

# Foundation for the National Institutes of Health, Inc.

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## Financial Statements

Years Ended December 31, 2019 and 2018

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## **Independent Auditors' Report**

Board of Directors  
Foundation for the National Institutes of Health, Inc.  
North Bethesda, Maryland

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for the National Institutes of Health, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, the Foundation has changed its method of accounting for revenue recognition in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* and ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, effective January 1, 2019. The Foundation adopted these standards using a modified retrospective approach and modified prospective approach, respectively. Our opinion is not modified with respect to these matters.

*Dixon Hughes Goodman LLP*

**Richmond, Virginia**

**May 15, 2020**

**Foundation for the National Institutes of Health, Inc.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 29,756,418	\$ 20,568,739
NIH receivable	500,000	-
Contributions receivable, net, current portion	7,811,673	17,013,499
Accrued interest	554,097	465,834
Prepaid expenses and other receivables	300,636	249,754
	<u>38,922,824</u>	<u>38,297,826</u>
Total current assets	38,922,824	38,297,826
Contributions receivable, net, less current portion	3,642,795	257,048
Investments	91,401,689	102,785,676
Property and equipment, net	1,574,395	1,553,424
	<u>\$ 135,541,703</u>	<u>\$ 142,893,974</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,145,693	\$ 3,884,772
Funds held for others, agency transactions	-	1,235,000
Charitable gift annuity	131,791	137,937
	<u>10,277,484</u>	<u>5,257,709</u>
Total current liabilities	10,277,484	5,257,709
Deferred grant revenue	-	2,870,167
Advance receipts on conditional contributions	5,147,362	3,200,000
Deferred lease incentive	1,187,019	1,279,514
Deferred rent liability	419,548	383,777
	<u>17,031,413</u>	<u>12,991,167</u>
Total liabilities	17,031,413	12,991,167
Net assets:		
Without donor restrictions:		
Unrestricted, general	8,664,974	6,730,390
Board designated	12,913,000	11,337,000
	<u>21,577,974</u>	<u>18,067,390</u>
Total without donor restrictions	21,577,974	18,067,390
With donor restrictions	96,932,316	111,835,417
	<u>118,510,290</u>	<u>129,902,807</u>
Total net assets	118,510,290	129,902,807
Total liabilities and net assets	<u>\$ 135,541,703</u>	<u>\$ 142,893,974</u>

See accompanying notes.

**Foundation for the National Institutes of Health, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, support and other changes:			
Contributions	\$ 528,556	\$ 49,298,924	\$ 49,827,480
Grants	220,665	-	220,665
In-kind contributions	270,780	-	270,780
Transfers from NIH	500,000	-	500,000
Donated services	50,000	-	50,000
Fundraising event	401,000	-	401,000
Investment and interest income, net	4,003,989	1,193,135	5,197,124
Administrative fee refunded, agency transactions and grants	(50,000)	-	(50,000)
Net assets released from restrictions:			
Satisfaction of indirect cost requirements	4,699,724	(4,699,724)	-
Satisfaction of program restrictions	60,668,032	(60,668,032)	-
	<u>71,292,746</u>	<u>(14,875,697)</u>	<u>56,417,049</u>
Total revenue, support and other changes			
Expenses:			
Program services:			
Fellowships and training programs	939,134	-	939,134
Memorials, awards and events	575,570	-	575,570
Capital projects	60,340	-	60,340
Research programs	59,558,215	-	59,558,215
	<u>61,133,259</u>	<u>-</u>	<u>61,133,259</u>
Total program services			
Supporting services:			
Management and general	6,123,632	-	6,123,632
Fundraising	552,675	-	552,675
	<u>6,676,307</u>	<u>-</u>	<u>6,676,307</u>
Total supporting services			
Total expenses	<u>67,809,566</u>	<u>-</u>	<u>67,809,566</u>
Change in donor designation	<u>27,404</u>	<u>(27,404)</u>	<u>-</u>
Change in net assets	3,510,584	(14,903,101)	(11,392,517)
Net assets, beginning of year	<u>18,067,390</u>	<u>111,835,417</u>	<u>129,902,807</u>
Net assets, end of year	<u>\$ 21,577,974</u>	<u>\$ 96,932,316</u>	<u>\$ 118,510,290</u>

See accompanying notes.

**Foundation for the National Institutes of Health, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue, support and other changes:			
Contributions	\$ 561,548	\$ 57,700,175	\$ 58,261,723
Grants	116,338	-	116,338
In-kind contributions	256,859	-	256,859
Transfers from NIH (2018 FY)	750,000	-	750,000
Transfers from NIH (2019 FY)	1,250,000	-	1,250,000
Donated services	60,000	-	60,000
Fundraising event	368,156	-	368,156
Investment and interest income (loss), net	1,030,225	(112,527)	917,698
Administrative fee, agency transactions and grants	64,723	-	64,723
Net assets released from restrictions:			
Satisfaction of indirect cost requirements	4,126,804	(4,126,804)	-
Satisfaction of program restrictions	36,092,304	(36,092,304)	-
	<u>44,676,957</u>	<u>17,368,540</u>	<u>62,045,497</u>
Total revenue, support and other changes			
Expenses:			
Program services:			
Fellowships and training programs	1,074,653	-	1,074,653
Memorials, awards and events	486,093	-	486,093
Capital projects	852,380	-	852,380
Research programs	34,264,962	-	34,264,962
	<u>36,678,088</u>	<u>-</u>	<u>36,678,088</u>
Total program services			
Supporting services:			
Management and general	5,436,683	-	5,436,683
Fundraising	515,538	-	515,538
	<u>5,952,221</u>	<u>-</u>	<u>5,952,221</u>
Total supporting services			
	<u>42,630,309</u>	<u>-</u>	<u>42,630,309</u>
Total expenses			
Change in donor designation	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Change in net assets	2,096,648	17,318,540	19,415,188
Net assets, beginning of year	<u>15,970,742</u>	<u>94,516,877</u>	<u>110,487,619</u>
Net assets, end of year	<u>\$ 18,067,390</u>	<u>\$ 111,835,417</u>	<u>\$ 129,902,807</u>

See accompanying notes.

