

**Cystic Fibrosis Research Institute
(a nonprofit public benefit corporation)**

Financial Statements
and
Independent Auditors' Report

For the Years Ended
December 31, 2021 and 2020



Cystic Fibrosis Research Institute

For the Years Ended December 31, 2021 and 2020

Table of Contents

Independent Auditors' Report	Pages	1-2
Financial Statements:		
Statements of Financial Position	Page	3
Statements of Activities and Changes in Net Assets	Page	4
Statements of Functional Expenses	Pages	5-6
Statements of Cash Flows	Page	7
Notes to the Financial Statements	Pages	8-15



Independent Auditors' Report

Board of Directors
Cystic Fibrosis Research Institute
Palo Alto, CA

Opinion

We have audited the accompanying financial statements of Cystic Fibrosis Research Institute (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to Issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



San Jose, CA

December 8, 2022

CYSTIC FIBROSIS RESEARCH INSTITUTE

Statements of Financial Position
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS:</u>		
Current assets:		
Cash and cash equivalents	\$ 1,955,004	\$ 2,836,073
Investments	1,265,439	-
Pledges receivable	187,719	86,000
Other receivables	275	-
Prepaid expenses	<u>28,684</u>	<u>30,520</u>
Total current assets	3,437,121	2,952,593
Property and equipment, net	4,092	6,795
Security deposits	<u>5,143</u>	<u>5,143</u>
Total assets	<u><u>\$ 3,446,356</u></u>	<u><u>\$ 2,964,531</u></u>
<u>LIABILITIES AND NET ASSETS:</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,219	\$ 6,571
Accrued payroll and employee benefits	-	6,358
Accrued vacation	19,234	21,210
Paycheck Protection Program loan	<u>-</u>	<u>57,770</u>
Total current liabilities	<u>23,453</u>	<u>91,909</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,907,798	1,510,709
Board designated	<u>292,023</u>	<u>292,023</u>
	2,199,821	1,802,732
With donor restrictions	<u>1,223,082</u>	<u>1,069,890</u>
Total net assets	<u>3,422,903</u>	<u>2,872,622</u>
Total liabilities and net assets	<u><u>\$ 3,446,356</u></u>	<u><u>\$ 2,964,531</u></u>

See independent auditors' report and notes to financial statements.

CYSTIC FIBROSIS RESEARCH INSTITUTE
Statements of Activities and Changes in Net Assets
For the years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions and grants	\$ 488,358	\$ 997,922	\$ 1,486,280	\$ 479,676	\$ 734,000	\$ 1,213,676
Education program and collateral	510	-	510	555	-	555
In-kind contributions	10,000	-	10,000	10,000	-	10,000
Special events revenue	110,741	-	110,741	84,386	-	84,386
Less: cost of direct benefit to donors	(6,581)	-	(6,581)	(2,597)	-	(2,597)
Miscellaneous	1,349	-	1,349	2,201	-	2,201
Total support and revenue	604,377	997,922	1,602,299	574,221	734,000	1,308,221
Adjustments:						
Release of restricted net assets	844,730	(844,730)	-	780,439	(780,439)	-
Total adjustments	844,730	(844,730)	-	780,439	(780,439)	-
Expenses:						
Program	981,418	-	981,418	919,077	-	919,077
Management and general	76,123	-	76,123	65,524	-	65,524
Fundraising	102,413	-	102,413	96,099	-	96,099
Total expenses	1,159,954	-	1,159,954	1,080,700	-	1,080,700
Other income and expenses						
Extinguishment of debt	116,266	-	116,266	-	-	-
Gain (loss) on investments	(14,830)	-	(14,830)	(198)	-	(198)
Interest and dividend income	6,500	-	6,500	6,787	-	6,787
Total other income and expenses	107,936	-	107,936	6,589	-	6,589
Change in net assets	397,089	153,192	550,281	280,549	(46,439)	234,110
Net assets:						
Beginning of year	1,802,732	1,069,890	2,872,622	1,522,183	1,116,329	2,638,512
End of year	\$ 2,199,821	\$ 1,223,082	\$ 3,422,903	\$ 1,802,732	\$ 1,069,890	\$ 2,872,622

See independent auditors' report and notes to financial statements.

