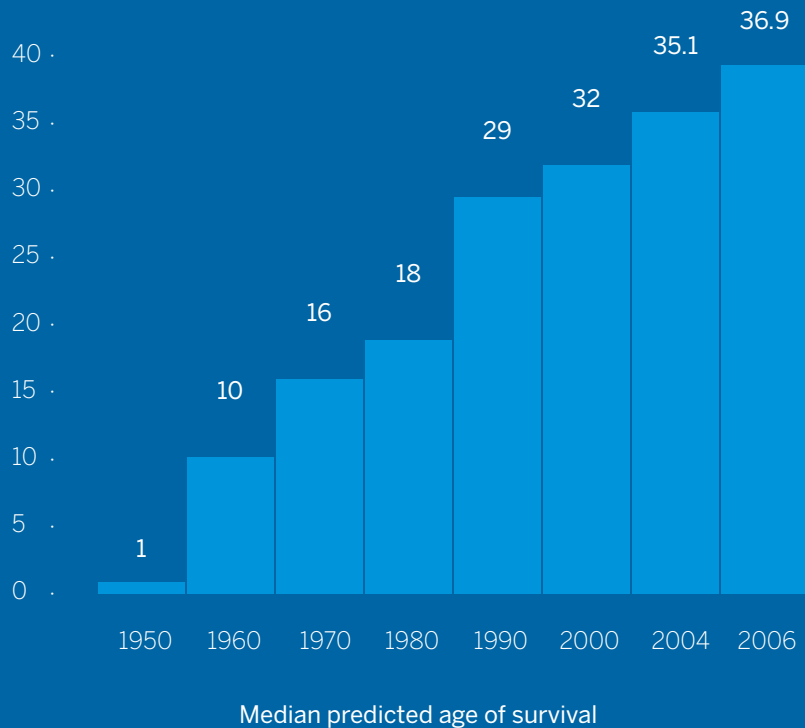




a Passion
for Progress

our Mission is our Passion

The Cystic Fibrosis Foundation is dedicated to ensuring the development of the means to cure and control cystic fibrosis and to improve the quality of life for those with the disease. Every day countless volunteers, donors, researchers, caregivers, families and friends contribute their time, energy and passion to reach this shared goal. These combined efforts have resulted in unprecedented progress with more potential therapies now in the pipeline than ever before.



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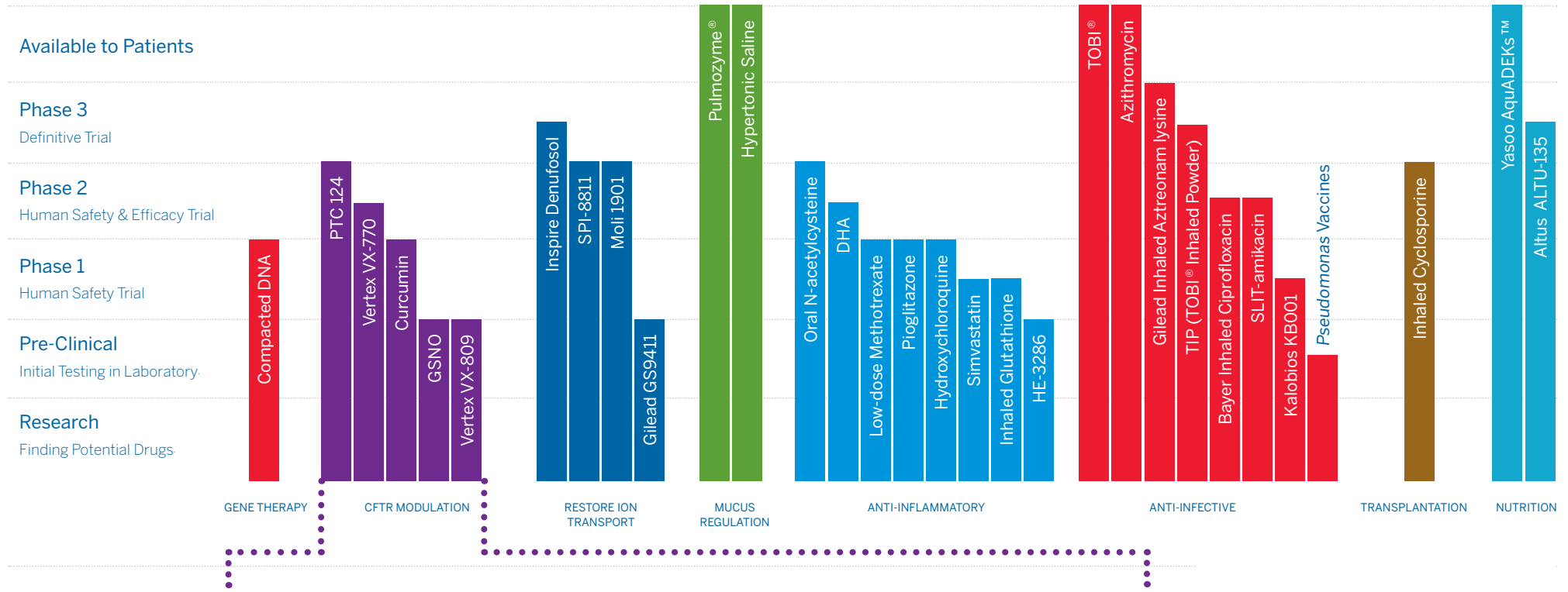
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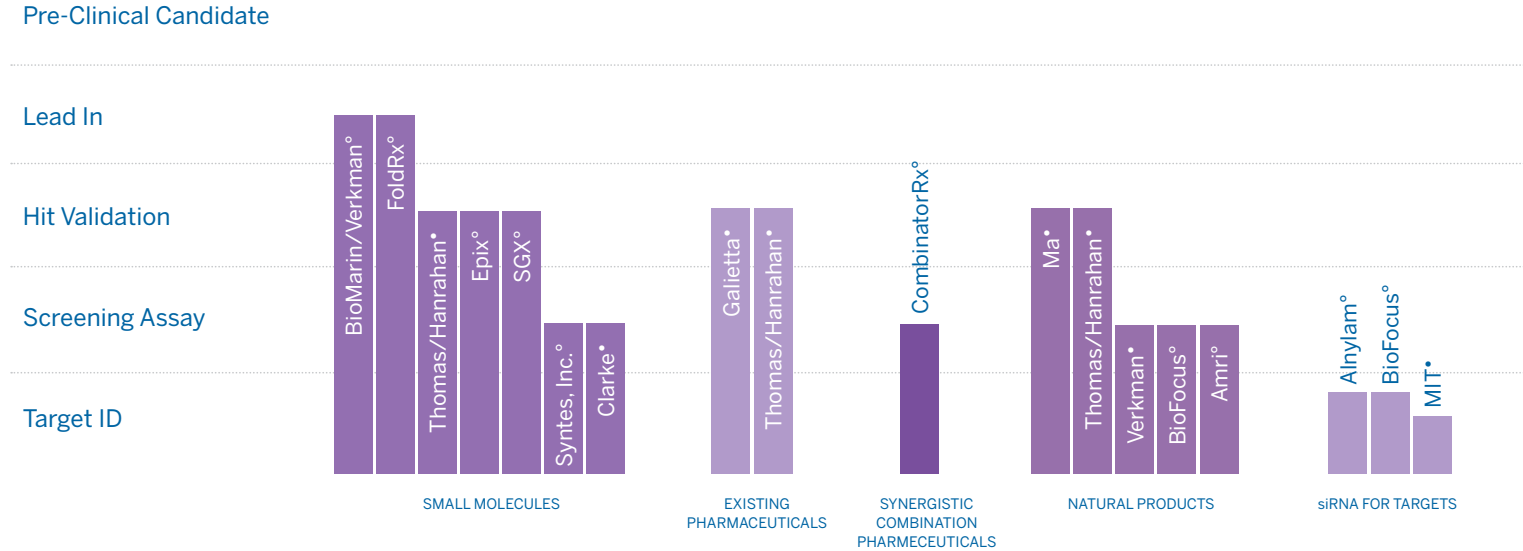
Cystic Fibrosis Foundation Therapeutics Pipeline

AS OF DECEMBER 31, 2007



CFTR Modulator Drug Discovery Pipeline

AS OF DECEMBER 31, 2007



KEY

CFTR: Cystic Fibrosis Transmembrane Conductance Regulator

- * Academia
- ° Industry

CYSTIC FIBROSIS FOUNDATION THERAPEUTICS PIPELINE

Companies in this pipeline are working to develop therapies that address the basic defect in CF, as well as treat the symptoms of the disease.

Gene Therapy — Because a faulty gene causes cystic fibrosis, adding normal copies of the gene to cells could correct these cells and ultimately cure the disease. This approach is exploring ways to introduce normal copies of the gene into CF airways.

CFTR Modulation — These therapies are designed to correct the function of the defective CFTR protein made by the CF gene, allowing chloride and sodium (salt) to move properly in and out of cells lining the lungs and other organs.

Restore Ion Transport — In CF, changes in salt transport within cells dehydrate mucus, causing it to become thick and sticky. This approach targets proteins other than CFTR to improve the movement of salt in and out of cells, allowing mucus to be more hydrated and, therefore, cleared more easily.

Mucus Regulation — These studies are evaluating drugs for their effectiveness in preventing, thinning and clearing thick mucus from the airways of CF patients.

Anti-Inflammatory — The drugs in this category are being studied for their ability to reduce inflammation in CF lungs, which should help decrease chronic damage to lung tissue.

Anti-Infective — The compounds in this category are being evaluated for their effectiveness in fighting acute and chronic lung infections by destroying infection-causing bacteria that enter into the airways and colonize.

Transplantation — One potential drug is being evaluated for its ability to reduce the chance of organ rejection, which is common after transplantation.

