

# **Cystic Fibrosis Foundation**

**Financial Statements**

**For the Years Ended December 31, 2019 and 2018**



KPMG LLP  
Suite 900  
8350 Broad Street  
McLean, VA 22102

## Independent Auditors' Report

The Board of Trustees  
Cystic Fibrosis Foundation:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Cystic Fibrosis Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cystic Fibrosis Foundation as of December 31, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matter*

As discussed in Note 2 to the financial statements, in 2019, the Company adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, and ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

KPMG LLP

Mclean, Virginia  
May 4, 2020

**Cystic Fibrosis Foundation**  
**Statements of Financial Position**  
**As of December 31, 2019 and 2018**

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	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 69,364,201	\$ 82,921,497
Investments	4,331,314,555	3,869,931,266
Due from investment manager	29,206,032	33,757,653
Receivables, net	29,154,940	12,264,592
Other assets	6,356,702	3,515,006
Fixed assets, net	11,114,652	11,545,942
Total assets	<u>\$ 4,476,511,082</u>	<u>\$ 4,013,935,956</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and other liabilities	\$ 42,933,110	\$ 41,689,767
Awards payable	196,869,140	196,882,717
Total liabilities	<u>239,802,250</u>	<u>238,572,484</u>
<b>Net Assets</b>		
Without donor restrictions	4,226,469,269	3,764,331,282
With donor restrictions	10,239,563	11,032,190
Total net assets	<u>4,236,708,832</u>	<u>3,775,363,472</u>
Total liabilities and net assets	<u>\$ 4,476,511,082</u>	<u>\$ 4,013,935,956</u>

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

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

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

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

**Cystic Fibrosis Foundation**  
**Statement of Activities**  
**For the year ended December 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue</b>			
Support received from the public			
Special event revenue	\$ 92,018,595	\$ 3,724,961	\$ 95,743,556
Direct benefit expenses	(14,813,644)	-	(14,813,644)
Net special event revenue	77,204,951	3,724,961	80,929,912
General contributions	22,847,510	4,370,224	27,217,734
Total support received from the public	100,052,461	8,095,185	108,147,646
Other	26,219,612	1,237,083	27,456,695
Net assets released from restriction	10,577,342	(10,577,342)	-
Total revenue	136,849,415	(1,245,074)	135,604,341
<b>Expenses</b>			
Program services			
Medical programs	237,133,914	-	237,133,914
Public and professional information and education	15,998,432	-	15,998,432
Community services	20,043,322	-	20,043,322
Total program services	273,175,668	-	273,175,668
Supporting services			
Management and general	22,963,205	-	22,963,205
Fundraising	26,896,581	-	26,896,581
Total supporting services	49,859,786	-	49,859,786
Total expenses	323,035,454	-	323,035,454
Decrease in net assets from operations	(186,186,039)	(1,245,074)	(187,431,113)
<b>Other changes in net assets</b>			
Net nonoperating investment loss	(230,913,746)	(477,734)	(231,391,480)
Decrease in net assets	(417,099,785)	(1,722,808)	(418,822,593)
Net assets, beginning of year	4,181,431,067	12,754,998	4,194,186,065
Net assets, end of year	\$ 3,764,331,282	\$ 11,032,190	\$ 3,775,363,472

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

**Cystic Fibrosis Foundation**  
**Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**

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	2019	2018
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 461,345,360	\$ (418,822,593)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized and unrealized (gains) losses on investments	(572,991,280)	265,429,168
Increase (decrease) in discount on pledges and other receivable	1,136,091	(57,159)
Equity securities received for royalties	(1,000,000)	-
Depreciation	4,034,527	3,460,046
(Gain) loss on disposal of fixed assets	(1,495)	491
Provision for losses on accounts receivable	(47)	91,574
Increase in receivables	(18,026,392)	(161,605)
(Increase) decrease in other assets	(2,841,696)	1,888,255
Increase in accounts payable and accrued expenses	1,243,343	5,267,718
(Decrease) increase in awards payable	(13,577)	20,062,724
Net cash used in operating activities	<u>(127,115,166)</u>	<u>(122,841,381)</u>
<b>Cash flows from investing activities</b>		
Purchases of fixed assets	(3,601,742)	(3,046,565)
Maturities/sales of investments	4,304,985,564	1,458,001,534
Purchases of investments	(4,192,377,573)	(1,297,014,599)
Decrease (increase) in due from investment manager	4,551,621	(33,757,653)
Net cash provided by investing activities	<u>113,557,870</u>	<u>124,182,717</u>
Net (decrease) increase in cash and cash equivalents	(13,557,296)	1,341,336
Cash and cash equivalents, beginning of year	<u>82,921,497</u>	<u>81,580,161</u>
Cash and cash equivalents, end of year	<u>\$ 69,364,201</u>	<u>\$ 82,921,497</u>
<b>Supplemental disclosure for noncash activity:</b>		
Equity securities received for royalties	\$ 1,000,000	\$ -