**Foundation for the National Institutes of Health, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2019**

	Program Services				Supporting Services				Total
	Fellowships and Training Programs	Memorials, Awards and Events	Capital Projects	Research Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 48,372	\$ 62,963	\$ 13,655	\$ 5,588,107	\$ 5,713,097	\$ 4,074,426	\$ 287,798	\$ 4,362,224	\$ 10,075,321
Stipends	500	111,434	10,000	15,000	136,934	-	-	-	136,934
Programs contracts	769,001	311,109	-	38,977,021	40,057,131	-	-	-	40,057,131
Grant awards	-	-	-	10,519,901	10,519,901	-	-	-	10,519,901
Meetings and travel	93,713	83,422	31,275	2,165,189	2,373,599	76,849	113,135	189,984	2,563,583
Office supplies and expense	2,834	488	1,461	-	4,783	14,902	1,038	15,940	20,723
Telephone	-	-	-	84,140	84,140	95,576	7,776	103,352	187,492
Books and supplies	833	-	1,306	26,077	28,216	8,132	1,192	9,324	37,540
Tuition	-	-	-	3,633	3,633	2,975	-	2,975	6,608
Insurance	-	-	-	101,082	101,082	71,796	-	71,796	172,878
Consultants	-	-	600	1,369,460	1,370,060	289,770	49,910	339,680	1,709,740
Professional fees	1,950	-	-	192,707	194,657	145,940	-	145,940	340,597
Depreciation and amortization	-	-	-	-	-	189,073	-	189,073	189,073
Rent/housing	3,120	-	-	128,877	131,997	432,957	-	432,957	564,954
Recruiting	-	-	-	53,836	53,836	33,471	-	33,471	87,307
Relocation	-	-	-	-	-	398,679	-	398,679	398,679
Temporary services	-	-	-	2,640	2,640	240	-	240	2,880
Dues and subscriptions	-	-	-	18,390	18,390	14,854	-	14,854	33,244
Equipment and rental and maintenance	16,878	-	-	5,939	22,817	40,072	-	40,072	62,889
Printing and photocopying	-	1,385	-	93,562	94,947	48,973	49,088	98,061	193,008
Postage and delivery	-	136	-	115,125	115,261	2,963	3,895	6,858	122,119
Service charges	1,329	1,116	227	6,473	9,145	23,062	1,953	25,015	34,160
Communication	14	3,242	-	76,640	79,896	148,226	30,481	178,707	258,603
Advertising and promotion	-	-	-	14,026	14,026	8,302	2,125	10,427	24,453
Miscellaneous	590	275	1,816	390	3,071	2,394	4,284	6,678	9,749
	<u>\$ 939,134</u>	<u>\$ 575,570</u>	<u>\$ 60,340</u>	<u>\$ 59,558,215</u>	<u>\$ 61,133,259</u>	<u>\$ 6,123,632</u>	<u>\$ 552,675</u>	<u>\$ 6,676,307</u>	<u>\$ 67,809,566</u>

See accompanying notes.



**Foundation for the National Institutes of Health, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

	Program Services				Supporting Services				Total
	Fellowships and Training Programs	Memorials, Awards and Events	Capital Projects	Research Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 49,988	\$ 60,175	\$ 82,437	\$ 4,433,468	\$ 4,626,068	\$ 3,921,523	\$ 173,868	\$ 4,095,391	\$ 8,721,459
Stipends	500	110,997	10,000	15,250	136,747	-	50,000	50,000	186,747
Programs contracts	892,062	128,568	602,282	16,512,076	18,134,988	-	-	-	18,134,988
Grant awards	-	-	-	9,744,585	9,744,585	-	-	-	9,744,585
Meetings and travel	105,345	174,089	31,854	1,180,650	1,491,938	68,194	104,943	173,137	1,665,075
Office supplies and expense	1,433	1,389	30	-	2,852	18,497	481	18,978	21,830
Telephone	-	-	-	70,723	70,723	88,559	7,356	95,915	166,638
Books and supplies	3,612	-	-	14,692	18,304	8,498	-	8,498	26,802
Tuition	-	-	-	674	674	2,177	-	2,177	2,851
Insurance	-	-	-	104,525	104,525	69,968	-	69,968	174,493
Consultants	-	-	118,420	1,665,555	1,783,975	233,850	95,113	328,963	2,112,938
Professional fees	-	-	-	132,198	132,198	153,052	-	153,052	285,250
Depreciation and amortization	-	-	-	-	-	173,807	-	173,807	173,807
Rent/housing	9,172	-	-	131,886	141,058	408,696	-	408,696	549,754
Recruiting	-	-	-	8,767	8,767	80,865	-	80,865	89,632
Temporary services	-	503	-	3,151	3,654	2,268	450	2,718	6,372
Dues and subscriptions	-	-	-	10,492	10,492	12,495	-	12,495	22,987
Equipment and rental and maintenance	10,851	-	-	8,985	19,836	40,287	-	40,287	60,123
Printing and photocopying	-	2,472	2,005	38,352	42,829	20,757	46,472	67,229	110,058
Postage and delivery	-	28	1,071	99,499	100,598	3,805	6,965	10,770	111,368
Service charges	1,645	325	176	6,611	8,757	22,200	2,080	24,280	33,037
Communication	45	5,047	8	80,054	85,154	90,075	13,244	103,319	188,473
Advertising and promotion	-	-	-	1,438	1,438	6,052	4,873	10,925	12,363
Miscellaneous	-	2,500	4,097	1,331	7,928	11,058	9,693	20,751	28,679
	<u>\$ 1,074,653</u>	<u>\$ 486,093</u>	<u>\$ 852,380</u>	<u>\$ 34,264,962</u>	<u>\$ 36,678,088</u>	<u>\$ 5,436,683</u>	<u>\$ 515,538</u>	<u>\$ 5,952,221</u>	<u>\$ 42,630,309</u>

See accompanying notes.