Nutrition — Specially formulated supplements in this category include vitamins, as well as enzymes that increase both fat and vitamin absorption, allowing better nutrition for people with CF, who can become malnourished as a result of thick mucus clogging the pancreas.

CFTR MODULATOR DRUG DISCOVERY PIPELINE

All of the projects in this pipeline aim to improve movement of and/or restore function to the defective CFTR protein. Promising candidates will feed into the CFTR Modulation section of the Therapeutics Pipeline.

Small Molecules — Companies in this category are trying to identify small molecules that may bind directly to CFTR or interact with other proteins that are critical to achieving the proper placement and function of CFTR in the airway cell.

Existing Pharmaceuticals — Organizations in this category are looking at treatments that already exist for other conditions, to see if they may be effective in treating CF.

Synergistic Combination Pharmaceuticals — One company is looking at combining existing FDA-approved drugs to create new therapies that may treat CF.

Natural Products — Hoping to capitalize on the inherent diversity in the natural environment, organizations are using this approach to look for extracts from nature, including plants and bacteria, that have the potential to restore function to the defective CFTR protein.

siRNA for Targets — Companies in this group are investigating ways to use siRNAs – small interfering RNA – to decrease the activity of proteins that may negatively influence function of the CFTR protein.

“Thanks to the research and hard work of the Cystic Fibrosis Foundation, I am an adult with CF with dreams and plans for the future that I never thought I’d have.”

Emily Haager

Volunteer, Southern California Chapter — Anaheim Office





“With great optimism for the future, we continue to expand our efforts to build new collaborations with biotech and pharmaceutical companies and to bring promising research to the table.”

Dear Friends,

Our steadfast efforts to cure and control cystic fibrosis yielded significant results in 2007. Thanks to the contributions and hard work of countless volunteers, donors and scientists, the Cystic Fibrosis Foundation expanded the number of potential therapies in its drug discovery and development pipeline to more than 30. Our odds of producing successful therapies and a cure for CF continue to grow with each added therapy.

This year we achieved an amazing and unprecedented milestone. As we went to press for this annual report, we announced historic results from an ongoing Phase 2 clinical trial of VX-770, a new treatment that addresses the basic defect in CF. The interim data for the first part of the Phase 2 trial show that VX-770 improved lung function, nasal potential difference and sweat chloride levels in CF patients with the G551D mutation. This is one of the most important announcements in the history of the Foundation and gives us increased confidence that we can treat the basic defect and are on the right path to cure this disease. Part two of the trial is expected to begin in the second quarter of 2008 and additional studies will evaluate the longer-term safety and efficacy of the drug. The first compound of its kind, VX-770 is the result of a collaboration that began in 1998 with Vertex Pharmaceuticals, Inc. and is the largest in the Foundation's history.

The Foundation's collaborations with Parion Sciences, PTC Therapeutics, Inspire Pharmaceuticals, Gilead Sciences and Altus Pharmaceuticals all took significant steps forward in 2007, each developing compounds that could become important in treating CF. These are just some of the exciting advancements in our robust therapeutics program.

Another important effort this year is the newly launched Clinical Trials Initiative, which aims to recruit more clinical trials participants. We expect the number of clinical trials participants needed to study new compounds to double by 2009. To ensure that sites are adequately staffed and trained, the Foundation provided funding and training to 61 care centers to perform clinical trials, and produced a variety of educational materials for patients and families about clinical trials and how to participate.

Offering significant support to our mission, volunteers came out in record numbers to join GREAT STRIDES in its 19th year and participate in the Foundation's signature galas, golf tournaments and numerous other special events around the nation. Overall these events were tremendously successful, raising essential funds that will support the Foundation and its drug discovery and development programs.

Milestones to a Cure, the largest major giving campaign in the Foundation's history, had its best year in 2007, reporting \$32 million in commitments. The *Milestones* campaign continued to build strong support by expanding its efforts to new regions and reaching out to new contributors. The launch of the *Milestones Club* also helped to bring us closer to our goal, which we anticipate reaching well in advance of our 2010 target.

In 2007, the Foundation's investment in therapeutics research grew by 30 percent. With the support of our outstanding community, we continue to expand our efforts to build new collaborations with biotech and pharmaceutical companies and to bring promising research to the table. Every day, a passion for progress drives all that we do. We will not rest until we find a cure for cystic fibrosis.

Sincerely,

Robert J. Beall, Ph.D.
President and Chief Executive Officer
Cystic Fibrosis Foundation

THERAPEUTICS DISCOVERY AND DEVELOPMENT:

advancing new treatments/powering the quest for a cure

“The Foundation is achieving unprecedented progress in therapeutics development. Every day we move closer to finding therapies that address the basic defect of this disease.”

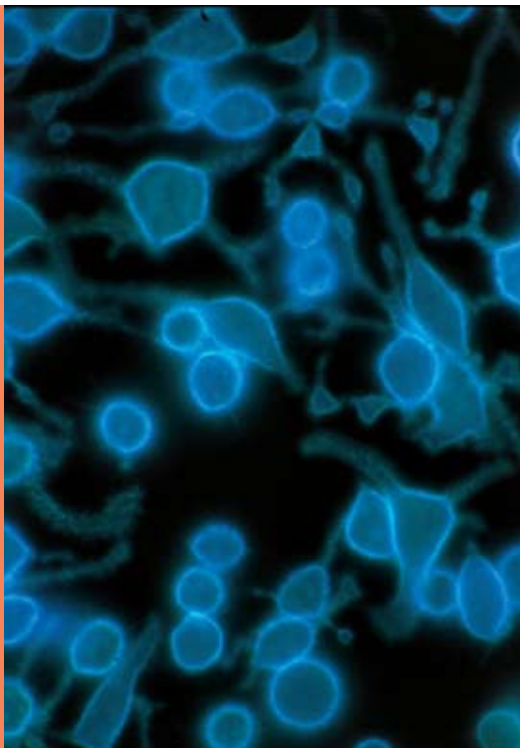
Frank Accurso, M.D.

CF Center Director, University of Colorado, The Children's Hospital

Since its establishment in 1955, the Cystic Fibrosis Foundation has been dedicated to controlling and curing cystic fibrosis. In its early years, the Foundation focused on establishing a CF care network to provide state-of-the-art, multidisciplinary care, advancing the basic understanding of CF and funding research that could lead to treatments for the disease. In 1989, a team of Foundation-supported researchers made a giant leap when they identified the gene responsible for CF. Soon afterward, the field of CF entered an era of “therapeutics,” resulting in the establishment of Cystic

Fibrosis Foundation Therapeutics, Inc. (CFFT), the nonprofit drug discovery and development affiliate of the Foundation. Investments by CFFT in state-of-the-art research have accelerated progress toward developing new treatments and finding a cure for CF. There are currently more than 30 compounds in the drug discovery and development pipeline. Any one of the products in the pipeline, or a combination of therapies, could have a profound and lasting impact on those living with the disease.





Vertex scientists used a fluorescent dye to study the activity of ion channels in living cells. The ring-like glow highlights the cell membranes where CFTR ion channels are located.

Although CF affects nearly 70,000 people worldwide, it represents a very small market to pharmaceutical companies. Recognizing this, the Foundation created the Therapeutics Development Program (TDP). Initiated in 1998, the TDP entices biopharmaceutical companies to apply their unique resources to CF drug discovery by providing CFFT funding and access to scientific and clinical expertise through the Foundation's Care Center Network. Although the TDP is helping to find new therapies for CF faster than ever, the challenge inherent to all drug discovery and development efforts remains. Typically, only one in five potential therapies entering clinical trials ever makes it to the marketplace. Addressing this reality, the Foundation strives to maintain a robust pipeline of potential therapies and makes every effort to advance the most promising compounds through the clinical trial process and bring them to the market — and the people who need them — as quickly as possible.

DRUG DISCOVERY

To increase the chances of finding successful treatments for this complex disease, the Foundation approaches the problem in several different ways. One of the most promising strategies focuses on correcting the basic defect in CF through “modulation” of the defective CF protein, Cystic Fibrosis Transmembrane conductance Regulator or CFTR, the key protein associated with CF, so that it works properly to move chloride out of the airway cell. Because repairing the defective CFTR could significantly improve the health of those with CF, the Foundation has invested in numerous cutting-edge projects that address the basic defect. More than 15 different projects are ongoing in industry and academia to discover compounds with the potential to improve CFTR function in hopes of advancing them through the therapeutics development pipeline in the coming years. The more options CFFT pursues, the greater likelihood of success for CF patients.

SMALL MOLECULES

In its effort to find ways to repair the malformed CFTR protein and restore its function, CFFT has turned to several industry collaborators, each with unique expertise in using small molecules in drug discovery. For example, with support from CFFT of up to \$18 million, researchers at EPIX Pharmaceuticals, Inc. used their proprietary PREDICT™ technology to create a computerized 3-D model of the entire CFTR protein. EPIX scientists are using the model to identify sites within the Delta F508 mutation of CFTR, the most common mutation in CF patients, which may be good targets for treatment and then search their libraries of chemical compounds for small molecules that may work on those sites. This year, EPIX scientists discovered a molecule that, in the lab, partially restores function to the Delta F508 CFTR protein in cells.

The Foundation expects similar success from its 2007 collaboration with FoldRx Pharmaceuticals, Inc., a Massachusetts-based biotechnology firm, which



“With many exciting advancements this year and so many more on the horizon, our passion for fulfilling our mission grows stronger with each milestone we achieve.”

Catherine C. McLoud
Chair, National Board of Trustees

will use its novel screening platform to detect new chemical compounds that could improve the function of misfolded proteins, like the Delta F508 mutation that causes CF. CFFT awarded the company up to \$22 million over five years to use its high-throughput screening platform to discover and develop new compounds to treat the disease.