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

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

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

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



**Cystic Fibrosis Foundation**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2018**

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	\$ 101,387,941	\$ -	\$ -	\$ -	\$ -	\$ 101,387,941
Research grants	22,385,708	-	-	-	-	22,385,708
Clinical research grants	23,799,228	-	-	-	-	23,799,228
Center and adult care grants	32,373,488	-	-	-	-	32,373,488
Clinical and research fellowship grants	5,579,660	-	-	-	-	5,579,660
Quality improvement training program	4,407,136	-	-	-	-	4,407,136
Patient assistance and other program grants	-	-	2,855,977	-	-	2,855,977
Salaries	21,516,209	8,106,233	8,621,952	13,379,937	15,251,496	66,875,827
Employee benefits and payroll taxes	6,109,901	2,457,522	2,478,097	3,799,671	4,031,316	18,876,507
Publications and printing	247,479	428,524	188,561	193,095	879,217	1,936,876
Occupancy and insurance	2,841,516	645,449	762,484	1,238,972	1,493,080	6,981,501
Postage and shipping	113,834	259,726	129,082	161,815	891,087	1,555,544
Travel and conferences	5,761,774	592,117	795,103	678,352	1,354,899	9,182,245
Data processing	3,139,300	2,239,087	1,245,688	1,174,904	1,637,310	9,436,289
Lab and other supplies	1,732,529	135,269	183,154	257,468	421,658	2,730,078
Fees for legal hotline and other community services	-	-	1,698,625	-	-	1,698,625
Professional fees and medical honoraria	3,369,655	573,391	516,254	1,057,057	227,397	5,743,754
Depreciation	1,835,963	404,248	405,168	343,391	443,442	3,432,212
Other	532,593	156,866	163,177	678,543	265,679	1,796,858
Total functional expenses before costs of direct benefits to donors	237,133,914	15,998,432	20,043,322	22,963,205	26,896,581	323,035,454
Costs of direct benefits to donors	-	-	-	-	-	14,813,644
Total functional expenses after costs of direct benefits to donors	\$ 237,133,914	\$ 15,998,432	\$ 20,043,322	\$ 22,963,205	\$ 26,896,581	\$ 337,849,098

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

# **Cystic Fibrosis Foundation**

## **Notes to Financial Statements**

### **December 31, 2019 and 2018**

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#### **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. The expenses reported in the statement of activities are classified by function.

##### **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 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, 2019 and 2018**

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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.

#### **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 recorded as exchange transactions, when the contract expense has been incurred.

#### **Cash and cash equivalents**

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

#### **Investments**

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

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

#### **Fixed assets**

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

#### **Functional allocation of expenses**

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

The Foundation conducted direct mail activities in the years ended December 31, 2019 and 2018 that included requests for contributions as well as program components. The costs of conducting those activities included a total of approximately \$1,717,000 and \$2,066,000 of joint costs during the years

**Cystic Fibrosis Foundation**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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ended December 31, 2019 and 2018, respectively. Of those costs, \$1,289,000 and \$1,561,000 was allocated to fundraising expense and \$427,000 and \$505,000 was allocated to public and professional information and education program services respectively, for the years ended December 31, 2019 and 2018.

**Net assets**

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

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

*With donor restrictions* – Net assets with donor restrictions generally result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Included in this category are net assets subject to donor-imposed restrictions to be maintained permanently and consist of the beneficial interest in six donor-restricted funds that must be maintained in perpetuity. Net assets associated with perpetual trusts are classified and reported based on the existence or absence of donor-imposed 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, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Time restricted	\$ 1,497,475	\$ 1,769,773
Medical research and other purposes	4,685,071	5,756,719
Perpetual trusts	4,057,017	3,505,698
	<u>\$ 10,239,563</u>	<u>\$ 11,032,190</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, 2019 and 2018. 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

# **Cystic Fibrosis Foundation**

## **Notes to Financial Statements**

### **December 31, 2019 and 2018**

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are no material uncertain tax positions that require recognition or disclosure in the financial statements.