**Foundation for the National Institutes of Health, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (11,392,517)	\$ 19,415,188
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	189,073	173,807
Contributions restricted for long-term purposes	(259,681)	(109,617)
Net realized and unrealized (gain) loss on investments	(2,558,778)	979,685
Deferred lease incentive amortization	(92,495)	(92,495)
Change in assets and liabilities:		
Contributions receivable	5,816,079	5,709,465
NIH receivable	(500,000)	500,000
Accrued interest	(88,263)	(262,015)
Prepaid expenses and other receivables	(50,882)	(78,047)
Accounts payable and accrued expenses	6,260,921	180,313
Funds held for others, agency transactions	(1,235,000)	(5,626)
Charitable gift annuity	(6,146)	(6,256)
Advance receipts on grants	(2,870,167)	(76,906)
Advance receipts on conditional contributions	1,947,362	2,765,000
Net cash (used) provided by operating activities	<u>(4,840,494)</u>	<u>29,092,496</u>
Cash flows from investing activities:		
Furniture and equipment acquisitions	(210,044)	(73,954)
Sales and maturities of investments	98,377,402	90,642,144
Purchase of investments	(84,434,637)	(123,567,801)
Net cash provided (used) by investing activities	<u>13,732,721</u>	<u>(32,999,611)</u>
Cash flows from financing activities:		
Deferred rent liability	35,771	282,341
Contributions restricted for investment in permanent endowment	259,681	109,617
Net cash provided by financing activities	<u>295,452</u>	<u>391,958</u>
Net increase (decrease) in cash and cash equivalents	9,187,679	(3,515,157)
Cash and cash equivalents, beginning of year	<u>20,568,739</u>	<u>24,083,896</u>
Cash and cash equivalents, end of year	<u>\$ 29,756,418</u>	<u>\$ 20,568,739</u>

See accompanying notes.

## **Notes to Financial Statements**

### **1. Organization and Nature of Activities**

Foundation for the National Institutes of Health, Inc. (Foundation) is a not-for-profit organization, whose mission is to support the National Institutes of Health (NIH) in its mission, and to advance collaboration with biomedical researchers from universities, industry, and nonprofit organizations.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of accounting***

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### ***Basis of presentation***

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- Net assets without donor restrictions – not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation’s management and the board of directors.
- Net assets with donor restrictions – subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

#### ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

For purposes of the financial statement presentation, cash and cash equivalents includes all cash on hand, demand accounts, and highly-liquid investments with original maturities of three months or less, excluding temporarily uninvested money market funds held in brokerage accounts.

#### ***Investments***

Investments are reported at market value. Realized gains or losses are recognized upon sale or disposal. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains and losses, due to market fluctuations during the year, are recognized at year-end.

**Foundation for the National Institutes of Health, Inc.**  
**Notes to Financial Statements**

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***Contributions and other receivables***

Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions to be collected in more than one year are recorded at net present value, which approximates fair value. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. Credit risk for contributions receivable is concentrated, as a significant amount of contributions receivable are received from a few donor organizations. Other receivables are stated at net realizable value and are deemed fully collectible by management.

***Allowance for uncollectible receivables***

Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management has established an allowance for uncollectible contributions receivable based on a review of historical collections. Receivables are considered delinquent if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Amounts recorded as other receivables are deemed to be fully collectible by management. Accordingly, an allowance has not been recorded for those receivables.

***Property and equipment***

Property and equipment purchases are recorded at cost. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Furniture and equipment	3 - 5 years
Leasehold improvements	15 years

The Foundation's policy is to capitalize furniture and equipment purchased with a cost of \$1,000 or more. Donated equipment is recorded at fair value at the date of contribution.

***Deferred rent and incentives***

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed or are less than the cash payments required. Deferred leasehold incentives are recorded and amortized over the life of the lease.

***New accounting pronouncements***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective January 1, 2019, the first day of the Foundation's fiscal year using the modified retrospective approach. There was not a material impact on the financial statements as a result of the adoption.

During 2019, the Foundation adopted ASU No. 2018-08: *Not-for-profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Update addresses the evaluation of whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a contribution is conditional. The Foundation adopted the Update as of January 1, 2019 under the modified prospective method. There was not a material impact on the financial statements as a result of the adoption.

**Foundation for the National Institutes of Health, Inc.**  
**Notes to Financial Statements**

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***Contributions***

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Grants and contributions considered to be nonexchange transactions that include donor-imposed conditions are recognized as revenue when the condition is met. Funds received by the Foundation for conditional contributions are recorded as a liability until the conditions are met.

***Grant revenues***

Amounts received under grant awards are considered exchange transactions and are recognized as unrestricted revenue when the related expenses are incurred. Unexpended amounts received are recorded as deferred grant revenue. Expenditures in excess of receipts are recorded as grants receivable.

***Agency transactions***

The Foundation recognizes a liability equal to the fair value of assets received by the Foundation for which the donor stipulates that the assets are to be used on behalf of the donor or another entity (the beneficiary) or to be transferred to another entity.

***Transfers from NIH revenue recognition***

Transfers from NIH are recognized as revenue in the year they are approved.