COMBINING KNOWN DRUGS

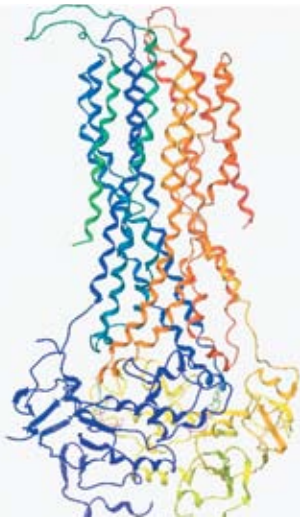
A faster path to treatments for CF patients aimed at the basic defect may lie in combining existing pharmaceuticals that have already been through the rigorous U.S. Food and Drug Administration safety trials and are being used to treat other diseases. CombinatoRx, Inc., a biopharmaceutical company in Cambridge, Mass., has developed a method of creating new therapies by combining such known drugs and studying their therapeutic outcomes for CF. Approximately 2,000 approved drugs will be screened individually and in combination to see if they correct the Delta F508 CFTR protein in the lab. CFFT’s support of CombinatoRx, worth up to \$13.8 million, offers the potential to move therapeutic candidates quickly into clinical trials after the drug combinations are shown to be safe and efficacious in pre-clinical studies.

NATURAL PRODUCTS

Using a diversified approach to screening for chemicals that may treat CF, CFFT is hoping to capitalize on the inherent chemical diversity in nature by exploring the potential of natural products – substances taken from plants and bacteria – that may restore function to defective CFTR. To do this, CFFT is collaborating with two different international companies, Albany Molecular Research, Inc. (AMRI) and BioFocus DPI, a service division of Galapagos NV. In an agreement worth up to \$23.7 million, AMRI will screen its natural products library, which contains approximately 285,000 plant and microorganism extracts, to find CFTR modulators. In addition, BioFocus, which also has expertise in natural product drug discovery and a large library of natural chemicals, will screen for novel compounds that show promise as CFTR modulators in a collaboration worth up to \$8.1 million.

SUPPORTING SCIENTISTS IN DRUG DISCOVERY

To expedite the drug discovery process, the Foundation provides researchers access to tools necessary to study promising new CFTR modulators. One such resource is available through a collaboration with ChanTest, a Cleveland, Ohio company specializing in third-party testing of new compounds for the pharmaceutical industry. CFFT contracted ChanTest to study potential



Researchers at EPIX developed a 3-D model of the full-length CFTR ion channel protein. Reduced levels of CFTR lead to thick, sticky mucus that causes chronic lung infections and impairs digestion in people with CF. EPIX will use their model to develop new drugs that could treat CF by addressing the basic defect.

compounds for their ability to improve defective CFTR function. ChanTest has already studied the CFTR modulator capability of numerous compounds from various CFFT-funded projects and continues to do so on new promising compounds.

A challenge to researchers trying to discover compounds that may treat CF is understanding the intricate biological pathways associated with the disease. In order to aid scientists in this understanding, CFFT created an alliance with GeneGo, Inc., a leader in systems biology technology. GeneGo developed a software suite, MetaMiner CF, to integrate laboratory data with known literature about CF. This tool will not only allow researchers to visualize complex information from multiple sources, but it will also help to better prioritize research initiatives. Along with better tools, the Foundation continues to expand the resources available in CF drug discovery. Several organizations – including ProMedDx, Inc., Metabolon, Inc., ExSAR Corporation, the National Disease Research Interchange and the Center for Biophysical Science and Engineering at the University of Alabama at Birmingham – are providing various tools to CF researchers in both industry and academia. The availability of these resources will save time and allow new research programs to begin their work more efficiently.

DRUG DEVELOPMENT

From a better understanding of CF to finding new treatments for the disease, the Foundation has been at the forefront of discovery. Nothing depicts the Foundation's progress better than the CFFT drug discovery and development pipeline, which has more prospective drugs in clinical trials now than at any time in the organization's history. Many of these potential therapies are designed to improve nutrition, reduce infection or inflammation or facilitate mucus clearance from the airways. In addition, there are more promising CFTR modulators, potentially treating the basic defect in CF, than ever before in clinical trials. A selection of the most recent advances in the therapeutics pipeline is highlighted below.

Vertex Pharmaceuticals, Inc. continues to advance VX-770, its first CFTR modulator clinical compound, through various stages of testing. Belonging to a category of drugs known as "potentiators," VX-770 results in more effective opening of the CFTR chloride channel when the protein has moved to the proper place in the cell. VX-770 entered Phase 2 clinical testing in 2007, enrolling 36 adult volunteers with CF at more than a dozen CFF-accredited care centers across the country to study safety of the candidate drug and measure how well it works as a CFTR modulator.

Vertex is simultaneously developing a second drug candidate from a category of compounds known as "correctors." Designated VX-809, this CFTR modulator appears to move the defective CFTR protein to its proper place in the cell, where it is then poised to move chloride out of the cell. Enrollment in Phase 1 clinical trials of VX-809 also began in 2007. VX-770 and VX-809 are the result of contracted research awards to Vertex totalling \$76 million, the largest collaboration in the Foundation's history.



Executive Vice President of Medical Affairs Preston W. Campbell, III, M.D., who leads the Foundation's efforts in therapeutics development and care, joins volunteers at the annual Volunteer Leadership Initiative conference in Virginia.

PTC Therapeutics, Inc. is also developing a CFTR modulator. Its drug candidate, PTC124, targets “nonsense mutations,” which are changes in the CF gene that prematurely stop the production of the full-length CFTR protein. PTC Therapeutics announced promising results from a Phase 2 clinical trial, which show the potential for PTC124 to restore CFTR function in CF patients.

While some projects focus on repairing CFTR's inability to move chloride in and out of the cell, Inspire Pharmaceuticals, Inc. is concentrating on a chloride channel by-pass strategy rather than modulating CFTR activity. In 2007, Inspire completed enrollment for a Phase 3 clinical trial of inhaled denufosal, which enhances the hydration and clearance of mucus from the lungs by helping chloride move across cell membranes. Results of previous clinical trials showed that individuals with CF who received the candidate drug had significantly better lung function than those who did not. The Phase 3 trial will compare the safety and effectiveness of denufosal in a larger group of 350 individuals with CF at nearly 100 Foundation-accredited care centers across the United States. Inspire has also begun enrollment for an international Phase 3 trial.

CF affects many organs of the body; however, chronic lung infections remain a primary problem for people with the disease. In 2007, Gilead Sciences, Inc. initiated a strategy for combating lung infections with an alternative to intravenous antibiotic therapy—aztreonam lysine for inhalation. Gilead submitted a New Drug Application to the FDA for marketing approval of this antibiotic. A Phase 3 trial demonstrated that volunteers with CF who received aerosolized aztreonam could do without additional inhaled or IV antibiotic treatments for significantly longer than those who did not. This new treatment will be a valuable addition to the arsenal against *Pseudomonas aeruginosa* bacteria, the leading cause of CF lung infections.

With Foundation help, Gilead also partnered with Parion Sciences, Inc. to develop Parion 680. Based on earlier research from a \$1.7 million CFFT award to Parion, this therapy may block sodium absorption in people with CF, hydrating the thick, sticky mucus in the lungs that is characteristic of the disease.

Because CF can cause thick secretions to build up in the pancreas and prevent proper digestion, people with CF are often unable to absorb the nutrients they



Photo courtesy of PTC Therapeutics, Inc.

The Foundation strives to maintain a robust pipeline of potential therapies and makes every effort to advance the most promising compounds through the clinical trial process and bring them to the market—and the people who need them—as quickly as possible.

need. Approximately 90 percent of individuals with CF are pancreatic insufficient, a condition that leads to malnutrition, which is treated by administering pancreatic enzymes with food that enhance digestion and improve growth and general nutritional health. This year, Altus Pharmaceuticals, Inc. brought its oral pancreatic enzyme replacement therapy ALTU-135 one step closer to the marketplace with the start of a Phase 3 clinical trial. In the Phase 2 study, ALTU-135 was well-tolerated and improved nutrient absorption. Altus plans to file for FDA approval following the successful conclusion of the Phase 3 trial, which will involve more than 300 patients at approximately 50 Foundation-accredited care centers across the United States.

Another boost to nutritional health came from Yasoo Health, Inc., whose supplement AquADEKs™, a multivitamin and mineral supplement, is specifically formulated for use in CF. In addition to aqueous versions of the fat-soluble vitamins A, D, E and K, the supplement contains a number of antioxidants that may help fight the inflammation that plagues the lungs of individuals with CF.

CLINICAL TRIALS AWARENESS AND RECRUITMENT INITIATIVE

The success of the Foundation's drug discovery program has led to more CF treatment options than ever before. However, bringing new drugs to people with CF requires patient participation in clinical trials to determine the safety and efficacy of potential new drugs. To expand the opportunity for CF patients to participate in clinical trials, the Foundation

implemented several tools to increase awareness of the need for participants and to provide more information to the CF community about CF drug trials. These include a pamphlet highlighting the importance of clinical trial participation, a clinical trial hotline (1-877-8CF-JOIN) that provides information about clinical trials and a "Find A Clinical Trial" search tool on the Foundation's Web site that allows people with CF to search for clinical trials to participate in. This year, the Foundation also awarded 15 Clinical Research Facilitation Awards (CREFAs) to qualified Foundation-accredited care centers to support and aid in their participation in clinical trials. These additional CREFAs bring the number of Foundation-accredited care centers participating in CF clinical trials to 75. As a result of these awards, the opportunity for people with CF to participate in CF clinical trials has greatly increased.



Michael P. Boyle,
Pulmonary & Critical

PATIENT CARE AND EDUCATION:
dedicated to quality

“The Foundation has revolutionized the standard of care for people with CF. Today, other disease organizations seek to emulate what we have achieved.”

Michael P. Boyle, M.D.

