs	Unobservable	
		Identical Assets	Level 2	Inputs	NAV <sup>1</sup>
		Level 1		Level 3	
Cash equivalents (operating)	\$ 69,580,920	\$ -	\$ 69,580,920	\$ -	\$ -
Investments					
Money market mutual funds and					
other cash equivalents	133,033,999	-	133,033,999	-	-
Fixed income	1,156,507,273	-	1,156,267,273	240,000	-
Global public equity	1,419,665,968	1,418,967,965	-	698,003	-
Investments measured at NAV	1,730,548,572	-	-	-	1,730,548,572
Perpetual trusts	3,780,987	-	-	3,780,987	-
Other	4,692,090	4,692,090	-	-	-
Total investments	4,448,228,889	1,423,660,055	1,289,301,272	4,718,990	1,730,548,572
Program-related investments	70,183,691	23,244,469	-	31,586,254	15,352,968
	\$ 4,587,993,500	\$ 1,446,904,524	\$ 1,358,882,192	\$ 36,305,244	\$ 1,745,901,540

**Cystic Fibrosis Foundation**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

Description	2021	Quoted Prices in	Significant Other	Significant	Investments
		Active Markets for	Observable Inputs	Unobservable	measured at net
		Identical Assets	Level 2	Inputs	NAV <sup>1</sup>
		Level 1		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
	\$ 5,614,728,733	\$ 2,317,689,475	\$ 1,699,936,498	\$ 22,405,262	\$ 1,574,697,498

<sup>1</sup> 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, 2022 and 2021:

Description	Fair value		2022 unfunded commitments	Redemption frequency	Redemption Notice Days
	2022	2021			
Global public equity (a)	\$ 219,592,042	\$ 139,121,396	\$ -	Quarterly to annual	60 - 90 days
Opportunistic (b)	443,859,465	411,113,697	100,000,000	Monthly to annual	30 - 180 days
Private equity and other illiquid funds (c)	1,082,450,033	1,024,462,405	829,307,946	Illiquid	N/A
	<u>\$ 1,745,901,540</u>	<u>\$ 1,574,697,498</u>	<u>\$ 929,307,946</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.
- (b) Opportunistic consists of investments in funds and strategies invested primarily in publicly listed equity and debt securities in the global developed and emerging markets that aim to generate higher returns than available through traditional passive investment approaches by taking advantage of unique or unexpected market opportunities. These opportunities may arise from market dislocations, special circumstances that create structural inefficiencies or imbalances in the market, including the adoption of nascent markets or securities. The duration of Opportunistic investments will depend on factors such as the market opportunity, investment strategy, and the specific goals and objectives of the underlying investment.
- (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

**Cystic Fibrosis Foundation**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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 2022 and 2021.

	2022			2021		
	Perpetual trusts	Other	Total	Perpetual trusts	Other	Total
Purchases/additions	\$ 98,934	\$ 13,202,361	\$ 13,301,295	\$ 172,063	\$ 14,040,459	\$ 14,212,522

Operating cash equivalents and investments amounted to \$74,273,011 and \$64,637,804 as of December 31, 2022 and 2021, respectively. Nonoperating cash equivalents and investments amounted to \$4,513,720,488 and \$5,550,090,929 as of December 31, 2022 and 2021, respectively. The investment income during the years ended December 31, 2022 and 2021 is reflected on the statements of activities as follows:

	2022	2021
Investment income - operating (included in other)	\$ 893,581	\$ 76,334
Net nonoperating investment (loss) income	<u>(710,899,915)</u>	<u>571,560,721</u>
	<u>\$ (710,006,334)</u>	<u>\$ 571,637,055</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, 2022 and 2021, the Foundation has long-only positions in global equity index and US 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 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 loss of \$18,020,864 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.

As of December 31, 2022 and 2021, the Foundation held direct positions in futures contracts listed below:

Derivative type	2022			2021		
	Notional Market Value	Notional Cost	Unrealized Gain	Notional Market Value	Notional Cost	Unrealized Gain
Long-only fixed income futures contracts	\$ 83,946,828	\$ 84,215,721	\$ (268,893)	\$ 119,417,578	\$ 118,683,520	\$ 734,058
Public equity futures contracts	41,470,965	42,551,399	(1,080,434)	-	-	-
	<u>\$ 125,417,793</u>	<u>\$ 126,767,120</u>	<u>\$ (1,349,327)</u>	<u>\$ 119,417,578</u>	<u>\$ 118,683,520</u>	<u>\$ 734,058</u>

**Cystic Fibrosis Foundation**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

**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:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 89,345,517	\$ 70,761,826
Investments	4,448,228,889	5,511,454,593
Program-related investments	70,183,691	44,431,815
Due from investment managers	40,531,240	11,258,440
Receivables, net	45,280,452	37,504,449
Total financial assets, end of year	<u>4,693,569,789</u>	<u>5,675,411,123</u>
Less those unavailable for general expenditures within one year, due to:		
Time restricted pledges due in greater than one year	(12,103,992)	(5,951,417)
Royalty receivable due in greater than one year	(5,256,775)	(7,527,417)
Program-related note receivable, net	(5,716,037)	(5,716,037)
Donor restrictions held in perpetuity	(3,786,416)	(4,833,649)
Investments not redeemable within one year	(294,391,657)	(278,897,260)
Private equity and other illiquid funds	(1,067,097,065)	(1,020,463,424)
Program-related investments	(70,183,691)	(44,431,815)
Unfunded capital commitments	(929,307,946)	(970,594,503)
Funds held for retirement plan assets	<u>(4,692,090)</u>	<u>(5,795,478)</u>
Total financial assets unavailable for general expenditures within one year	<u>(2,392,535,669)</u>	<u>(2,344,211,000)</u>
Total financial assets available within one year	<u>\$ 2,301,034,120</u>	<u>\$ 3,331,200,123</u>

\*Excludes unfunded capital commitments of \$929,307,946 and \$970,594,503 as of December 31, 2022 and 2021, respectively.