#### **Recently adopted accounting pronouncements**

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The objective of ASU No. 2014-09, as amended, is to establish a single comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers, superseding most existing revenue recognition guidance. The new guidance requires an entity to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. The Foundation has adopted this ASU for the year ended December 31, 2019 with retrospective application to the 2018 financial statements. The adoption of ASU 2014-09 did not have a material impact on the financial statements.

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

### **3. Fair value measurements**

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

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

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

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

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

**Cystic Fibrosis Foundation**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

<b>Description</b>	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>NAV<sup>1</sup></b>
Cash equivalents (operating)	\$ 41,397,526	\$ -	\$ 41,397,526	\$ -	\$ -
Investments					
Money market mutual funds and other cash equivalents	171,173,551	-	171,173,551	-	-
Fixed income	946,948,513	-	946,710,913	237,600	-
Global public equity	2,202,318,762	2,201,615,964	-	702,798	-
Investments measured at NAV	999,803,643	-	-	-	999,803,643
Perpetual trusts	4,057,017	-	-	4,057,017	-
Other	7,013,069	4,568,088	-	2,444,981	-
Total investments	4,331,314,555	2,206,184,052	1,117,884,464	7,442,396	999,803,643
	<u>\$ 4,372,712,081</u>	<u>\$ 2,206,184,052</u>	<u>\$ 1,159,281,990</u>	<u>\$ 7,442,396</u>	<u>\$ 999,803,643</u>
<b>Description</b>	<b>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>NAV<sup>1</sup></b>
Cash equivalents (operating)	\$ 50,664,776	\$ -	\$ 50,664,776	\$ -	\$ -
Investments					
Money market mutual funds and other cash equivalents	215,270,355	-	215,270,355	-	-
Fixed income	699,010,363	438,526,786	260,243,577	240,000	-
Global public equity	1,523,848,610	1,522,521,498	-	1,327,112	-
Investments measured at NAV	1,424,394,921	-	-	-	1,424,394,921
Perpetual trusts	3,505,698	-	-	3,505,698	-
Other	3,901,319	3,901,319	-	-	-
Total investments	3,869,931,266	1,964,949,603	475,513,932	5,072,810	1,424,394,921
	<u>\$ 3,920,596,042</u>	<u>\$ 1,964,949,603</u>	<u>\$ 526,178,708</u>	<u>\$ 5,072,810</u>	<u>\$ 1,424,394,921</u>

<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, 2019 and 2018:

<b>Description</b>	<b>Fair value</b>		<b>2019 unfunded</b>	<b>Redemption frequency</b>
	<b>2019</b>	<b>2018</b>	<b>commitments</b>	
Global public equity (a)	\$ 422,998,835	\$ 889,529,321	\$ 142,900,000	Quarterly to illiquid
Absolute return (b)	242,052,193	292,433,142	-	Monthly to semi-annual
Private equity and other illiquid funds (c)	334,752,615	242,432,458	500,469,871	Illiquid
	<u>\$ 999,803,643</u>	<u>\$ 1,424,394,921</u>	<u>\$ 643,369,871</u>	

- (a) Global Public Equity is comprised of investments in funds and strategies invested in publicly listed equity securities in the global developed and emerging markets. These funds may also invest in credit securities that provide the potential for equity-like returns. One fund totalling \$61,397,407 is not redeemable and has an initial life of five years with a possible one year extension. The remaining funds are subject to lock-ups expiring in six months to three years.
- (b) Absolute Return consist of investments in broad array of securities and strategies aimed to reduce volatility and enhance returns. Their main value is that they are uncorrelated to the other asset classes, therefore providing good diversification and improving the risk-adjusted return of the portfolio. The Foundation's absolute return investments are in long/short equity, market neutral, and quantitative equity. Long/short equity funds invest in long equity positions that are expected

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to increase in value and short equity positions in stocks that are expected to decrease in value. Market neutral funds often take matching positions in different stocks to increase the return from making good stock selections and decreasing the return from broad market movements. Quantitative equity funds use different models and algorithms that exploit the unique value of alternative data. Approximately \$162,000,000 of the funds are subject to lock-ups expiring in one month to two years.

- (c) Private equity and other illiquid funds consist of limited partnerships that are organized to invest primarily in shares of operating companies that are not listed on a publicly traded stock exchange. The Foundation invests in private equity and venture capital. Private equity strategies include investments in leveraged buyouts, growth capital, energy and natural resources, and distressed investments. Venture capital strategies include investments in start-ups and small business with perceived long-term growth potential. These investments cannot be redeemed. Instead, distributions to limited partners are made as soon as feasible and, in accordance with the limited partnership agreement, when realizations (sales of portfolio companies) are made, or when interest, dividends, or recapitalizations are received. The initial terms for these funds range from seven to fifteen years subject to extension provisions of one-year periods for up to three additional years.