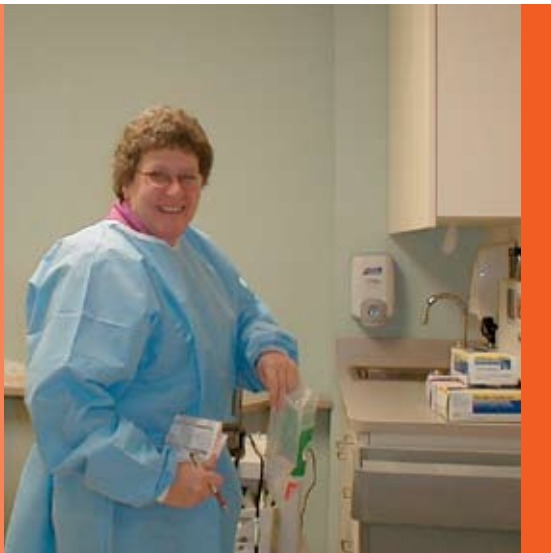
Director, Adult CF Program, The Johns Hopkins Hospital

The Foundation is recognized not only as a leader in the quest to find a cure for CF, but also in its undertaking to ensure everyone with CF receives the best possible treatment. The Foundation ensures a high quality of care by supporting and accrediting 115 CF care centers nationwide. This year, the Foundation

made national news when it published health outcomes data for the care centers in its Care Center Network, enabling the CF community to identify and adopt best treatment practices and improve overall patient care.



Four-year-old Arianna receives a pulmonary function test during a visit to the CF care center at The Children's Hospital in Denver, Co.



Michelle Chalifour, RN, helps coordinate care for patients at the CF care center at Dartmouth Hitchcock Medical Center in Lebanon, N.H.

QUALITY IMPROVEMENT INITIATIVE

For the past several years, the Foundation's Quality Improvement Initiative has provided CF care centers with the knowledge and tools to assess how they are functioning as care teams; determine how they might improve their center; implement necessary changes and measure the impact of their resulting outcomes on CF care. Some of these resources are highlighted below:

- The Foundation maintains Clinical Practice Guidelines, which it updates regularly. This year, guidelines on the use of chronic pulmonary therapies in people with CF and revised standards for sweat testing were published in well-respected journals.
- The Foundation received national attention in 2007 for publishing health outcomes data for the approximately 115 care centers in its Care Center Network. The published data provides a critical tool for physicians, researchers and people with CF and their families to identify and adopt the best treatment practices and improve overall CF care.

- The Foundation initiated the fifth Learning and Leadership Collaborative (LLC), a gathering of a group of care centers working to find ways to improve CF care. These collaboratives integrate people with CF and their families into the care center's quality improvement team as advisors, co-leaders and full partners in the center's efforts to improve care.
- The Foundation established a mentoring program for dietitians at various care centers, allowing apprentice dietitians to learn key aspects of CF-related nutrition with the goal of improving nutritional outcomes for people with CF across the country.
- CF care team members visited adult care centers with superior pulmonary and nutritional outcomes to identify best practices. These were shared with all care centers at the North American CF Conference to promote ways to increase the quality of care for adults with CF.
- The Foundation, in collaboration with the Institute for Family-Centered Care, is supporting activities at CF care centers to promote patient- and family-centered programs. Locally, care centers are inviting people with CF and their families to serve as members of quality improvement teams, act as center advisors, and share information via newsletters. In addition to these local programs, the Foundation supports educational forums on patient- and family-centered care by distributing presentations from national meetings, supporting discussion forums for care center advisors and posting Virtual CF Education Day Web casts on its Web site.

The Foundation ensures a high quality of care for all people with CF by supporting and accrediting 115 CF care centers across the nation.

PATIENT REGISTRY

Over 40 years ago, the Foundation created the Cystic Fibrosis Patient Registry to track the health of people with CF. This unique registry, which other disease organizations are now emulating, is a key tool used by the Foundation, researchers and healthcare providers. The Registry anonymously reports patient data, including state of residence, height, weight, gender, genotype, pulmonary function test results, pancreatic enzyme use, length of hospitalizations, home IVs and complications related to CF. This information allows caregivers and researchers to identify new health trends, recognize the most effective treatments and design clinical trials for potential therapies.

Each year, the Foundation publishes the *Patient Registry Annual Data Report*, which suggests emerging trends. This year, the data showed continued improvements in pulmonary and nutritional outcomes. By distributing the Patient Registry Report and providing care center data, the Foundation educates and fosters stronger partnerships among people with CF, their families and care center staff.



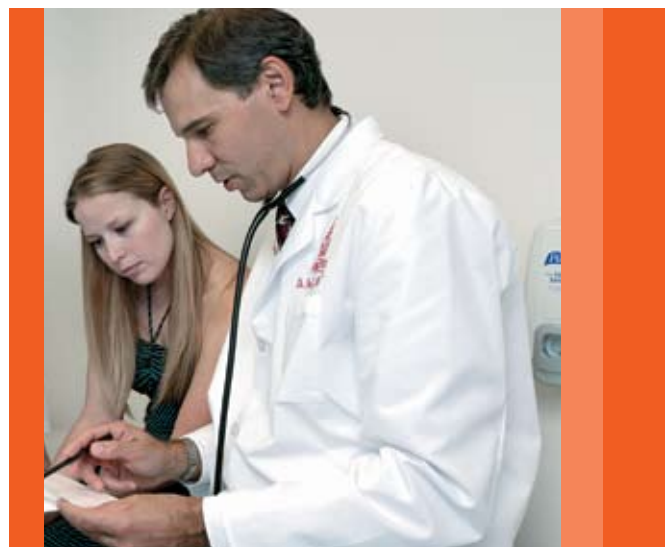
CF SERVICES PHARMACY

CF Services (CFS) Pharmacy, established in 1988 by the Foundation, serves the CF community by providing disease-specific drugs and an array of other medications. In addition, the CFS Pharmacy provides financial and product support to patients who may be unable to afford their medications, supports the CF community through sponsorships to Foundation care centers and chapters, and sponsors programs that advocate for people with CF.

In a record-breaking year, CFS Pharmacy provided access to CF medications to nearly 8,000 patients, including 2,000 new customers, and filled close to 130,000 prescriptions. The Pharmacy also assisted patients in obtaining the maximum reimbursement from their health insurance and drug plans. Expanding its insurance contract network, the Pharmacy added 15 state Medicaid agencies and 31 commercial insurance plans, providing services for a wider circle of people with CF.

In addition, CFS Pharmacy implemented several new services. A fulfillment center in Dothan, Ala., opened in February to better serve customers throughout the Southeast. CFS customers are now able to view statements and pay bills online through the Pharmacy's Web site, CFServicesPharmacy.com.

This year, the Pharmacy also launched a partnership with drugstore.com, which expands its current offerings to include a full range of over-the-counter products. This new store is accessed through the CFS Pharmacy Web site, and 10 percent of all purchases made at the site are donated to the Foundation.



Peter J. Mogayzel, Jr., M.D., Ph.D., CF center director at The Johns Hopkins Hospital, shares test results with Amber, a CF patient.

FUND-RAISING: fueling success

“We have the greatest cause in the world to work for, and we approach money-raising with as much vigor as we do our search for scientific answers.”

Don Wood

Member, National Board of Trustees

Chair, Metropolitan Washington, D.C. Chapter's *Breath of Life Gala*

Thanks to the tireless efforts of volunteers across the country, 2007 was a banner year for Foundation fund-raising. With the need to fuel CF research always at the top of the agenda, *Milestones to a Cure* Campaign Chair Joe O'Donnell continued to lead the major-giving effort and expand outreach nationwide. The Foundation's 80 chapter and branch offices organized dynamic new special events that together raised an unparalleled \$91.2 million net. Hundreds of thousands of individual and corporate team walkers took to the sidewalks and hiking trails, raising more than \$34

million for GREAT STRIDES, the Foundation's most successful national fund-raising program. In its second year, the *CureFinders*[®] coin collection campaign enabled young people across the country to raise money for a deserving cause and experience first-hand the value of being an essential part of a community of givers. The Foundation also piloted its Young Professional Leadership Committees program to recruit up-and-coming young business leaders who, in turn, will spearhead the creation of fund-raising events targeting other influential under-40 business leaders.



VOLUNTEER LEADERSHIP INITIATIVE

The Foundation relies on a constant influx of volunteers to help raise essential research dollars. Just as it strives to keep its drug pipeline stocked with potential new treatments, the Foundation is dedicated to keeping its “people pipeline” full, energized and moving forward. Central to this effort is the Volunteer Leadership Initiative (VLI), the Foundation’s primary volunteer recruitment program.

Led by forward-thinking National VLI Co-chairs Pam and Lou Mertz of Minnesota, more than 250 volunteers from across the nation convened in Falls Church, Va., in March to share ideas about how to identify, recruit and engage new volunteers in the search for a cure. Recognizing that today’s first-time volunteers will become tomorrow’s leaders, VLI members traded strategies for broadening participation in fund-raising events. In addition, VLI participants shared proven approaches for extending outreach and identifying previously untapped sources of new volunteers.



Baseball Hall of Famer and longtime Foundation volunteer and friend Mike Schmidt welcomes guests at the *Mike Schmidt Winner’s Circle Invitational* fishing tournament on Grand Bahama Island in May.

SPECIAL EVENTS

In 2007, the Foundation’s 80 chapters and branch offices planned events that attracted large numbers of people, including ardent sports fans, arts lovers and culinary enthusiasts. Golfers teed off at premiere courses across the country. Fishermen reeled in prize-winning catches. And hundreds of guests sat down to elegant dinners catered by their cities’ most outstanding eateries. Overall, special events raised \$91.2 million, a more than 10 percent increase over 2006.

Part of that increase can be attributed to the Foundation’s use of updated and improved online resources to register for events, become corporate sponsors and make donations. In another first this year, the Foundation also instituted a personal online gift registry, an innovative way to celebrate special occasions and contribute to CF research.