***Fundraising event revenue recognition***

Amounts received to attend the annual award ceremony are considered exchange transactions as a reciprocal benefit is received by the attendees. The revenues associated with this event are recognized at a point in time, on the date of the event, at which time the Foundation's performance obligation is satisfied. There are no elements of variable consideration, contract costs, or significant financing components associated with this revenue.

***Functional expenses***

The costs of providing program and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<b><u>Expense</u></b>	<b><u>Method of Allocation</u></b>
Salaries and benefits	Time and effort
Stipends	Time and effort
Program contracts	Time and effort
Grant awards	Time and effort
Meetings and travel	Time and effort
Office supplies and expense	Time and effort
Telephone	Headcount/Time and effort
Books and supplies	Headcount/Time and effort
Tuition	Time and effort
Insurance	Headcount
Consultants	Time and effort
Professional fees	Time and effort
Depreciation	Time and effort

**Foundation for the National Institutes of Health, Inc.**  
**Notes to Financial Statements**

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Rent and housing	Square footage
Recruiting	Time and effort
Relocation	Time and effort
Temporary services	Time and effort
Dues and subscriptions	Time and effort
Equipment and rental	Headcount/Time and effort
Printing and photocopying	Time and effort
Postage and delivery	Time and effort
Service charges	Time and effort
Communications	Time and effort
Advertising and promotion	Time and effort
Miscellaneous	Time and effort

***Income taxes***

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2019 and 2018.

***Subsequent events***

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 15, 2020, the date the financial statements were available to be issued.

Subsequent to the balance sheet date, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Foundation's donors, employees and vendors, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

The Foundation carries a significant balance of equity securities. As of the date the financial statements were available to be issued, the economic uncertainty caused by the outbreak has resulted in a severe decline in the value of equity securities, including many of those held by the Foundation.

***Recently issued accounting standards***

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Foundation on January 1, 2021, and the Foundation is currently evaluating the effect this accounting standard may have on its financial statements.

**Foundation for the National Institutes of Health, Inc.**  
**Notes to Financial Statements**

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**3. Availability and Liquidity**

The following represents the Foundation's financial assets at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 29,756,418	\$ 20,568,739
NIH receivable	500,000	-
Contributions receivable, net, current portion	7,811,673	17,013,499
Investments	<u>91,401,689</u>	<u>102,785,676</u>
Total financial assets	<u>129,469,780</u>	<u>140,367,914</u>
Less amounts not to be used within one year:		
Net assets with donor restrictions	96,932,316	111,835,417
Legacy Fund established by the board	1,601,000	1,550,000
Quasi endowment established by the board	<u>10,412,000</u>	<u>8,887,000</u>
	<u>108,945,316</u>	<u>122,272,417</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 20,524,464</u>	<u>\$ 18,095,497</u>

The Foundation's goal is to maintain financial assets to meet one year of Supporting Services (approximately \$8 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and high-quality fixed income securities with a maximum maturity of 3 years.

**4. Concentration of Credit Risk**

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash transaction accounts. The Foundation places its cash transaction accounts with high credit quality financial institutions. At December 31, 2019 and 2018, the Foundation had deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**5. Property and Equipment**

Major classes of property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 935,548	\$ 1,041,295
Leasehold improvements	<u>1,387,425</u>	<u>1,387,425</u>
	2,322,973	2,428,720
Accumulated depreciation and amortization	<u>(748,578)</u>	<u>(875,296)</u>
	<u>\$ 1,574,395</u>	<u>\$ 1,553,424</u>

**Foundation for the National Institutes of Health, Inc.**  
**Notes to Financial Statements**

**6. Investments**

Investments as of December 31, 2019, are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 3,254,540	\$ 3,254,540
U.S. government bonds	71,883,010	72,119,707
Exchange traded funds	1,774,338	1,947,293
Mutual funds	<u>12,793,415</u>	<u>14,080,149</u>
	<u>\$ 89,705,303</u>	<u>\$ 91,401,689</u>

The following schedule summarizes the investment return and its classification for 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 2,382,347	\$ 435,987	\$ 2,818,334
Realized gain (loss)	345,963	(385)	345,578
Unrealized gain	1,455,667	757,533	2,213,200
Investment fees	<u>(179,988)</u>	<u>-</u>	<u>(179,988)</u>
Total investment return	<u>\$ 4,003,989</u>	<u>\$ 1,193,135</u>	<u>\$ 5,197,124</u>

Investments as of December 31, 2018, are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 3,231,655	\$ 3,231,655
U.S. government bonds	87,831,681	87,965,203
Exchange traded funds	1,595,842	1,499,212
Mutual funds	<u>10,950,208</u>	<u>10,089,606</u>
	<u>\$ 103,609,386</u>	<u>\$ 102,785,676</u>

The following schedule summarizes the investment return and its classification for 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 1,709,521	\$ 347,637	\$ 2,057,158
Realized gain	366,349	503,162	869,511
Unrealized loss	(885,870)	(963,326)	(1,849,196)
Investment fees	<u>(159,775)</u>	<u>-</u>	<u>(159,775)</u>
Total investment return	<u>\$ 1,030,225</u>	<u>\$ (112,527)</u>	<u>\$ 917,698</u>



**Foundation for the National Institutes of Health, Inc.**  
**Notes to Financial Statements**

**7. Contributions Receivable**

Contributions receivable at December 31, were as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 7,826,673	\$ 5,703,499
Receivable in one to five years	<u>3,746,667</u>	<u>11,865,000</u>
Total unconditional contributions receivable	<b>11,573,340</b>	17,568,499
Discounts to net present value	<b>(103,872)</b>	(282,952)
Allowance for uncollectible contributions receivable	<u>(15,000)</u>	<u>(15,000)</u>
Net unconditional contributions receivable	<u><b>\$ 11,454,468</b></u>	<u><b>\$ 17,270,547</b></u>

The discount rate used on long-term contributions receivable was 2.25% in 2019 and 2018.