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

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, 2022 and 2021**

---

**6. Receivables**

Receivables consist of the following at December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Special events and other contributions	\$ 674,135	\$ 724,787
Pledges receivable	19,894,639	10,231,407
Accrued interest on investments	11,735,892	9,566,140
Royalties receivable	9,748,750	12,347,425
Program-related note receivable	7,400,000	7,400,000
Other receivables	2,174,363	1,831,521
	<u>51,627,779</u>	<u>42,101,280</u>
Discount on pledges and other receivable (at rates ranging from 1%-4%)	(3,177,116)	(2,131,608)
Allowance for doubtful accounts	(3,170,211)	(2,465,223)
	<u>\$ 45,280,452</u>	<u>\$ 37,504,449</u>

The pledges receivable as of December 31, 2022 and 2021 are payable in the following periods:

	<b>2022</b>	<b>2021</b>
Within one year	\$ 5,769,396	\$ 3,349,997
One to five years	12,280,011	4,811,177
After five years	1,845,233	2,070,233
	<u>\$ 19,894,639</u>	<u>\$ 10,231,407</u>

As of December 31, 2022 and 2021, net pledges receivable amounting to approximately \$9,867,000 and \$154,000 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, 2022. 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.

**Cystic Fibrosis Foundation**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

**7. Fixed assets**

Fixed assets at December 31, 2022 and 2021 consisted of the following:

	<b>2022</b>	<b>2021</b>
Equipment and software	\$ 23,495,895	\$ 19,334,225
Furniture and fixtures	1,052,077	1,028,688
Leasehold improvements	6,367,095	5,525,259
	<u>30,915,067</u>	<u>25,888,172</u>
Accumulated depreciation	(20,485,101)	(18,246,718)
	<u>\$ 10,429,966</u>	<u>\$ 7,641,454</u>

**8. Awards payable and commitments**

Changes in awards payable during the years ended December 31, 2022 and 2021 are summarized as follows:

	<b>2022</b>	<b>2021</b>
Awards payable, beginning of year	\$ 231,895,234	\$ 236,465,610
Awards expensed	223,083,806	225,250,296
Awards disbursed	<u>(228,841,354)</u>	<u>(229,820,672)</u>
Awards payable, end of year	<u>\$ 226,137,686</u>	<u>\$ 231,895,234</u>

As of December 31, 2022, the Foundation has additional medical scientific grant commitments of approximately \$115,916,000 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 \$92,091,000. These costs will be expensed when the services are provided.

**9. Accounts payable and other liabilities**

Accounts payable and other liabilities at December 31, 2022 and 2021 consist of the following:

	<b>2022</b>	<b>2021</b>
Accounts payable and accrued expenses	\$ 31,655,689	\$ 38,869,228
Former office lease liabilities	405,716	988,703
Refundable advances for special events	1,362,141	1,427,713
Deferred licensing and other revenue	834,113	834,113
Other liabilities	332,409	464,675
	<u>\$ 34,590,068</u>	<u>\$ 42,584,432</u>

**Cystic Fibrosis Foundation**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

**10. Leases**

The Foundation is obligated under various operating leases for office space as of December 31, 2022 with lease terms expiring at various dates during the next 7 years. Other information related to the Foundation's operating leases as of December 31, 2022 was as follows:

Supplemental cash flow information:

Cash used in operations for operating leases	\$6,142,287
ROU assets obtained in exchange for lease liabilities	\$8,803,982
Weighted average remaining lease term	3.4 years
Weighted average discount rate	0.8%

Maturities of lease liabilities and the approximate future minimum lease payments under noncancellable operating leases as of December 31, 2022 were as follows:

2023	\$ 6,233,637
2024	5,737,359
2025	5,129,911
2026	4,773,042
2027	4,591,685
Thereafter	<u>4,830,006</u>
Total minimum lease payments	31,295,640
Less imputed interest	<u>(683,420)</u>
Present value of future minimum lease payments	<u>\$ 30,612,220</u>

Operating lease expense recognized on a straight-line basis for the year ended December 31, 2022 was \$6,497,035. Total occupancy costs including real estate taxes, common area maintenance and utilities for the years ended December 31, 2022 and 2021 were approximately \$7,346,000 and \$6,604,000, respectively.

The Foundation has entered into lease agreements with tenants to occupy its former headquarters and certain chapter office spaces. As of December 31, 2022, the approximate future minimum sublease rental payments to be received for each calendar year, subject to escalation, are as follows:

2023	\$ 398,000
2024	211,000
2025	119,000
2026	<u>82,000</u>
Total minimum sublease payments	<u>\$ 810,000</u>

**Cystic Fibrosis Foundation**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

**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 \$6,477,00 and \$5,778,000 respectively, for the years ended December 31, 2022 and 2021.

**12. Line of credit**

The Foundation has a line of credit note agreement (the Note) with a financial institution for \$75,000,000. The Note bears interest at the Variable SOFR Rate (as defined in the Note) plus the Applicable Variable Rate Margin of 0.65%. The note expires on December 15, 2023 and can be terminated at any time by the Foundation. As of December 31, 2021 the Foundation had a line of credit note agreement (the Note) with a financial institution for \$100,000,000 that expired on June 30, 2022. There were no borrowings against the line of credit at and during the years ended December 31, 2022 and 2021.

**13. Subsequent events**

The Foundation has performed an evaluation of subsequent events through May 18, 2023, which is the date the financial statements were available to be issued, noting no events which affect the financial statements or require additional disclosure.