GREAT STRIDES

In its 19th year, GREAT STRIDES carried on its tradition of motivating every walker to participate in force. Walkers raised more than \$34 million — nearly an 11 percent increase over the 2006 amount.

This year, returning corporate, national and family teams increased event participation by branching off into new teams. Newcomers of all ages joined veterans of years past to walk the sidewalks, trails and parks of their cities. Events were held at more than 560 locations, and 55 new walk sites were added to the GREAT STRIDES community.

Chapters across the country stepped up their use of online resources to expand GREAT STRIDES participation to more areas than ever before. Online solicitation was integral to the success of Team Gavin, in which nearly 100 people—from New York City to Seattle—walked in the name of 4-year-old Gavin Bartlett. Raising their success by increasing the number of teams walking, the Bartletts encouraged friends living in other cities to participate in GREAT STRIDES, enabling Team Gavin to raise more than \$40,000 for CF.

Using a similar strategy, Team Ella’s Elite recruited



GREAT STRIDES team Mackenzie's Mad Dogs, named for 3-year-old Mackenzie Marquis who has CF, has been taking giant steps for the walk in Dallas for the past three years.

walkers on 14 teams in 12 cities spanning the United States. Teams held kick-off parties, utilized matching funds, and engaged local businesses to do their own fund-raising and obtain more sponsorships. Ella's Elite raised \$35,000 this year.

A number of major corporations renewed their commitment to GREAT STRIDES. In Orlando, Fla., Team Lockheed Martin formed 11 sub-teams, who took part in friendly but spirited competitions to raise more than \$40,000 for the Foundation.

The launching of new corporate teams also contributed to the success of GREAT STRIDES. At Duke Energy in Cincinnati, a senior engineer educated fellow employees about her daughter Julia's battle with the disease and rallied the group to participate in GREAT STRIDES. In its first year, the Duke Energy team raised more than \$20,000.

DINNER DANCES

As GREAT STRIDES participants laced up their walking shoes by day, guests at dinner dances donned black-tie attire and gathered at the ballrooms of hotels and historic buildings to dine and dance the nights away. Dinner dances generated \$32 million in 2007, a more than 10 percent increase over the previous year.

A number of dinner dances were held by members of the newly-piloted Young Professional Leadership Committees (YPLC) program. Bringing a new generation of under-40 business leaders to the CF community, YPLC is based on the premise that the same young leaders who command boardrooms have the knowledge, enthusiasm and contacts needed to attract other new volunteers and raise top dollars for CF research.

Twenty-two top-tier galas played a significant role in supplementing the success of dinner dances this year, bringing in almost \$13 million. Galas shared many common characteristics: fine wines and gourmet dinners, impressive live and silent auctions, and awards to honor longtime volunteers and friends of the Foundation. At each event, individuals told how their lives had been touched by CF in the *Bid for a Cure*, and helped raise thousands of new dollars to support the Foundation.

The Minnesota Chapter's Mortenson Construction *Breath of Life Gala* drew 760 guests and raised a million dollars in support of the Foundation. Working tirelessly behind the scenes, event committee members recruited corporate sponsors, secured items for auctions and contributed significantly to the evening's fund-raising achievements.



At the New York Chapter's *Breath of Life Gala* in October, *Milestones to a Cure* Campaign Chair Joe O' Donnell pays special tribute to the night's honorees and *Milestones to a Cure* Executive Committee members Kate and Bob Niehaus.



Three generations of the Engelman Family gather at *blinc Love Affair Gala* in Boca Raton, including grandparents William and Susan, granddaughter Avery who has CF, and parents and event co-chairs Cherie and Daniel.

At the Colorado Chapter's *Dancing with Denver 2007 Gala*, guests watched performances by a local dance troupe and then took to the dance floor themselves. Denver's event committee, expertly led by co-chairs Bill and Teresa Elder, had great success in drawing new supporters by honoring Mike and Kathleen Beatty for their extensive contributions to the Foundation for more than two decades. By the night's end, the gala had raised more than \$550,000.

FISHING, GOLF AND OTHER EVENTS

A long-time staple of Foundation fund-raising, fishing tournaments made a big splash in 2007, generating more than \$1.7 million. At 19 tournaments, from South Carolina to Southern California, novice fisherman and seasoned anglers alike set their hooks for prized catches from sailfish to tuna. To draw participants with diverse interests, events also provided a wide range of activities on dry land, including dinners, auctions and the opportunity to interact with celebrity guests.

The Southern California Chapter's *Hook the Cure* in Puerto Vallarta featured not only great fishing, but also golfing on the island's signature courses and the chance to meet Baseball Hall of Famer Wade Boggs. The event raised \$345,000, surpassing the 2006 total by more than \$190,000. At the *Mike Schmidt Winner's Circle Invitational* fishing tournament from the Florida Chapter, Palm Beach Office, Mike Schmidt, former Phillies Hall of Famer and National Honorary Trustee of the Foundation, led the effort to raise more than \$230,000 for the Foundation.

In 2007, golf tournaments were as popular as ever, raising nearly \$12 million for the Foundation. With the support of Outstanding Corporate Partner American

Airlines®, the 13th annual *Ultimate Golf Experience* in Pinehurst, N.C. brought in nearly \$500,000. In addition to three days of golfing, guests enjoyed the performance and daily company of noted comedian Lewis Black, who once again sparked the event's success.

Famed golfing heroes and devoted friends of the Foundation attracted participants to other events. In Oregon, golfers joined PGA pro Bob Gilder and more than 270 Foundation supporters at the Oregon Chapter's *Bob Gilder's Platt Golf Challenge*, raising \$300,000. In addition, the chance to tee off against PGA pros Rod Pamplung, Rory Sabbatini, and John Senden attracted 138 golfers to the Northeast Texas Chapter Dallas Office's 12th annual *Rod Pamplung Golf Classic*, which raised \$200,000.

CUREFINDERS®

In its second year of operation, *CureFinders*®, the Foundation's school fund-raising program for grades K-12, proved that there is nothing "small" about small change, by raising more than \$800,000. In nearly 300 schools across the country, students not only raised essential funds, but also demonstrated firsthand that they can make a difference in the lives of people with CF. Through this program, the Foundation also welcomed a whole new generation of volunteers into the CF community.



bbb.org/charity

The Cystic Fibrosis Foundation meets extensive standards of America's most experienced charity evaluator.

MILESTONES TO A CURE

The *Milestones to a Cure* campaign, the largest major giving initiative in the Foundation's history, had its most successful year in 2007. Under the dedicated leadership of *Milestones* Chair Joe O'Donnell, the campaign recorded more than \$32 million in gifts and pledges. This included a \$10 million gift from an anonymous donor—one of the largest gifts in the Foundation's history—as well as four gifts of a million or more from other donors. Nearly 400 donors made commitments to the *Milestones* campaign in 2007, more than in any previous year. By year's end, total campaign commitments were approximately \$119 million. The campaign is strategically positioned to reach its \$175 million goal by the end of 2010.

In 2007, the *Milestones* campaign expanded its focus and scope. Sixty-one chapters and affiliated offices recorded gifts, including 10 chapters that had



C. Richard Mattingly, executive vice president and chief operating officer, joins founding parent Doris Tulcin at the Voluntary Leadership Initiative meeting in March. More than 50 years ago, Tulcin was among the first to work with other parents of children with CF to raise money and fund critical research for the disease.

campaign commitments of \$500,000 or more. *The Milestones Club*, launched in late 2006 to recruit donors at the \$50,000 and \$100,000 levels, became an important new focus of the campaign, bringing in many new donors this year.

THE DORIS F. TULCIN MAJOR GIVING SOCIETY

In 1955, Doris F. Tulcin, then a young mother of a daughter with CF, collaborated with other CF families to form the Foundation and focus efforts on raising funds to support critical CF research and care. Created in her honor as one of the Foundation's founding parents and a "living legend" among CF volunteers, the Doris F. Tulcin Major Giving Society recognizes donors who have made commitments of more than \$100,000 cumulatively to the Foundation's major giving campaigns since 1998. Those donations have helped to fuel groundbreaking research and make significant advancements toward finding a cure.

THE PAUL DI SANT'AGNESE PLANNED GIVING SOCIETY

A pioneering CF medical leader whose groundbreaking research led to the development of the CF sweat test that is still the diagnostic gold standard today, Paul di Sant'Agnes established the tradition of excellence the Foundation strives to achieve in all its research endeavors. In recognition of his distinguished contributions to CF research, the Foundation established the Paul di Sant'Agnes Planned Giving Society to honor all donors who have included the Foundation in their long-term plans, through a bequest or other planned gift. Demonstrating the tremendous support that can come from planned giving, donors contributed a record-breaking \$3 million through bequests.



We
Unite

to treat
and cure
cystic
fibrosis

for tomorrow's every day



ADVOCACY:
raising awareness, inspiring action

“In facing the challenges of cystic fibrosis, I know the Foundation is there to help and that we are not alone.”

Margarete Cassalina

National Advocacy Co-Chair and Mother of Eric (*photo left*)

The Foundation closely pursues a legislative agenda to advance cystic fibrosis research, expand access to treatment and care and increase awareness of the disease. By educating members of Congress about CF and supporting legislation that sustains drug discovery and development efforts, the Foundation works to ensure that critical research toward a cure and control of the disease continues. So that all people with CF can benefit from medical advances, the Foundation is also dedicated to expanding access to quality health care.

EDUCATION & AWARENESS

In 2007, the Foundation made important progress in building awareness of CF on Capitol Hill. Volunteers strengthened their outreach with the Foundation's expanded online advocacy resources and continued to build membership of the Congressional Cystic Fibrosis Caucus.