**8. Conditional Contributions Receivable**

As of December 31, the Foundation had the following contributions receivable subject to donor conditions:

	<u>2019</u>	<u>2018</u>
Conditioned upon the funder not notifying the Foundation by a specific date that they do not wish to fund the program:		
Comprehensive Cellular Vaccine Immune Monitoring Consortium	\$ 766,745	\$ 3,245,488
Developing Leads to Shorten Duration of TB Chemotherapy	-	1,464,744
Using Biomarkers to Predict TB Treatment Duration	<b>3,159,480</b>	5,800,002
Lurie Prize in Biomedical Research	<b>200,000</b>	300,000
Support functions for Vector-based Control of Transmission Research	-	262,225
Pew Latin American Fellows Awards	<b>183,750</b>	199,500
Lifespan Connectome Project	-	580,645
Transitional Support for Gene Drive Research	-	1,850,599
Efficacy of Heterodimeric IL-15 Treatment Regimens in Reducing SIV Reservoir	<b>765,405</b>	765,405
Biomarkers Consortium Novel Cardiac Biomarkers in the General US Population	-	25,000
Conditioned upon meeting certain milestones and/or the funder not cancelling:		
NIH Medical Research Scholars Program	<b>180,000</b>	210,000
Follicular Lymphoma Research Fund	-	20,000
Alzheimer's Disease Neuroimaging Initiative-3	<b>2,511,683</b>	5,280,000
Accelerating Medicines Partnership: RA, SLE & Related Autoimmune Disorders	-	690,000
Biomarkers Consortium Treatments Against Rheumatoid Arthritis and Effect on FDG PET-CT	<b>60,000</b>	226,250
Biomarkers Consortium Advanced Metrics and Modeling with Volumetric CT for Precision Analysis of Clinical Trial Results	-	308,333
Longitudinal Proteomic Changes in CSF from ADNI: Towards Better Defining the Trajectory of Prodromal and Early Alzheimer's Disease	-	22,000
Amgen NIH Scholars Program	<b>335,000</b>	502,500

**Foundation for the National Institutes of Health, Inc.**  
**Notes to Financial Statements**

Pamela Anne Cafritz Renal Cell Carcinoma Award	<b>200,000</b>	300,000
Biomarkers Consortium Osteoarthritis Biomarkers Qualification	<b>1,041,000</b>	1,345,500
Structure-based Vaccine Design Against HIV-1	-	125,000
Biomarkers Consortium Inflammatory Markers for Neurodegenerative and Mood Disorders	<b>477,000</b>	477,000
Partnership for Accelerating Cancer Therapies	<b>36,000,000</b>	36,150,000
Accelerating Medicines Partnership: Parkinson's Disease	-	6,000,000
NCTN Data Archive De-Identification Project	<b>60,000</b>	60,000
Biomarkers Consortium ctDNA Reference Standards	<b>980,542</b>	774,122
Chemotherapeutic Impact on the Immune MicroEnvironment Project (ChIIME)	<b>1,250,000</b>	1,250,000
Participation of Native American Students in the National Institute for Neurological Disorders and Stroke (NINDS)	<b>60,000</b>	120,000
Non-Invasive BioMarkers of MetaBolic Liver DiseaseE (NIMBLE) (Project is not yet launched)	<b>6,545,888</b>	6,545,888
Understanding NHP protection against TB induced by Intravenous BCG	<b>916,656</b>	916,656
Single Cell Mass Accumulation Rate (MAR) Biomarker for Drug Efficacy (Multiple Myeloma Leukemia)	-	272,000
LungMap	<b>1,576,862</b>	-
CAR-T	<b>1,318,544</b>	-
ADNI – Amyloid PET Early Frames Add on Study	<b>100,000</b>	-
Biomarkers Consortium – Plasma Abeta project	<b>1,000,717</b>	-
2019 NINDS/CNS Getch Scholar	<b>300,000</b>	-
iUFV (Combining Epitope-Based Vaccine Design with Informatics-Based Evaluation to Obtain a Universal Influenza Vaccine)	<b>674,943</b>	-
A-Plus Trial (NICHD Global Network) Multi-site Efficacy and Safety Trial of Intrapartum Azithromycin in LMICs	<b>3,499,008</b>	-
Mucosal Healing in Ulcerative Colitis	<b>420,000</b>	-
GeneConvene Global Collaborative	<b>17,764,694</b>	-
	<b><u>\$ 82,347,917</u></b>	<b><u>\$ 76,088,847</u></b>

Since these represent conditional contributions receivable, they are not recorded as contributions receivable and contribution revenue until donor conditions are met.

**9. Board Designated Net Assets**

The Board of Directors has established three board designated funds as follows at December 31:

	<u>2019</u>	<u>2018</u>
Endowment Fund	<b>\$ 10,412,000</b>	\$ 8,887,000
Contingency Fund	<b>900,000</b>	900,000
Legacy Fund	<b><u>1,601,000</u></b>	<u>1,550,000</u>
	<b><u>\$ 12,913,000</u></b>	<b><u>\$ 11,337,000</u></b>

