

**Cystic Fibrosis
Research Institute**
(a not-for-profit corporation)

Financial Statements
and
Independent Auditors' Report

For the Years Ended
December 31, 2023 and 2022



Cystic Fibrosis Research Institute
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December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors
Cystic Fibrosis Research Institute
Palo Alto, CA

Opinion

We have audited the financial statements of Cystic Fibrosis Research Institute, which comprise the statements of financial position as of December 31, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Cystic Fibrosis Research Institute as of December 31, 2023 and 2022, and the changes in its net assets 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cystic Fibrosis Research Institute 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cystic Fibrosis Research Institute'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 Cystic Fibrosis Research Institute'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.

A handwritten signature in blue ink that reads "BryMar".

Watsonville, CA
July 17, 2024

Cystic Fibrosis Research Institute
Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,292,412	\$ 1,739,194
Investments	1,246,655	1,199,475
Pledges receivable	160,000	230,250
Other receivables	217	5,698
Prepaid expenses	21,388	16,611
Total current assets	3,720,672	3,191,228
Security deposits	5,143	5,143
Property and equipment, net	2,026	2,971
Total assets	<u>\$ 3,727,841</u>	<u>\$ 3,199,342</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,496	\$ 15,582
Accrued payroll and employee benefits	-	2,750
Accrued vacation	15,312	19,254
Total current liabilities	19,808	37,586
Net assets		
Without donor restrictions		
Undesignated	2,373,804	1,991,728
Board designated	-	312,023
Total net assets without donor restrictions	2,373,804	2,303,751
With donor restrictions	1,334,229	858,005
Total net assets	3,708,033	3,161,756
Total liabilities and net assets	<u>\$ 3,727,841</u>	<u>\$ 3,199,342</u>

See independent auditors' report and accompanying notes to the financial statements.

Cystic Fibrosis Research Institute
Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 452,110	\$ 1,477,245	\$ 1,929,355
Education program and collateral	15,045	-	15,045
Non-financial contributions	27,359	-	27,359
Special events revenue	105,987	-	105,987
Less: cost of direct benefit to donors	(9,244)	-	(9,244)
Miscellaneous	809	-	809
Total revenue and support	592,066	1,477,245	2,069,311
Restrictions satisfied by payments	1,001,021	(1,001,021)	-
Total revenues and support with restrictions satisfied by payments	1,593,087	476,224	2,069,311
EXPENSES			
Program services	1,370,456	-	1,370,456
Management and general	109,348	-	109,348
Fundraising expenses	137,950	-	137,950
Total expenses	1,617,754	-	1,617,754
OTHER INCOME (EXPENSES)			
Gain (loss) on investments	13,629	-	13,629
Interest and dividend income	81,091	-	81,091
Total other income (expenses)	94,720	-	94,720
Total change in net assets	70,053	476,224	546,277
Net assets, beginning of year	2,303,751	858,005	3,161,756
Net assets, end of year	\$ 2,373,804	\$ 1,334,229	\$ 3,708,033

See independent auditors' report and accompanying notes to the financial statements.

Cystic Fibrosis Research Institute
Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 409,668	\$ 813,214	\$ 1,222,882
Education program and collateral	2,700	-	2,700
Non-financial contributions	25,519	-	25,519
Special events revenue	105,559	-	105,559
Less: cost of direct benefit to donors	(28,692)	-	(28,692)
Miscellaneous	908	-	908
Total revenue and support	515,662	813,214	1,328,876
Restrictions satisfied by payments	1,178,291	(1,178,291)	-
Total revenues and support with restrictions satisfied by payments	1,693,953	(365,077)	1,328,876
EXPENSES			
Program services	1,325,516	-	1,325,516
Management and general	77,631	-	77,631
Fundraising expenses	122,788	-	122,788
Total expenses	1,525,935	-	1,525,935
OTHER INCOME (EXPENSES)			
Gain (loss) on investments	(85,508)	-	(85,508)
Interest and dividend income	21,420	-	21,420
Total other income (expenses)	(64,088)	-	(64,088)
Total change in net assets	103,930	(365,077)	(261,147)
Net assets, beginning of year	2,199,821	1,223,082	3,422,903
Net assets, end of year	\$ 2,303,751	\$ 858,005	\$ 3,161,756

See independent auditors' report and accompanying notes to the financial statements.