ADVOCACY WEB SITE

To provide volunteers with the latest news and information on policy decisions affecting the CF community, the Foundation launched an enhanced Advocacy Web site. The site gives constituents the tools they need to communicate directly with elected

officials. Volunteers across the country responded to "Action Alerts" on issues relating to CF, sending letters and making phone calls to members of Congress. Using the online Advocacy Toolkit, the Foundation and its supporters contacted 95 percent of members of Congress to weigh in on policy decisions and garner support in the fight against cystic fibrosis.

CONGRESSIONAL CYSTIC FIBROSIS CAUCUS

A grassroots campaign to increase membership of the Congressional Cystic Fibrosis Caucus expanded the Caucus to nearly 115 members. Co-chaired by Representatives Edward Markey of Massachusetts and Cliff Stearns of Florida, the CF Caucus works to build awareness of CF and to promote public policies that address the research and health care needs of the CF community.

RESEARCH

In expanding crucial research toward a cure and control of CF, the government plays a vital role. This year, the Foundation advocated for increased federal funding for biomedical research by supporting a significant budget increase for the National Institutes of Health in the 2008 Federal budget.

FEDERAL FUNDING FOR CF RESEARCH

To educate members of Congress about cystic fibrosis and the Foundation's vital research efforts, the Cystic Fibrosis Caucus hosted a briefing on Capitol Hill, "Breathing New Life Into Venture Philanthropy." Foundation President and CEO Robert J. Beall, Ph.D.



In the State Children's Health Insurance Program debate, Senator Patty Murray (D-WA) stands beside a photograph of Sydney Lee, a 9-year-old with CF. Reading aloud from a letter written by Sydney's mother, Senator Murray stressed the importance of health coverage for children with chronic diseases.



Volunteer and advocate Matt Harnish of the Indiana Chapter attends the annual Volunteer Leadership Initiative conference in Virginia and regularly joins the Foundation's *March on the Hill* in Washington, D.C.

highlighted the Foundation's innovative therapeutics development program and stressed the need to accelerate the development of drugs and specialized care for people with CF.

SUPPLEMENTAL SECURITY INCOME BENEFITS

The Foundation is working with the Social Security Administration and Congress to boost clinical trials participation by removing a stipulation that counts compensation earned from clinical trials as income. This stipulation may cause clinical trials participants receiving supplemental security income to lose essential benefits, including Medicaid. The Foundation is dedicated to removing these kinds of barriers for patient volunteers without whom research and progress are not possible.

ACCESS

Efforts to ensure that those with CF have access to the latest therapies and specialized care were at the forefront of the Foundation's advocacy agenda in 2007. With an increasing number of patients struggling to cover the costs of care, the Foundation implemented several key initiatives to address issues of access and underinsurance.

SCHIP

In 2007, the Foundation advocated for the reauthorization and expansion of the State Children's Health Insurance Program (SCHIP). SCHIP provides health insurance for children of working families, whose income exceeds eligibility limits to qualify for Medicaid but is not sufficient to purchase private coverage. Many families of children with CF depend on this program for access to treatment and care. Foundation volunteers wrote more than 2,500 letters in support of SCHIP.

CF LEGAL INFORMATION HOTLINE

The Foundation increased support for the CF Legal Information Hotline with a grant from Novartis Pharmaceuticals. For more than 15 years, the hotline has helped people with CF address a range of issues, including how to obtain coverage for medications and apply for government benefits. Managed by Beth Sufian, J.D., an attorney and adult with CF in Houston, Texas, the hotline provided free legal information to nearly 2,000 people in 2007.

ACCESS TO INVESTIGATIONAL THERAPIES

Working with the U.S. Food and Drug Administration (FDA), the Foundation identified new ways to expand access to investigational CF drugs prior to approval.





The enhanced Advocacy Web site supports volunteers in their efforts to raise CF awareness among legislators, impact Federal funding for CF and provide access to care.

Aztreonam lysine for inhalation, a CF therapy that has not yet received final FDA approval, was made available to patients this year through an expanded access program supported by the Foundation and Gilead Sciences. The program is designed to ensure CF patients gain access to promising therapies as quickly as possible.

NEWBORN SCREENING

Decades of compelling research demonstrate the benefits of early diagnosis for CF. The Foundation continues to push for implementation of newborn screening in all states. Due in part to the Foundation's efforts, 33 states and Washington, D.C. now routinely screen newborns for CF. Another 12 states have begun to develop newborn screening programs. The Foundation will continue to advance this important initiative until all 50 states screen for CF.



Pam and Lou Mertz, volunteers at the Minnesota Chapter and 2007 Co-Chairs of the National Volunteer Leadership Initiative, advocated on Capitol Hill on behalf of the CF community.

COMMUNICATIONS: making connections

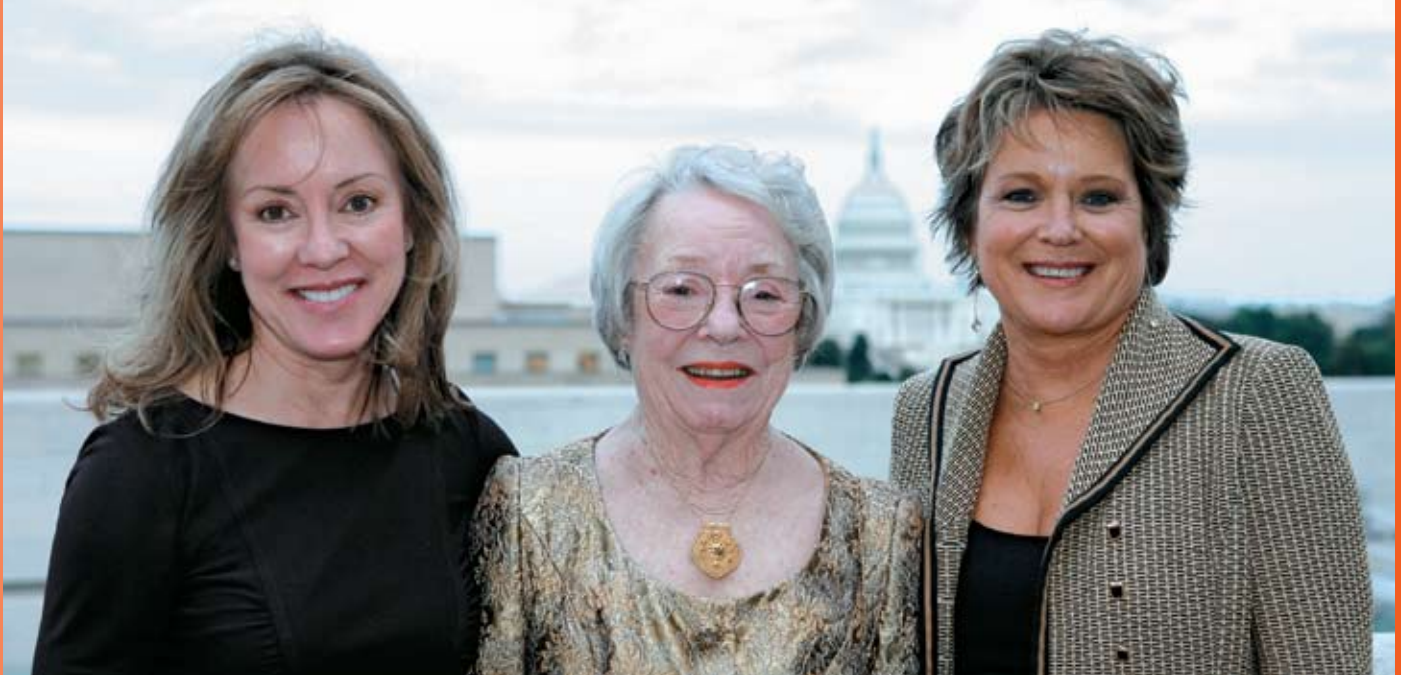
“It gives me great comfort that in addition to everything I do daily to keep Rosey healthy, the Foundation has built an entire network of people who are committed to this same goal.”

Rachel Bridges
Mother of Rosey (photo right)

This year, the Foundation expanded its efforts to engage and educate a broader and more diverse audience about its mission. By strengthening its brand across all platforms, the Foundation promoted more effective and consistent messaging. Following the creation of a new visual identity for the organization in 2006, the Foundation incorporated the new look and feel – known as “empowerment” – into its print and electronic publications. To spread awareness of

the quest to cure and control CF, the Foundation also harnessed the power of new media tools, including the video-sharing network YouTube. In addition, the Foundation expanded its online presence, improved web content and significantly increased media coverage. Overall, more people learned about the way the Foundation carries out its mission, from therapeutics development to fund-raising, patient care to advocacy.





Pat Hitchcock O'Connell (center) and her daughters Mary Stone (left) and Tere Carruba (right) gathered at a *Milestones to a Cure* event in Washington, D.C.

WEB EXPANSION

With more than one million visitors each year, the Web reaches more people than any other communications vehicle. The Foundation's newly redesigned Web site – with nearly 70 percent more content – resulted in a 30 percent increase in the number of visitors. In 2007, the Foundation supported two major initiatives – clinical trials and advocacy volunteer recruitment – by creating new, in-depth sections on its Web site, designed to encourage clinical trials participation and volunteer activities. To more accurately track web usage and ensure the best possible user experience, the Foundation adopted a robust web analytics tool.

E-MARKETING

In 2007, the Foundation also expanded its e-marketing program, disseminating news and information updates to more than 200,000 members of the CF community. The Foundation sent e-mails, focusing on a range of topics – including GREAT STRIDES, advocacy awareness and planned giving – to targeted audiences. Each message directed recipients to the Foundation's Web site to learn more about important news, how to become more involved and other ways to support the Foundation's mission. One clear result of this outreach effort was a significant increase in online giving.

Along with the expanded e-mail program, the Foundation launched an online version of the Foundation's national newsletter, *Commitment*. *E-Commitment* features the same content as the print publication in an easily accessible electronic format. Distributed through our online communications program, the electronic newsletter reaches more than three times as many readers as the print edition at virtually no additional cost.