CYSTIC FIBROSIS RESEARCH INSTITUTE

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

2021

	Education	Research	Total Program	Management and General	Fundraising	Total
Payroll expenses						
Salaries	\$ 248,623	\$ 14,552	\$ 263,175	\$ 19,220	\$ 42,220	\$ 324,615
Payroll taxes	18,136	1,045	19,181	1,746	3,323	24,250
Other employee benefits	31,516	2,270	33,786	2,105	2,899	38,790
Total labor expense	<u>298,275</u>	<u>17,867</u>	<u>316,142</u>	<u>23,071</u>	<u>48,442</u>	<u>387,655</u>
Non-labor expenses						
Professional fees	6,120	559	6,679	41,464	1,122	49,265
Supplies	574	518	1,092	42	1,029	2,163
Purchased services	2,167	4	2,171	3	9	2,183
Rent	52,830	4,226	57,056	3,522	9,862	70,440
Insurance	4,189	335	4,524	294	782	5,600
Telephone	3,531	282	3,813	235	659	4,707
Postage, mailing, and printing	2,705	35	2,740	161	15,089	17,990
Education	216,298	-	216,298	35	-	216,333
Grants	-	336,651	336,651	-	-	336,651
Other expenses	<u>25,075</u>	<u>6,234</u>	<u>31,309</u>	<u>7,114</u>	<u>14,910</u>	<u>53,333</u>
Total non-labor expense	<u>313,489</u>	<u>348,844</u>	<u>662,333</u>	<u>52,870</u>	<u>43,462</u>	<u>758,665</u>
Total expenses before depreciation and amortization and in-kind expense	611,764	366,711	978,475	75,941	91,904	1,146,320
In-kind expense	-	-	-	-	10,000	10,000
Depreciation and amortization	<u>2,725</u>	<u>218</u>	<u>2,943</u>	<u>182</u>	<u>509</u>	<u>3,634</u>
Total expenses	<u>\$ 614,489</u>	<u>\$ 366,929</u>	<u>\$ 981,418</u>	<u>\$ 76,123</u>	<u>\$ 102,413</u>	<u>\$ 1,159,954</u>
	53%	32%	85%	6%	9%	100%

See independent auditors' report and notes to financial statements.

CYSTIC FIBROSIS RESEARCH INSTITUTE

Statement of Functional Expenses
For the year ended December 31, 2020

2020

	Education	Research	Total Program	Management and General	Fundraising	Total
Payroll expenses						
Salaries	\$ 253,087	\$ 11,677	\$ 264,764	\$ 13,816	\$ 30,948	\$ 309,528
Payroll taxes	17,757	768	18,525	955	2,289	21,769
Other employee benefits	30,588	1,862	32,450	1,671	2,016	36,137
Total labor expense	<u>301,432</u>	<u>14,307</u>	<u>315,739</u>	<u>16,442</u>	<u>35,253</u>	<u>367,434</u>
Non-labor expenses						
Professional fees	6,654	697	7,351	37,943	1,490	46,784
Supplies	1,335	61	1,396	116	559	2,071
Rent	51,869	5,696	57,565	4,330	9,342	71,237
Insurance	3,715	393	4,108	226	537	4,871
Telephone	3,361	368	3,729	276	599	4,604
Postage, mailing, and printing	7,501	19	7,520	32	17,492	25,044
Bad debt	-	-	-	4,160	-	4,160
Education	183,877	-	183,877	120	-	183,997
Grants	-	299,611	299,611	-	-	299,611
Other expenses	28,459	6,832	35,291	1,665	18,772	55,728
Total non-labor expense	<u>286,771</u>	<u>313,677</u>	<u>600,448</u>	<u>48,868</u>	<u>48,791</u>	<u>698,107</u>
Total expenses before depreciation and amortization and in-kind expense	588,203	327,984	916,187	65,310	84,044	1,065,541
In-kind expense	-	-	-	-	11,591	11,591
Depreciation and amortization	<u>2,605</u>	<u>285</u>	<u>2,890</u>	<u>214</u>	<u>464</u>	<u>3,568</u>
Total expenses	<u>\$ 590,808</u>	<u>\$ 328,269</u>	<u>\$ 919,077</u>	<u>\$ 65,524</u>	<u>\$ 96,099</u>	<u>\$ 1,080,700</u>
	55%	30%	85%	6%	9%	100%

See independent auditors' report and notes to financial statements.