**Foundation for the National Institutes of Health, Inc.**  
**Notes to Financial Statements**

**10. Net Assets with Donor Restrictions**

As of December 31, net assets with donor restrictions were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Fellowships and Training Programs:		
Amgen Scholars Program	\$ 150,177	\$ 147,803
Dean R. O'Neill Renal Cell Cancer Research Fund	181,482	210,452
Dr. Edward T. Rancic Memorial Fund	6,648	6,515
Dr. John L. Barr Memorial Fund for Cancer Research	686	686
Neva Fund	28,144	27,880
NIH Medical Research Scholarship Program	1,007,706	1,618,803
NOB Fund	7,152	7,652
Norman P. Salzman Memorial Award and Lecture in Virology	231,690	208,444
Robert Whitney Newcomb Memorial Lecture and Internship	1,288,012	1,129,261
Sallie Rosen Kaplan Fellowship for Women Scientists in Cancer Research	185,984	58,738
Swanson Family Fellowship in Generic Thyroid Benign Chorea and IgA Deficiency (TTF-1)	92,500	92,500
Notkins biomedical Research Fund	200,000	200,000
Memorials, Awards and Events:		
2019 Alzheimer's Disease-Related Dementia (ADRD) Summit	-	87
2017 AD Caregiving Summit	44,717	44,717
Adam J. Berry Memorial Fund	6,770	5,992
Breast Cancer Summit 2	65,198	65,198
Carcinoid Summit Workshop	17,594	17,594
Celebrating 50 Years of Brain Research: New Discoveries, New Hope	171,451	171,451
Dr. Anita Roberts Memorial Fund	24,150	32,238
Dr. Jane M. Sayer Vision Research Lecture and Award	272,169	252,485
Edna Williams Curl & Myron R. Curl Endowment for Multiple Sclerosis Research	66,790	65,458
Human Genome Exhibition	9,325	17,481
John Laws Decker Memorial Fund	2,325	2,279
Kovler Prize for Excellence in Science Journalism	198,781	-
Lurie Prize	100,000	100,000
MRSP 2019-2020	205,040	-
Pamela Ana Cafritz	196,960	197,000
Polio Conference	40,698	40,698
Stephen E. Straus Award	100,489	105,475
Capital Projects:		
Edmond J. Safra Family Lodge Bricks and Mortar	79,759	79,759
Edmond J. Safra Family Lodge All Programs	24,212	16,175
Edmond J. Safra Family Lodge GSK Endowment	371,673	77,188
Edmond J. Safra Family Lodge Weinberg Endowment	259,391	87,874
Edmond J. Safra Family Lodge Gallin Endowment	109,188	106,689
Tracy's Toy Box	7,941	7,941
Research Partnerships:		
Accelerating Medicines Partnership Membership	565,930	1,026,605
Accelerating Medicines Partnership: Type 2 Diabetes	8,006,894	10,795,122
Accelerating Medicines Partnership: Alzheimer's	4,159,605	11,444,566
Accelerating Medicines Partnership: Rheumatoid Arthritis and Lupus	4,254,460	7,213,091
Accelerating Medicines Partnership: Parkinson's Disease	9,915,954	2,914,828
ADNI - Amyloid PET Early Frames Add on Study	652,500	347,585
ADNI - Optimization of Alzheimer's Disease Cognitive Measures Project	15,980	15,980
Alzheimer's Disease Neuroimaging Initiative – 3	3,509,396	7,971,047

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A-Plus Trial (NICHD Global Network) Multi-site Efficacy and Safety Trial of Intrapartum Azithromycin in LMICs	<b>1,209,047</b>	-
Biomarker Consortium	<b>3,055,502</b>	2,651,567
Biomarkers Consortium: Atherosclerosis Computer Modeling	<b>366,852</b>	596,504
Biomarkers Consortium: Autism Spectrum Disorder	<b>70,426</b>	563,194
Biomarkers Consortium: Beta Cell Clinical Trial	-	30,720
Biomarkers Consortium: Bone Quality Project	<b>46,221</b>	310,391
Biomarkers Consortium: CABP-Skin Infection	<b>19,736</b>	19,736
Biomarkers Consortium: CSF-Based Biomarkers in AD	-	10,838
Biomarkers Consortium: HABP/VABP Working Group	<b>3,747</b>	20,863
Biomarkers Consortium: HD-SCA in CRC (High Definition Single Cell Analysis of Blood and Tissue Biopsies)	<b>37,895</b>	161,037
Biomarkers Consortium: Inflammatory Markers for Neurodegenerative and Mood Disorders	<b>364,482</b>	456,637
Biomarkers Consortium: Kidney Safety	<b>32,971</b>	34,196
Biomarkers Consortium: Longitudinal CSF Proteomics	<b>92,704</b>	113,292
Biomarkers Consortium: MRD Project	<b>1,065,511</b>	1,174,882
Biomarkers Consortium: Novel Cardiac Biomarkers in the General US Population	<b>181,670</b>	387,122
Biomarkers Consortium: OA BMxQ	<b>1,174,758</b>	1,342,168
Biomarkers Consortium: Placebo Data Analysis Project in AD	-	13,154
Biomarkers Consortium: Target BMx	<b>308,375</b>	413,793
Biomarkers Consortium: Vol-PACT	<b>421,623</b>	1,439,628
Biomarkers Consortium: PACT Implementation	<b>13,331,809</b>	21,015,886
Bradley Charitable Gift Annuity	<b>17,518</b>	24,808
Cancer Research Fund	<b>1,432,348</b>	644,690
Cancer Research Major Gift	<b>4,737,225</b>	4,737,225
Charles A. Sanders Legacy Fund	<b>1,352,218</b>	1,380,269
Chemotherapeutic Impact on the Immune MicroEnvironment	<b>89,618</b>	696,699
Comprehensive Cellular Vaccine Immune Monitoring Consortium (CVIMC)	<b>2,713,591</b>	2,284,976
Consensus Pathway for Gene Drive in Mosquitoes	<b>187,673</b>	205,385
ctDNA Reference Standards	<b>561,721</b>	464,467
Development of a Second Generation Broadly Neutralizing Antibody (2GVRC01)	-	35,678
Deeda Blair Research Initiative Fund for Disorders of the Brain	<b>387,361</b>	200,318
Essential Strategies to Combat Ebola in West Africa: Social Mobilization and Communications	<b>652</b>	-
Effects of Moderate Drinking	-	418,372
Eliminate Dengue	<b>3,320</b>	3,320
Epilepsy Research in the Laboratory of Kareem Zaghloul, M.D., Ph.D	<b>148,212</b>	148,212
FDG-PET Lung/Lymphoma	-	14,599
FNIH Travel support for NIH Scientists	<b>412,816</b>	590,539
Follicular Lymphoma Research Fund	<b>2,700</b>	20,700
GeneConvene Global Collaborative	<b>5,305,808</b>	-
Gilead HIV Cure Grants	<b>1,890,104</b>	1,237,109
Gramlich Melanoma Research Trust	<b>200,751</b>	178,606
Grand Challenges in Global Health	-	119,258
HIT-TB	-	26,676
iUFV (Combining Epitope-Based Vaccine Design with Informatics-Based Evaluation to Obtain a Universal Influenza Vaccine)	<b>1,061,655</b>	-
Kidney Cancer Research	<b>106,042</b>	100,298
Lifespan Connectome Project	-	180,003
Lung Cancer Master Protocol (LungMAP)	<b>1,615,637</b>	1,448,758
Mucosal Healing in Ulcerative Colitis	<b>200,000</b>	-
Multiple Myeloma Accumulation Rate (MAR)	<b>136,000</b>	136,000