The table below presents reconciliation information for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2019 and 2018.

	<b>Perpetual trusts</b>	<b>Global public equity</b>	<b>Fixed income securities</b>	<b>Other equity securities</b>	<b>2019</b>
Balance, beginning of year	\$ 3,505,698	\$ 1,327,112	\$ 240,000	\$ -	\$ 5,072,810
Net realized and unrealized gains (losses)	635,855	424,738	(2,400)	1,444,981	2,503,174
Purchases/additions	132,529	482,773	-	1,000,000	1,615,302
Sales/distributions	(217,065)	(36,264)	-	-	(253,329)
Transfers into Level 1 from Level 3	-	(1,495,561)	-	-	(1,495,561)
Balance, end of year	\$ 4,057,017	\$ 702,798	\$ 237,600	\$ 2,444,981	\$ 7,442,396

	<b>Perpetual trusts</b>	<b>Global public equity</b>	<b>Fixed income securities</b>	<b>2018</b>
Balance, beginning of year	\$ 4,097,234	\$ 749,737	\$ 237,600	\$ 5,084,571
Net realized and unrealized (losses) gains	(346,176)	(161,028)	2,400	(504,804)
Purchases/additions	148,460	98,779	-	247,239
Sales/distributions	(393,820)	(359,155)	-	(752,975)
Transfers into Level 3 from Level 1	-	998,779	-	998,779
Balance, end of year	\$ 3,505,698	\$ 1,327,112	\$ 240,000	\$ 5,072,810

The amount of net unrealized gains relating to Level 3 assets still held at December 31, 2019 and 2018 is approximately \$732,724 and \$197,166, respectively. Unrealized and realized gains and losses of Level 3 investments are classified as nonoperating investment income on the statements of activities.

Operating cash equivalents and investments amounted to \$48,410,595 and \$54,566,094 as of December 31, 2019 and 2018, respectively. Nonoperating cash equivalents and investments amounted to \$4,324,301,486 and \$3,866,029,948 as of December 31, 2019 and 2018, respectively. The investment income during the years ended December 31, 2019 and 2018 is reflected on the statements

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of activities as follows:

	<b>2019</b>	<b>2018</b>
Investment income - operating (included in other)	\$ 1,009,092	\$ 958,276
Net nonoperating investment income (loss)	<u>636,250,409</u>	<u>(231,391,480)</u>
	<u>\$ 637,259,501</u>	<u>\$ (230,433,204)</u>

**4. Liquidity and availability of resources**

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

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 69,364,201	\$ 82,921,497
Investments	4,331,314,555	3,869,931,266
Due from investment manager	29,206,032	33,757,653
Receivables, net	<u>29,154,940</u>	<u>12,264,592</u>
Total financial assets, end of year	<u>\$ 4,459,039,728</u>	<u>\$ 3,998,875,008</u>
Less those unavailable for general expenditure within one year, due to:		
Time restricted pledges due in greater than one year	(2,734,327)	(4,001,483)
Royalty receivable due in greater than one year	(11,189,846)	-
Donor restrictions held in perpetuity	(4,057,017)	(3,505,698)
Investments subject to lock-ups greater than one year	(385,936,549)	(197,838,417)
Private equity and other illiquid funds	(396,150,022)	(242,432,458)
Unfunded capital commitments	(643,369,871)	(480,385,848)
Funds held for retirement plan assets	<u>(5,568,088)</u>	<u>(3,901,318)</u>
Total financial assets unavailable for general expenditures within one year	<u>\$ (1,449,005,720)</u>	<u>\$ (932,065,222)</u>
Total financial assets available within one year	<u>\$ 3,010,034,008</u>	<u>\$ 3,066,809,786</u>

\*Excludes unfunded capital commitments of \$643,369,871 and \$480,385,848 as of December 31, 2019 and 2018, respectively.

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.