Cystic Fibrosis Research Institute Statement of Functional Expenses

For the Year Ended December 31, 2023

	Education	Research	Total Program	Management and General	Fundraising	Total
Salaries	\$ 272,127	\$ 13,210	\$ 285,337	\$ 24,269	\$ 46,581	\$ 356,187
Payroll taxes	19,575	934	20,509	1,581	3,632	25,722
Vacation and other employee benefits	34,585	2,203	36,788	3,455	3,262	43,505
Contract labor	-	-	-	-	2,650	2,650
Professional fees	8,088	778	8,866	63,191	1,551	73,608
Supplies	706	58	764	145	1,233	2,142
Rent	51,421	4,931	56,352	4,226	10,454	71,032
Insurance	4,227	405	4,632	347	811	5,790
Telephone	3,262	313	3,575	268	626	4,469
Postage, mailing, and printing	35,937	364	36,301	88	18,658	55,047
Education	252,771	500	253,271	-	-	253,271
Grants	-	611,672	611,672	-	-	611,672
Other expenses	45,167	6,466	51,633	11,721	21,001	84,355
Non-financial expenses	-	-	-	-	27,359	27,359
Special events	-	-	-	-	9,244	9,244
Depreciation and amortization	690	66	756	57	132	945
	728,556	641,900	1,370,456	109,348	147,194	1,626,998
Less expenses netted in revenue:						
Special events	-	-	-	-	(9,244)	(9,244)
Total expenses	<u>\$ 728,556</u>	<u>\$ 641,900</u>	<u>\$ 1,370,456</u>	<u>\$ 109,348</u>	<u>\$ 137,950</u>	<u>\$ 1,617,754</u>
	45%	40%	85%	7%	8%	100%

See independent auditors' report and accompanying notes to the financial statements.

Cystic Fibrosis Research Institute Statement of Functional Expenses

For the Year Ended December 31, 2022

	Education	Research	Total Program	Management and General	Fundraising	Total
Salaries	\$ 265,781	\$ 15,112	\$ 280,893	\$ 21,460	\$ 46,812	\$ 349,165
Payroll taxes	19,345	1,079	20,424	1,578	3,700	25,702
Vacation and other employee benefits	34,501	2,536	37,037	2,660	2,927	42,624
Professional fees	5,106	436	5,542	41,991	871	48,404
Supplies	778	45	823	127	845	1,795
Purchased services	-	-	-	-	3,000	3,000
Rent	51,305	4,865	56,170	3,467	9,708	69,345
Insurance	3,999	375	4,374	270	756	5,400
Telephone	4,087	387	4,474	276	773	5,523
Postage, mailing, and printing	14,486	150	14,636	216	9,778	24,630
Education	267,813	500	268,313	-	-	268,313
Grants	-	590,000	590,000	-	-	590,000
Other expenses	34,594	6,120	40,714	5,455	17,733	63,902
Non-financial expenses	-	-	-	-	25,519	25,519
Special events	-	-	-	-	28,692	28,692
Depreciation and amortization	1,933	183	2,116	131	366	2,613
	703,728	621,788	1,325,516	77,631	151,480	1,554,627
Less expenses netted in revenue:						
Special events	-	-	-	-	(28,692)	(28,692)
Total expenses	<u>\$ 703,728</u>	<u>\$ 621,788</u>	<u>\$ 1,325,516</u>	<u>\$ 77,631</u>	<u>\$ 122,788</u>	<u>\$ 1,525,935</u>
	46%	41%	87%	5%	8%	100%

See independent auditors' report and accompanying notes to the financial statements.