CYSTIC FIBROSIS RESEARCH INSTITUTE
 Statements of Cash Flows
 For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 550,281	\$ 234,110
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,634	3,568
Contributed stock	(52,285)	(6,270)
(Gain) loss on investments, net	14,830	198
Contribution of property and equipment	-	(1,000)
Extinguishment of debt	(116,266)	-
(Increase) decrease in assets:		
Pledges receivable	(101,719)	146,156
Prepaid expenses	1,836	(19,085)
Security deposit	-	9,885
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(2,352)	(10,130)
Accrued payroll and employee benefits	(6,358)	(218)
Accrued vacation	(1,976)	4,575
Deferred revenue	-	(370)
Net cash provided by operating activities	<u>289,625</u>	<u>361,419</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(931)	-
Purchases of investments	(1,277,285)	(1,001,193)
Proceeds from sale of investments	<u>49,026</u>	<u>1,312,542</u>
Net cash (used in) provided by investing activities	<u>(1,229,190)</u>	<u>311,349</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>58,496</u>	<u>57,770</u>
Net cash provided by (used in) financing activities	<u>58,496</u>	<u>57,770</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(881,069)	730,538
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,836,073</u>	<u>2,105,535</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 1,955,004</u></u>	<u><u>\$ 2,836,073</u></u>
Non-Cash Activities		
Contributed investments	\$ 52,285	\$ 6,270
Contributed property	\$ -	\$ 1,000

See independent auditors' report and notes to financial statements.

Cystic Fibrosis Research Institute

Notes to the Financial Statements
As of December 31, 2021 and 2020

1. NATURE OF ACTIVITIES

Cystic Fibrosis Research Institute, (the Organization) is a nonprofit organization incorporated in 1975, exempt under IRS Code Section 501(c)(3). The Organization funds cystic fibrosis (CF) basic science research, and provides education, outreach, awareness and support to individuals with CF and their families. The Organization is recognized as a national and global advocate for the cystic fibrosis community.

Cystic fibrosis is a progressive genetic disease characterized by an abnormality in the glands, which produces thick sticky mucus that clogs the small airways and ducts of the respiratory, digestive and reproductive systems, trapping bacteria and leading to serious infections. This defect results in many health complications, including lung and sinus infections, liver disease, pancreatic insufficiency and CF-related diabetes, infertility - primarily in men, and a shortened life span. There is no cure for CF and the primary cause of death is respiratory failure.

Having high ratings from charity watchdog organizations such as Charity Navigator, GuideStar and Great Nonprofits, the Organization receives donations from various public, private and nonprofit organizations and individuals.

2. SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The Organization prepares its financial statements using the accrual method of accounting in accordance with GAAP, which recognizes revenue and support when earned and expenses when incurred.

Classes of Net Assets

The Organization presents information regarding its financial position and activities according to two classes of net assets:

- *Net assets without donor restrictions* consist of net assets that are for use in general operations and are not subject to donor (or certain grantor) restrictions.
- *Net assets with donor restrictions* represent contributions whose use has imposed restrictions. The donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Cystic Fibrosis Research Institute

Notes to the Financial Statements
As of December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents includes all monies in banks and all highly-liquid investments available for current use with an initial maturity of three months or less.

Pledges Receivable

Pledges receivable includes donations made to the Organization by checks and credit card payments that were in transit as of the balance sheet date. It also includes grants committed by corporations in support of the Organization's specific programs as of the balance sheet date. Management provides for potentially uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of each commitment. Balances that are still outstanding after management has used reasonable collection efforts are written off through a change to the valuation allowance and a credit to pledges receivable. Management believes all pledges receivable as of December 31, 2021 and 2020 are collectible, therefore no allowance for doubtful accounts has been recorded.

Prepaid Expenses

Prepaid expenses consist of expenses paid before they are incurred including insurance and other operating expenses. All prepaid expenses are expected to be expended within one year.