NEW MEDIA

The Foundation began using new media tools in its patient education, awareness and fund-raising efforts in order to reach a wider audience. In an exciting first step, the Foundation created a channel on YouTube, the world's largest video-sharing network. On the channel, called CysticFibrosisUSA, viewers can access videos created by the Foundation and find links to videos posted by other members of the CF community. By joining a network that draws an average of six million viewers daily, CysticFibrosisUSA offers the Foundation a new and unique platform to communicate its mission and progress, and an added opportunity to obtain online donations.

MEDIA COVERAGE AND RECOGNITION

In 2007, media coverage of the Foundation increased more than 100 percent. The Foundation appeared in over 5,500 articles in major newspapers, leading industry trade publications and science journals. Prominent media sources, such as *The Wall Street Journal*, *The Boston Globe*, *The Chronicle of Philanthropy* and the *Washington Post* recognized the Foundation's role as the leading organization dedicated to curing and controlling CF. The Foundation's unique business model and robust drug development pipeline were highlighted in a number of stories. One story, which ran on National Public Radio's "Marketplace," noted that "Thanks to the Foundation, the concept of a non-profit investing in a biotech firm now has a name: 'venture philanthropy.'"

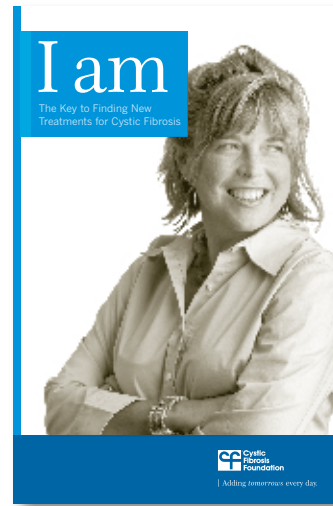
Harvard Business School also recognized the Foundation's innovative business model, focusing on the Foundation's collaboration with Vertex Pharmaceuticals in a case study. An educational tool for business schools around the world, the Harvard case study notes that the Foundation "paved the way for other small disease nonprofits to take drug discovery into their own hands."

In November, the Foundation's voice was heard in the *Washington Post*, which published a letter to the editor by Robert J. Beall, Ph.D., president and CEO of the Foundation, on a pressing national issue: better access for patients to treatment and care. In his letter, Beall noted, "The challenge faced by underinsured cystic fibrosis patients mirrors the challenges faced by the underinsured population as a whole. This is a key part of the debate and too important to ignore."

To expand patient education, awareness and fundraising efforts, the Foundation leveraged the power of social networking tools, creating a channel on YouTube, the world's largest video-sharing network.



To spread awareness of the quest to cure and control cystic fibrosis, the Foundation greatly expanded its media visibility this year by launching a channel on the video-sharing network YouTube.



BRAND CONSISTENCY

The Foundation continued to integrate its “empowerment” brand into its many publications. This year, the Foundation applied the new visual identity to the GREAT STRIDES Web site and print materials. The visual identity was also applied to a range of publications, including an educational brochure on clinical trials and *Partners in Progress*, the Foundation’s annual donor report. The newly designed materials use

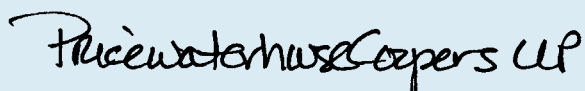
bolder colors and striking design elements, and feature photographs of children and adults with CF, their families, volunteers and caregivers. Integrating the new visual identity enabled all publications to communicate key messages more forcefully and more effectively captured the optimistic spirit of the Foundation.



REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of Cystic Fibrosis Foundation

In our opinion, the accompanying consolidated statement 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, subsidiary and affiliates (the Foundation) at December 31, 2007, and the consolidated changes in their net assets and their cash flows for the year ended December 31, 2007, 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 audit. The prior year summarized comparative information has been derived from the Foundation's 2006 financial statements, and in our report dated March 23, 2007, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 audit provides a reasonable basis for our opinion.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

McLean, Va.

March 14, 2008

Consolidated Statement of Financial Position

For the year ended December 31, 2007 (with summarized totals for 2006)

	2007	2006
ASSETS		
Cash and cash equivalents	\$19,214,324	\$30,457,217
Investments	233,217,111	200,542,669
Receivables, net	35,711,388	34,310,487
Inventories	7,685,044	5,050,302
Prepaid expenses and other assets	4,560,543	2,571,342
Fixed assets, net	1,515,013	1,713,909
Total assets	<u>\$301,903,423</u>	<u>\$274,645,926</u>
LIABILITIES AND NET ASSETS		
Awards payable	\$59,847,849	\$58,823,921
Accounts payable and accrued expenses	22,301,786	20,941,630
Total liabilities	<u>82,149,635</u>	<u>79,765,551</u>
Unrestricted net assets	202,166,344	177,738,339
Temporarily restricted net assets	14,140,798	13,771,771
Permanently restricted net assets	3,446,646	3,370,265
Total net assets	<u>219,753,788</u>	<u>194,880,375</u>
Total liabilities and net assets	<u>\$301,903,423</u>	<u>\$274,645,926</u>

Consolidated Statement of Activities

For the year ended December 31, 2007 (with summarized totals for 2006)

	2007	PERCENTAGE OF REVENUE	2006	PERCENTAGE OF REVENUE
REVENUE				
SUPPORT RECEIVED FROM THE PUBLIC				
Special event revenue (including \$402,025 and \$899,422 in temporarily restricted revenue in 2007 and 2006, respectively)	\$103,944,627		\$95,256,098	
Direct benefit expenses	(12,713,180)		(12,565,773)	
Net special event revenue	91,231,447	37.0 %	82,690,325	36.5 %
General contributions (including \$6,065,621 and \$12,853,598 in temporarily restricted contributions in 2007 and 2006, respectively)	58,695,811	23.8	51,255,747	22.6
(Assets released from restriction amounted to \$6,116,613 and \$8,916,674 for 2007 and 2006, respectively)	-	-	-	-
Total support received from the public	149,927,258	60.8	133,946,072	59.2
Pharmacy services	67,195,185	27.2	61,503,035	27.2
Investment income (including \$17,994 and \$29,724 in temporarily restricted revenue and \$76,381 and \$169,064 in permanently restricted revenue in 2007 and 2006, respectively)	27,347,455	11.1	25,436,064	11.2
Other	2,121,452	0.9	5,470,642	2.4
Total revenue	<u>246,591,350</u>	<u>100.0 %</u>	<u>226,355,813</u>	<u>100.0 %</u>
COSTS OF SERVICES				
PROGRAM SERVICES				
Medical programs	169,160,704	68.6 %	146,595,243	66.5 %
Public and professional information and education	20,329,019	8.2	19,013,125	8.4
Community services	7,275,989	3.0	6,641,103	2.9
Total program services	<u>196,765,712</u>	<u>79.8</u>	<u>172,249,471</u>	<u>76.1</u>
SUPPORTING SERVICES				
Management and general	4,908,507	2.0	4,889,045	2.2
Fund raising	20,043,718	8.1	18,770,311	8.5
Total supporting services	24,952,225	10.1	23,659,356	10.6
Total costs of services	221,717,937	89.9	195,908,827	86.5
INCREASE IN NET ASSETS (including increase in temporarily restricted net assets of \$369,027 and \$4,865,889 and permanently restricted net assets of \$76,381 and \$169,064 in 2007 and 2006, respectively)				
	24,873,413	10.1 %	30,446,986	13.5 %
		<u>100.0 %</u>		<u>100.0 %</u>
NET ASSETS, BEGINNING OF YEAR (includes temporarily restricted net assets of \$13,771,771 and \$8,905,881 and permanently restricted net assets of \$3,370,265 and \$3,201,201 at January 1, 2007 and 2006, respectively)				
	194,880,375		164,433,389	
NET ASSETS, END OF YEAR (includes temporarily restricted net assets of \$14,140,798 and \$13,771,771 and permanently restricted net assets of \$3,446,646 and \$3,370,265 at December 31, 2007 and 2006, respectively)				
	<u>\$219,753,788</u>		<u>\$194,880,375</u>	

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2007 (with summarized totals for 2006)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$24,873,413	\$30,446,986
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(17,432,788)	(20,560,982)
Receipt of contributed securities	(3,165,828)	(6,234,429)
Increase in discount on pledges	81,781	749,536
Depreciation	881,304	743,199
Provision for losses on accounts receivable	1,600,551	1,749,411
Increase in receivables	(3,083,233)	(6,194,048)
Increase in inventories	(2,634,742)	(776,357)
Increase in prepaid and other assets	(1,989,201)	(69,183)
Increase awards payable	1,023,928	9,638,486
Increase in accounts payable and accrued expenses	1,360,156	1,214,688
Net cash provided by operating activities	<u>1,515,341</u>	<u>10,707,307</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of fixed assets	(682,408)	(1,189,666)
Maturities/sales of investments	220,560,243	136,034,159
Purchases of investments	(232,636,069)	(142,910,508)
Net cash used in investing activities	<u>(12,758,234)</u>	<u>(8,066,015)</u>
Net increase (decrease) in cash and cash equivalents	(11,242,893)	2,641,292
Cash and cash equivalents, beginning of year	<u>30,457,217</u>	<u>27,815,925</u>
Cash and cash equivalents, end of year	<u>\$19,214,324</u>	<u>\$30,457,217</u>
OTHER SUPPLEMENTAL INFORMATION:		
Income taxes paid	\$ —	\$ 677,153

Consolidated Statement of Functional Costs of Services

For the year ended December 31, 2007 (with summarized totals for 2006)