Cystic Fibrosis Research Institute

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 546,277	\$ (261,147)
Adjustments to reconcile change in net assets cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	(13,629)	85,508
Depreciation and amortization	945	2,613
Contributed stock	-	(907)
(Increase) decrease in operating assets:		
Pledges receivable	70,250	(42,531)
Other receivables	5,481	(5,423)
Prepaid expenses	(4,777)	12,073
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(11,086)	11,363
Accrued payroll and employee benefits	(2,750)	2,750
Accrued vacation	(3,942)	20
Net cash provided by (used in) operating activities	586,769	(195,681)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(1,492)
Acquisition of investments	(33,551)	(18,637)
Net cash provided by (used in) investing activities	(33,551)	(20,129)
Net increase (decrease) in cash and cash equivalents	553,218	(215,810)
Cash and cash equivalents, beginning of year	1,739,194	1,955,004
Cash and cash equivalents, end of year	\$ 2,292,412	\$ 1,739,194
NONCASH ACTIVITIES		
Contributed investments	\$ -	\$ 907

See independent auditors' report and accompanying notes to the financial statements.

Cystic Fibrosis Research Institute

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 1 - NATURE OF OPERATIONS

Cystic Fibrosis Research Institute, (the Organization) is a nonprofit organization incorporated in 1975, exempt under Internal Revenue Code (IRC) 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.

CF 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenue and support are recorded when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation

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. In 2023, the governing board dissolved/released amounts they had previously designated from net assets without donor 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.

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 at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash and money market funds. For purposes of reporting cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of 90 days or less at the date of purchase to be cash equivalents.

Cystic Fibrosis Research Institute

Notes to Financial Statements

December 31, 2023 and 2022

Pledges receivable

Pledges receivable includes donations made to the Organization by checks and credit card payments that were in transit as of the statement of financial position date. It also includes grants committed by corporations in support of the Organization's specific programs as of the statement of financial position 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, 2023 and 2022 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.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair value of financial instruments

Financial instruments included in the Organization's Statements of Financial Position as of December 31, 2023 and 2022 include cash, accounts receivable, accounts payable and accrued expenses. The carrying amounts of these financial instruments represent a reasonable estimate of the corresponding fair values.

Property and equipment

Property and equipment exceeding \$2,500, effective April 2023 (previously \$500), are recorded at cost if purchased or at estimated fair market value at date of gift, if donated. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Office furniture and equipment	3-8 years
Website development	5 years
Software	3-4 years

Accounts payable and accrued expenses

Accounts payable and accrued expenses consist of amounts due for expenses incurred but not paid until the subsequent year as well as the accrual for wages and compensated absences.

Leases

The Organization elects to not recognize a lease liability or right-of-use asset for leases with a remaining lease term of 12 months or less.

Cystic Fibrosis Research Institute

Notes to Financial Statements

December 31, 2023 and 2022

Revenue recognition

Exchange revenue - The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization receives contracts from foundations to provide services. The performance obligation is providing the service to the grantee. The Organization establishes the transaction price, based on quoted prices in active markets. Revenue is recognized when the corresponding service has been provided according to the agreement, subject to the contract limit, if any.

Contribution revenue - The Organization records contributions, including unconditional promises to give as revenue at their fair value in the period the contribution or pledge is received. All contributed support is recognized as revenue without donor restrictions when received or un-conditionally promised. The Organization reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. 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 to net assets without donor restrictions and reported as net assets released from restrictions.

Non-financial contributions

The Organization records nonfinancial support, including contributed assets and professional services, 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. 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 expense allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses applicable to more than one program are allocated based on usage and management's estimates.

Tax exempt status

The Organization is exempt from federal and state income taxes under Sections 501(c) (3) of 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, 2023 and 2022, there were no tax related interest or penalties recorded or included in the financial statements.

Cystic Fibrosis Research Institute

Notes to Financial Statements

December 31, 2023 and 2022

Recent accounting standards

Credit losses - In June 2016, the FASB issued guidance (Topic 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in Topic 326 were accounts receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

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:

- 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, 2023 and 2022, 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 greater than one year and special project outside of the Organization's core programs.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,292,412	\$ 1,739,194
Pledge and other receivables	160,217	235,948
Investments	1,246,655	1,199,475
Less: board designated	-	(312,023)
Less: donor restricted financial assets	-	-
	<u>\$ 3,699,284</u>	<u>\$ 2,862,594</u>

Cystic Fibrosis Research Institute

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 4 - INVESTMENTS

The Organization reports investments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs.

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.

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.