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**5. Receivables**

Receivables consist of the following at December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Special events and other contributions	\$ 874,845	\$ 1,640,714
Pledges receivable	6,760,305	8,236,053
Accrued interest on investments	8,215,478	2,242,690
Royalties receivable	14,839,356	621,559
Other receivable	<u>1,069,395</u>	<u>1,366,062</u>
	31,759,379	14,107,078
Discount on pledges and other receivable (at rates ranging from 1%-4%)	(2,314,755)	(1,178,664)
Allowance for doubtful accounts	<u>(289,684)</u>	<u>(663,822)</u>
	<u>\$ 29,154,940</u>	<u>\$ 12,264,592</u>

The pledges receivable as of December 31, 2019 and 2018 are payable in the following periods:

	<b>2019</b>	<b>2018</b>
Within one year	\$ 3,116,613	\$ 3,227,528
One to five years	2,083,459	3,418,292
After five years	<u>1,560,233</u>	<u>1,590,233</u>
	<u>\$ 6,760,305</u>	<u>\$ 8,236,053</u>

As of December 31, 2019 and 2018, pledges receivable amounting to approximately \$912,000 and \$1,839,000 respectively, were due from members of the Board of Trustees or related organizations.

**6. Fixed assets**

Fixed assets at December 31, 2019 and 2018 consisted of the following:

	<b>2019</b>	<b>2018</b>
Equipment and software	\$ 18,901,353	\$ 17,067,478
Furniture and fixtures	1,548,172	1,130,308
Leasehold improvements	<u>6,653,212</u>	<u>5,791,808</u>
	27,102,737	23,989,594
Accumulated depreciation	<u>(15,988,085)</u>	<u>(12,443,652)</u>
	<u>\$ 11,114,652</u>	<u>\$ 11,545,942</u>

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**7. Awards payable and commitments**

Changes in awards payable during the years ended December 31, 2019 and 2018 are summarized as follows:

	<b>2019</b>	<b>2018</b>
Awards payable, beginning of year	\$ 196,882,717	\$ 176,819,993
Awards expensed	191,568,023	189,357,581
Awards disbursed	<u>(191,581,600)</u>	<u>(169,294,857)</u>
Awards payable, end of year	<u>\$ 196,869,140</u>	<u>\$ 196,882,717</u>

As of December 31, 2019, the Foundation has additional medical scientific grant commitments of approximately \$104,175,000 which extend through 2023. 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 \$145,746,000. These costs will be expensed when the services are provided.

**8. Accounts payable and other liabilities**

Accounts payable at December 31, 2019 and 2018 consist of the following:

	<b>2019</b>	<b>2018</b>
Accounts payable and accrued expenses	\$ 34,676,577	\$ 32,513,361
Former office lease liability	2,257,146	3,017,750
Refundable advances for special events	3,391,684	3,509,601
Deferred licensing and other revenue	1,473,517	1,612,812
Other liabilities	<u>1,134,186</u>	<u>1,036,243</u>
	<u>\$ 42,933,110</u>	<u>\$ 41,689,767</u>

**9. Lease commitments**

The Foundation is obligated under various operating leases for office space as of December 31, 2019. The approximate future minimum commitments for each calendar year, subject to escalation, are as follows:

2020	\$ 6,394,000
2021	7,427,000
2022	7,096,000
2023	4,957,000
2024	4,066,000
Thereafter	<u>14,798,000</u>
Total minimum payments required	<u>\$ 44,738,000</u>

# **Cystic Fibrosis Foundation**

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The Foundation has entered into lease agreements with tenants to occupy its former headquarters space. As of December 31, 2019 the approximate future minimum sublease rental payments to be received for each calendar year, subject to escalation, are as follows:

2020	\$ 831,000
2021	1,051,000
2022	1,088,000
2023	<u>370,000</u>
Total minimum sublease payments	<u>\$ 3,340,000</u>

Rental costs for the years ended December 31, 2019 and 2018 were approximately \$6,738,000 and \$6,164,000, respectively.

#### **10. Retirement plan**

Under the provisions of the Foundation's 401(k) retirement plan, employees who defer wages are eligible for an employer match, which vests immediately. In addition, eligible employees may receive a non-matching employer contribution at the discretion of the Foundation that vests after employees complete three years of service, as defined in the plan. The Foundation made contributions amounting to approximately \$5,401,000 and \$5,003,000 respectively, for the years ended December 31, 2019 and 2018.

#### **11. Subsequent events**

The Foundation has performed an evaluation of subsequent events through May 4, 2020, which is the date the financial statements were available to be issued. As a result of the spread of COVID-19, the Foundation has postponed, cancelled or made virtual all fundraising events from March 16, 2020 to June 30, 2020. The Foundation's revenue will be impacted but the extent of the financial impact is uncertain. The Foundation is negotiating a line of credit with a \$100,000,000 limit that would be available to cover working capital needs.