Property and Equipment

Property and equipment are stated at cost. Purchased or donated assets in excess of \$500 are capitalized and depreciation is computed using the straight-line method over the estimated useful lives ranging from 3 to 15 years.

Fair Value of Financial Instruments

Financial instruments included in the Organization's Statement of Financial Position as of December 31, 2021 and 2020 include cash, investment, accounts receivable, accounts payable and accrued expenses. The carrying amounts of these financial instruments represent a reasonable estimate of the corresponding fair values.

Recognition of Contribution Income

The Organization's revenue recognition policy requires that contributions received, including unconditional promises to give, be recognized as revenue at their fair value in the period the contribution or pledge is received. During year ended December 31, 2019, the Organization amended a previously adopted policy that classifies donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the same year the contribution was received. Contributed support restricted by the donor, is reported as an increase in net assets with donor restrictions and release from restrictions if the restriction expires in the reporting period in which the support is recognized. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified

Cystic Fibrosis Research Institute

Notes to the Financial Statements
As of December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

to net assets without donor restrictions and reported as net assets released from restriction. All other contributed support is recognized as unrestricted revenue when received or un-conditionally promised.

Contributions-in-kind consist of significant donated property and equipment, which are recorded at the estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which the Organization would have paid for if not contributed, are recorded at their estimated fair market value. In addition, a substantial number of volunteers have contributed significant amounts of time in promoting the Organization's programs. For each of the years ended December 31, 2021 and 2020, the value of in-kind supplies and other services contributed to the Organization are \$10,000, respectively. The value of contributed volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not require specialized skills.

Functional Allocation of Expenses

Functional classification allocates expenses according to the purpose for which the costs are incurred. Examples of functional classifications are program services (expenses directly related to the purpose for which the Organization exists) and supporting activities (those indirectly related to the purposes for which the Organization exists but necessary for its operations, i.e., management and general, and fundraising).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Tax Exemption Status

The Organization is exempt from federal and state income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and 23701(d) of the California Revenue and Taxation Code. The Organization does pay unrelated business income tax on rental activities that are not related to its exempt purpose.

In accordance with GAAP, an organization must recognize the tax benefit associated with any tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions. For the years ended December 31, 2021 and 2020, there were no tax related interest or penalties recorded or included in the financial statements.

Cystic Fibrosis Research Institute

Notes to the Financial Statements
As of December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changing Standards

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the statement of financial position for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The effective date was January 1, 2021, however, in June 2020, FASB issued ASU 2020-05 which pushed out the effective date out by one year. The new standard will be effective for the Organization on January 1, 2022. Early adoption is permitted. The Organization is in the process of evaluating the impact the adoption of this standard will have on its financial statements and related disclosures.

3. CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, and receivables. The Organization maintains cash with commercial banks and other major financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance ("FDIC") limits of \$250,000.

The credit risk associated with receivables is mitigated by the fact that the receivables are due from Organization members, local donors and governments.

For the years ended December 31, 2021 and 2020, one donor contributed 15% of total support and revenue.

4. INVESTMENTS

During 2021, the Organization received a gift of stock. During 2020, the Organization received a gift of stock which was sold on the open market shortly after receipt. There were no investments as of December 31, 2020. The investments are shown at fair market value as of December 31, 2021:

<u>Description</u>	<u>2021</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government mutual funds	<u>\$1,265,439</u>	<u>\$1,265,439</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,265,439</u>	<u>\$1,265,439</u>	<u>\$ -</u>	<u>\$ -</u>

The basis for the carrying value of investments is from information provided by broker managed accounts. Fair value measurements of investment instruments are based on open actively traded securities markets as reported by investment account broker statements.

Cystic Fibrosis Research Institute

Notes to the Financial Statements As of December 31, 2021 and 2020

4. INVESTMENTS (continued)

The three levels of inputs that may be used to measure fair value:

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

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

5. PROPERTY AND EQUIPMENT

The Organization owned the following property and equipment as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 41,026	\$ 33,896
Website development	32,500	32,500
Software	41,653	47,852
	<u>115,179</u>	<u>114,248</u>
Less accumulated depreciation	(111,087)	(107,453)
Net property and equipment	<u>\$ 4,092</u>	<u>\$ 6,795</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 were \$3,634 and \$3,568, respectively.

6. PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Organization received a \$57,770 loan through the Paycheck Protection Program (PPP), provided by the Small Business Administration. This loan helps small businesses pay for payroll and other expenses during the COVID-19 pandemic. The PPP loan and accrued interest are forgivable after the covered period has ended as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the full time equivalent or salary was reduced without restoring by a specified period. The unforgiven portion of the PPP loan has an interest rate of 1% with a maturity of two years. Accrued interest as of December 31, 2020 was \$440. In February 2021, the Organization received full forgiveness from the SBA and has reported the forgiveness as an extinguishment of debt in the Statements of Activities and Changes in Net Assets.

In February 2021, the Organization received a second round loan of \$57,770 through the PPP provided by the SBA. The PPP loan and accrued interest are forgivable after the covered period has ended as long as the borrower uses the loan proceeds for eligible

Cystic Fibrosis Research Institute

Notes to the Financial Statements
As of December 31, 2021 and 2020

6. PAYCHECK PROTECTION PROGRAM LOAN (continued)

purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the full time equivalent or salary was reduced without restoring by a specified period. The unforgiven portion of the PPP loan has an interest rate of 1% with a maturity of two years. In August 2021, the Organization received full forgiveness from the SBA and has reported the forgiveness as an extinguishment of debt in the Statements of Activities and Changes in Net Assets.

7. BOARD DESIGNATED FUND

Board designated net assets are those net assets that the Board of Directors has designated to be used for research or operations of the Organization. The board designated net assets for research was \$1,942 at December 31, 2021 and 2020. The board designated net assets for operations was \$290,081 at December 31, 2021 and 2020.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are restricted to the following purposes:

	December 31, 2020	Additions	Releases	December 31, 2021
Research	\$ 190,769	\$ 174,470	\$(336,801)	\$ 28,438
Education programs	879,121	823,452	(507,929)	1,194,644
	<u>\$1,069,890</u>	<u>\$ 997,922</u>	<u>\$(844,730)</u>	<u>\$1,223,082</u>

	December 31, 2019	Additions	Releases	December 31, 2020
Research	\$ 309,944	\$ 180,436	\$(299,611)	\$ 190,769
Education programs	806,385	553,565	(480,829)	879,121
	<u>\$1,116,329</u>	<u>\$ 734,001</u>	<u>\$(780,440)</u>	<u>\$ 1,069,890</u>

9. LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are deposited into a saving account.

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures following three guiding principles:

Cystic Fibrosis Research Institute

Notes to the Financial Statements
As of December 31, 2021 and 2020

9. LIQUIDITY AND AVAILABILITY (continued)

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

	December 31, 2021	December 31, 2020
Financial assets at year end		
Cash and cash equivalents	\$ 1,955,004	\$ 2,836,073
Receivables	187,719	86,000
Investments	1,265,439	-
Total Financial assets	<u>3,408,162</u>	<u>2,922,073</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,408,162</u>	<u>\$ 2,922,073</u>

10. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, and others, which are allocated on the basis of estimates of time and effort.

11. LEASES

On May 9, 2014, the Organization entered into a five-year lease agreement to rent office space in Palo Alto, California. This lease provides the first three months rent free, requiring the Organization to pay only for the operating expenses for this three-month abated base rent period. The Organization signed the lease amendment in November 12, 2018 to extend the original lease to May 31, 2022. The Organization signed a third amendment to further extend the lease to May 31, 2023 with \$4,720 monthly rent and common area expenses of \$1,150 for a total of \$5,870 each month.

Cystic Fibrosis Research Institute

Notes to the Financial Statements As of December 31, 2021 and 2020

11. LEASES (continued)

The future minimum lease payments for 2022 and 2023 is \$70,440 and \$29,350, respectively.

The lease requires the Organization to pay its share of certain operating expenses. Total occupancy costs under this lease were \$70,440 and \$71,237 for 2021 and 2020, respectively.

12. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued.

Management evaluates events occurring subsequent to December 31, 2021 in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

No subsequent events have been noted that require recognition or disclosure.