NATURE OF COSTS OF SERVICES

PROGRAM SERVICES

SUPPORTING SERVICES

TOTALS

	PUBLIC AND PROFESSIONAL			MANAGEMENT AND GENERAL	FUND RAISING	2007	2006
	MEDICAL PROGRAMS	INFORMATION AND EDUCATION	COMMUNITY SERVICES				
Therapeutics Development Program awards	\$52,379,153	\$ -	\$ -	\$ -	\$ -	\$52,379,153	\$40,620,120
Research grants	12,724,213	-	-	-	-	12,724,213	11,695,196
Clinical research grants	9,782,139	-	-	-	-	9,782,139	6,963,865
Center grants for care and teaching	11,808,884	-	-	-	-	11,808,884	11,140,736
Clinical and research fellowship grants	2,492,886	-	-	-	-	2,492,886	1,999,573
Quality improvement training program	245,229	-	-	-	-	245,229	298,382
Pharmaceuticals	57,270,317	-	-	-	-	57,270,317	52,283,634
Salaries	9,099,335	9,214,304	4,329,962	2,988,307	6,344,134	31,976,042	28,967,032
Employee benefits and payroll taxes	1,850,387	2,208,125	1,062,247	656,956	1,559,766	7,337,481	6,266,858
Publications and printing	1,296,852	2,862,182	245,504	72,118	4,856,031	9,332,687	8,610,948
Occupancy and insurance	1,064,559	1,124,498	558,164	303,361	819,288	3,869,870	3,779,240
Postage and shipping	231,593	2,581,408	171,434	61,653	4,768,344	7,814,432	7,827,956
Travel and conferences	3,514,646	503,482	254,485	99,867	358,549	4,731,029	4,266,456
Data processing	1,663,994	769,787	218,293	148,757	648,664	3,449,495	2,986,111
Telephone	217,441	195,203	97,114	35,281	138,639	683,678	595,472
Supplies	208,536	280,847	137,092	59,381	198,540	884,396	894,234
Professional fees	1,196,717	160,767	36,820	133,475	51,554	1,579,333	1,344,489
Depreciation	416,024	203,093	82,122	47,160	132,905	881,304	743,199
Equipment maintenance	41,845	54,091	19,147	10,260	32,510	157,853	179,741
Other, including allowance for patient receivables	1,655,954	171,232	63,605	291,931	134,794	2,317,516	4,445,585
TOTAL	\$169,160,704	\$20,329,019	\$7,275,989	\$4,908,507	\$20,043,718	\$221,717,937	\$195,908,827

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

Notes to Consolidated Financial Statements

December 31, 2007

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), and Cystic Fibrosis Foundation Pharmacy, LLC (CFFP). CFFT, an affiliate of the Foundation, operates the Therapeutics Development Program and clinical research projects. The primary mission of the Foundation and CFFT is to develop the means to cure and control cystic fibrosis and to improve the quality of life for those with the disease.

The Foundation, CFFT and CFFP 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, 2007. Contributions to the Foundation qualify for the charitable contributions deduction to the extent provided by Section 170 of the Code.

CF Services is a taxable entity which 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.

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.

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. Actual results could differ from those estimates.

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. CF Services records revenue from sales upon shipment of pharmaceuticals and net of contractual discounts.

Notes to Consolidated Financial Statements

December 31, 2007

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.

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 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 which potentially subject the Foundation to a concentration of credit risk principally consist of deposits in banks in excess of Federally insured limits, investments, and accounts receivable. Investments are pooled in diversified portfolios consisting of corporate marketable debt and U.S. government securities as well as equity securities and other funds. The Foundation has not experienced any credit losses on these financial instruments. CF Services grants credit without collateral to

its customers throughout the country, most of whom are insured under third-party payor agreements.

INVESTMENTS

Investments are reported at fair market value. Fair value is based on quoted prices for securities traded on public exchanges. Fair values for certain alternative equity and fixed income investments amount to approximately \$44 million and \$33 million as of December 31, 2007 and 2006, respectively, and are estimated by the third-party administrators of the respective external investment managers if market values are not readily ascertainable. These valuations necessarily involve assumptions and estimation methods that are reviewed by the Foundation.

Investment income is reported when earned. The change in unrealized appreciation or depreciation of investments is reflected in the consolidated statement of revenue and costs of services. Realized gains and losses on sales of investments are computed on a specific identification 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 and software are removed from the accounts upon sale or disposition and any resulting gain or loss is reflected in revenue and costs of services and changes in net assets at that time.

FUNCTIONAL EXPENSES

The costs of various Foundation activities have been accounted for on a functional basis in the consolidated statement of activities

Notes to Consolidated Financial Statements

December 31, 2007

of services and changes in net assets. 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, 2007 and 2006.

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 \$3,061,000 and \$2,277,000 restricted for specific programs and approximately \$11,080,000 and \$11,495,000 restricted only as to time as of December 31, 2007 and 2006, respectively.

Permanently Restricted Net Assets – Permanently restricted net assets generally result from contributions to trusts, whereby, under the trust

agreement, the corpus is to be maintained in perpetuity and a portion or all of the net income from the trust is to be used for Foundation operations.

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.

INCOME TAXES

CF Services accrues income taxes currently payable and also recognizes deferred tax assets and liabilities for the estimated future tax consequences of temporary differences.

2006 FINANCIAL INFORMATION

The consolidated financial statements include certain 2006 summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements as of and for the year ended December 31, 2006, from which the summarized information was derived. Certain figures presented in the 2006 consolidated financial statements have been reclassified to conform to the presentation in these financial statements.

Notes to Consolidated Financial Statements

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3. INVESTMENTS

The cost and fair value of investments as of December 31, 2007 and 2006 are as follows:

	2007		2006	
	COST	FAIR VALUE	COST	FAIR VALUE
U.S. government agency bonds	\$22,603,689	\$22,982,382	\$27,379,908	\$27,362,742
Corporate bonds	35,324,065	36,380,142	21,913,997	21,866,294
Equity mutual funds	91,253,039	114,578,357	83,011,382	103,426,551
Alternative investment mutual funds	35,400,000	44,022,559	30,400,000	33,077,422
Other mutual funds	9,484,619	15,253,671	11,491,366	14,809,660
	<u>\$194,065,412</u>	<u>\$233,217,111</u>	<u>\$174,196,653</u>	<u>\$200,542,669</u>

Interest and dividends amounted to approximately \$9,915,000 and \$4,876,000 for the years ended December 31, 2007 and 2006, respectively.

4. RECEIVABLES

Receivables consist of the following at December 31, 2007 and 2006:

	2007	2006
Special events	\$ 5,005,832	\$ 4,554,581
Pharmacy	8,420,597	9,746,809
Pledges receivable	25,690,893	24,072,396
Interest	478,397	431,775
Other	<u>754,248</u>	<u>904,726</u>
	40,349,967	39,710,287
Discount	(2,286,224)	(2,204,443)
Allowance for doubtful accounts	<u>(2,352,355)</u>	<u>(3,195,357)</u>
	<u>\$ 35,711,388</u>	<u>\$ 34,310,487</u>

Contributions are 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, 2007 are payable in the following periods: \$11.1 million within one year; \$9.3 million from one to five years; and \$1.8 million after five years. As of December 31, 2007, pledges receivable include \$3.5 million of permanently restricted funds.

Notes to Consolidated Financial Statements

December 31, 2007

5. FIXED ASSETS

Fixed assets at December 31, 2007 and 2006 consisted of the following:

	2007	2006
Equipment and software	\$ 6,700,018	\$ 6,142,942
Furniture and fixtures	237,525	236,420
Leasehold improvements	312,328	312,328
	<u>7,249,871</u>	<u>6,691,690</u>
Accumulated depreciation	(5,734,858)	(4,977,781)
	<u>\$ 1,515,013</u>	<u>\$ 1,713,909</u>

6. AWARDS PAYABLE AND COMMITMENTS

Changes in awards payable during the years ended December 31, 2007 and 2006 are summarized as follows:

	2007	2006
Awards payable, beginning of year	\$58,823,921	\$49,185,435
Awards expensed	89,187,275	72,419,490
Awards disbursed	(88,163,347)	(62,781,004)
Awards payable, end of year	<u>\$59,847,849</u>	<u>\$58,823,921</u>

As of December 31, 2007, the Foundation and CFFT have medical scientific grant commitments of approximately \$30.1 million, 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, 2007, total additional payments contingent on these milestones were approximately \$37.5 million. 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 \$48.2 million. These costs will be expensed when the services are provided.

Volunteers from the medical and scientific community are included among the Foundation's Trustees and CFFT/CF Services 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 \$2.7 million and \$2.5 million for the years ended December 31, 2007 and 2006, respectively.

Notes to Consolidated Financial Statements

December 31, 2007

7. OPERATING LEASE COMMITMENTS

The Foundation and CF Services are obligated under various operating leases for office space as of December 31, 2007. The approximate future minimum rental commitments for each calendar year, subject to escalation, are as follows:

2008	\$2,181,719
2009	1,648,307
2010	1,290,906
2011	363,073
2012	77,475
	<u>\$ 5,561,480</u>

Rental costs for the years ended December 31, 2007 and 2006 were approximately \$3.1 million and \$3.0 million, 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 CF Services made contributions in accordance with the provisions of the plan amounting to approximately \$1,449,000 and \$1,254,000, respectively, for the years ended December 31, 2007 and 2006.

9. ALLOCATION OF JOINT COSTS

The Foundation conducted direct mail activities in the years ended December 31, 2007 and 2006 that included requests for contributions as well as program components. The costs of conducting those activities included a total of approximately \$14,609,000 and \$14,233,000 of joint costs during the years ended December 31, 2007 and 2006, respectively. These costs were not specifically attributable to particular components of the activities. Of those costs, \$9,804,000 and \$9,429,000 was allocated to fund-raising expense and \$4,805,000 and \$4,804,000 was allocated to public and professional information and education program services for the years ended December 31, 2007 and 2006, respectively.

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As of December 31, 2007

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