Cystic Fibrosis Research Institute

Notes to Financial Statements

December 31, 2023 and 2022

The Organization invests in money market funds and publicly traded certificates of deposit, with financial institutions. The investments are recognized at fair value as of December 31, 2023 and 2022:

	2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 3)
Government mutual funds	\$ 1,246,655	\$ 1,246,655	\$ -	\$ -

	2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 3)
Government mutual funds	\$ 1,199,475	\$ 1,199,475	\$ -	\$ -

NOTE 5 - PROPERTY AND EQUIPMENT

At December 31, 2023 and 2022, the value of the property and equipment and related accumulated depreciation is as follows:

	2023	2022
Furniture and equipment	\$ 34,633	\$ 34,633
Website development	32,500	32,500
Software	41,653	41,653
Less: accumulated depreciation and amortization	(106,760)	(105,815)
	<u>\$ 2,026</u>	<u>\$ 2,971</u>

Depreciation and amortization expense for the years ended December 31, 2023 and 2022, was \$945 and \$2,613, respectively.

NOTE 6 - BOARD DESIGNATED FUNDS

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 \$0 and \$21,942 at December 31, 2023 and 2022, respectively. The board designated net assets for operations was \$0 and \$290,081 at December 31, 2023 and 2022, respectively.

Cystic Fibrosis Research Institute

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions during the years ended December 31, 2023 and 2022 consisted of the following:

	<u>2022</u>	<u>Additions</u>	<u>Releases/Reclasses</u>	<u>2023</u>
Research	\$ 388,750	\$ 708,691	\$ (336,730)	\$ 760,711
Education programs	469,255	768,554	(664,291)	573,518
	<u>\$ 858,005</u>	<u>\$ 1,477,245</u>	<u>\$ (1,001,021)</u>	<u>\$ 1,334,229</u>

	<u>2021</u>	<u>Additions</u>	<u>Releases/Reclasses</u>	<u>2022</u>
Research	\$ 28,438	\$ 243,610	\$ 116,702	\$ 388,750
Education programs	1,194,644	569,604	(1,294,993)	469,255
	<u>\$ 1,223,082</u>	<u>\$ 813,214</u>	<u>\$ (1,178,291)</u>	<u>\$ 858,005</u>

NOTE 8 - 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 Organization allocates all expenses based on a time allocation of the employees per month and this is done for all expense other than grant expense. Grant expense is directly allocated to grant making.

NOTE 9 - NON-FINANCIAL CONTRIBUTIONS

Contributions of non-financial assets consist of contributed media sponsorship, stamps and other items and auction items for the Gala event. For the years ended December 31, 2023 and 2022, contributed non-financial assets recognized within the statements of activities include:

	<u>2023</u>	<u>2022</u>
Media sponsorship	\$ 10,000	\$ 10,000
Gala auction items	17,359	15,282
Stamps and other items	-	237
	<u>\$ 27,359</u>	<u>\$ 25,519</u>

Media sponsorship

Media sponsorship is valued at fair market value at the date of donation.

Gala auction items

Gala auction contributions are valued at fair market value at the date of donation. These items are later auctioned off at the Organizations annual Gala event.

Stamps and other items

Stamps and other items are valued at fair market value at the date of donation.

Cystic Fibrosis Research Institute

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 10 - 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, 2023 and 2022, there were two and one contributor(s) that provided more than 10% of revenue support, respectively, excluding non-financial contributions. Additionally, there was one contributor that accounted for over 10% of pledge receivable for both years.

NOTE 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 fourth amendment to further extend the lease to May 31, 2024 with \$4,720 monthly rent and common area expenses of \$1,150 for a total of \$5,870 each month with no further option to extend.

Future minimum lease liabilities for 2024 is \$29,350.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of society across the world. The continued spread of COVID-19 may adversely impact the local, regional, national and world economies. The extent to which Covid-19 may impact the Organization's activities may depend on future developments which are highly uncertain and cannot be predicted. Although to date, Covid-19 has not had a material impact on the Organization's activities, management cannot presently estimate the overall long-term operational and financial impact to the Organization.

NOTE 13 - RECLASSIFICATION

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net assets.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the date the financial statements were available to be 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 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.

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by the Organization and available to be issued.

On March 2024, the Organization extended the lease to May 31, 2025 with monthly rent lowered to \$4,000. No other subsequent events require disclosure or recognition.