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NCTN Data Archive De-Identification Project	79,671	276,773
Non-Invasive Biomarkers of Metabolic Liver Disease	6,117,104	6,319,682
OPIOIDS Stakeholder	100,000	100,000
Partnership for Accelerating Cancer Therapies	3,693	79,376
Plasma Abeta Project	1,000,717	-
PREDICT-TB	763,866	1,535,173
Rapid identification of individuals with viable adult female worms of Onchocerca volvulus: a means to the end	81	80
Sarcopenia 2	-	78,203
SHORTEN-TB	100,261	203,453
Solarz Memorial Fund	19,276	264,345
Spiromic Project	3,396	3,396
Structure-Based Vaccine D	26,575	33,622
Support functions for VCTR	1,969,908	511,289
The Lowy Cancer Research Support Fund	3,812	13,182
Transitional Support Gene Drive Research	1,683,282	3,322,342
Tuberculosis Vaccine	81,821	2,422,497
Other Temporarily Restricted Programs	<u>369,182</u>	<u>494,940</u>
Total Temporarily Restricted Net Assets	<u>93,504,465</u>	<u>108,642,245</u>
Perpetual Endowments:		
Edmond J. Safra Family Lodge:		
GlaxoSmithKline Endowment Fund	1,500,000	1,500,000
Harry and Jeanette Weinberg Endowment at the Edmond J. Safra Family Lodge	830,894	830,894
Sallie Rosen Kaplan Fellowship for Women Scientists in Cancer Research	707,771	707,772
CarMollNat Muscular Dystrophy Endowment	39,186	54,506
Futures Fund	<u>350,000</u>	<u>100,000</u>
Total Perpetual Endowments	<u>3,427,851</u>	<u>3,193,172</u>
	<u>\$ 96,932,316</u>	<u>\$ 111,835,417</u>

## 11. Endowments

The Foundation's endowments consist of individual donor-restricted endowment funds established for a variety of purposes and board designated endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### *Interpretation of relevant law*

The Board of Directors of the Foundation has interpreted the Maryland State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation retains in perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund

**Foundation for the National Institutes of Health, Inc.**  
**Notes to Financial Statements**

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2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

The endowment net asset composition, by type of fund, was as follows as of December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 10,412,000	\$ -	\$ 10,412,000
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,427,851	3,427,851
Accumulated investment gains	-	1,057,654	1,057,654
Total endowment funds	<u>\$ 10,412,000</u>	<u>\$ 4,485,505</u>	<u>\$ 14,897,505</u>

The changes in endowment assets were as follows for 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,887,000	\$ 3,627,811	\$ 12,514,811
Investment return:			
Investment income	-	129,593	129,593
Net appreciation (realized and unrealized)	-	576,307	576,307
Total investment return	-	705,900	705,900
Contributions	-	263,682	263,682
Additional board designation	1,525,000	-	1,525,000
Appropriation of endowment assets for expenditure	-	(111,888)	(111,888)
Endowment net assets, end of year	<u>\$ 10,412,000</u>	<u>\$ 4,485,505</u>	<u>\$ 14,897,505</u>

**Foundation for the National Institutes of Health, Inc.**  
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The endowment net asset composition, by type of fund, was as follows as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 8,887,000	\$ -	\$ 8,887,000
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,193,172	3,193,172
Accumulated investment gains	<u>-</u>	<u>434,639</u>	<u>434,639</u>
Total endowment funds	<u>\$ 8,887,000</u>	<u>\$ 3,627,811</u>	<u>\$ 12,514,811</u>

The changes in endowment assets were as follows for 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,968,000	\$ 3,952,726	\$ 11,920,726
Investment return:			
Investment income	-	117,481	117,481
Net depreciation (realized and unrealized)	<u>-</u>	<u>(384,712)</u>	<u>(384,712)</u>
Total investment return	<u>-</u>	<u>(267,231)</u>	<u>(267,231)</u>
Contributions	<u>-</u>	<u>113,217</u>	<u>113,217</u>
Additional board designation	<u>919,000</u>	<u>-</u>	<u>919,000</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(67,504)</u>	<u>(67,504)</u>
Transfers	<u>-</u>	<u>(103,397)</u>	<u>(103,397)</u>
Endowment net assets, end of year	<u>\$ 8,887,000</u>	<u>\$ 3,627,811</u>	<u>\$ 12,514,811</u>

***Return objectives and risk parameters***

The Foundation has adopted investment and spending policies for endowment assets that attempt to maximize long-term results, consistent with a prudent level of risk while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period or purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested to maximize long-term results, consistent with a prudent level of risk. The goal is to produce a return on the assets to support the programmatic purposes, while also achieving growth of principal in order to maintain real purchasing power. This approach helps assure that gifts to endowment funds keep pace with inflation and always support the designated activity.

***Strategies employed for achieving objectives***

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which the investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that balances fixed-income and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**12. Grant Revenue**

The Foundation receives a portion of its support under certain grants and contributions that may be audited by the donors and the ultimate determination of allowable costs is determined by such audits.

**13. In-Kind Contributions**

Telephone expense, on-line communication costs, and some office space for the Foundation are donated by NIH. The value of the telephone expense, value of the on-line communication costs, and estimated rental value of the office space, has been reflected in the accompanying financial statements as in-kind contributions with a like amount recorded as telephone expense, communications expense, or rent/housing expense. For 2019 and 2018, these in-kind contributions from NIH of \$270,780 and \$250,908, respectively, are reflected in the financial statements.

Various other items were donated during 2018 in the amount of \$5,951.

**14. Donated Services**

The Foundation receives benefit from services donated by NIH, which include various administrative and technical services performed by NIH employees. The estimated value of these services is based on the hourly rate and average benefit amount of the NIH employees. The estimated amount of these services has been reflected in the accompanying financial statements as donated services with a like amount recorded as salaries and benefits expense.

The Foundation also receives benefit from donated legal services. The value of these services has been reflected in the financial statements as donated services with a like amount recorded as professional fees expense.

For 2019 and 2018, donated services of \$50,000 and \$60,000, respectively, are reflected in the financial statements.

**15. Retirement Plan**

The Foundation has a retirement plan through TIAA-CREF. The plan calls for a mandatory contribution of at least 2% of annual salary from participating employees and an additional contribution of 10% of annual salary from the Foundation. Retirement plan expense for 2019 and 2018 was \$762,039 and \$661,485, respectively.

**16. Concentration of Revenue**

For 2019 and 2018, the Foundation received approximately 35% and 25%, respectively, of its revenue from contributions and grants from the Bill and Melinda Gates Foundation.



## **17. Relationship with the Foundation for Advanced Education in the Sciences, Inc.**

The Foundation was established under legislation that authorized it to be the sole entity responsible for soliciting funds on behalf of NIH and to conduct specific other activities that support NIH in its mission. Certain of the activities described in the legislation are conducted by the Foundation for Advanced Education in the Sciences, Inc. (FAES) under a Memorandum of Understanding (MOU) with the Foundation. This MOU preserves the prerogatives conferred on the Foundation by its authorizing legislation but also allows the FAES to carry on its current activities under the authority of the Foundation.

## **18. Fair Value of Financial Instruments**

Accounting Standards Codification (ASC) Topic 820 provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

**Level 2** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

U.S. government bonds; exchange traded funds:

Valued at quoted market price per number of units/shares held at year-end.

Equity mutual funds; bond mutual funds

Valued at net asset value (NAV) of shares held at year-end.

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuation techniques during the current year.

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The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2019 and 2018:

	<b>Assets at Fair Value as of December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U.S. government bonds	\$ 72,119,707	\$ -	\$ -	\$ 72,119,707
Equity mutual funds	10,890,405	-	-	10,890,405
Bond mutual funds	3,189,744	-	-	3,189,744
Exchange traded funds	1,947,293	-	-	1,947,293
Total investments	<u>\$ 88,147,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,147,149</u>

	<b>Assets at Fair Value as of December 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U.S. government bonds	\$ 87,965,203	\$ -	\$ -	\$ 87,965,203
Equity mutual funds	6,491,923	-	-	6,491,923
Bond mutual funds	3,597,683	-	-	3,597,683
Exchange traded funds	1,499,212	-	-	1,499,212
Total investments	<u>\$ 99,554,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,554,021</u>

**19. Conditional Grant Awards**

As of December 31, 2019, the Foundation has authorized conditional scientific grants under the following programs:

	<b>2019</b>	<b>2018</b>
Accelerating Medicines Partnership: Type 2 Diabetes	\$ 1,819,974	\$ 2,712,069
Accelerating Medicines Partnership: Parkinson's Disease	333,431	-
A-Plus Trial (NICHD Global Network) Multi-site Efficacy and Safety Trial of Intrapartum Azithromycin in LMICs	2,082,140	-
Biomarkers Consortium – HD-SCA in CRC Project	-	100,000
Using Biomarkers to Predict TB Treatment Duration	2,743,406	5,609,994
Developing Leads to Shorten Duration of TB Chemotherapy	-	1,383,390
Transitional Support for Gene Drive	-	348,323
Biomarkers Consortium – Cardiac Troponin Project	43,454	221,136
Biomarkers Consortium – Bone Quality Project	55,000	-
Biomarkers – Target BMx	355,333	482,078
LungMaP (Lung Cancer Master Protocol)	50,000	50,000
Osteoarthritis (OA) Biomarkers Qualification (OA BMxQ)	151,329	98,432
Accelerating Medicines Partnership: Alzheimer's Disease	4,159,250	3,934,043
Efficacy of Heterodimeric IL-15 Treatment Regimens	1,741,317	1,741,317
Understanding the Mechanisms of Intravenous BCG-induced Protection against TB in NHP	803,722	1,701,200

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NIH Travel for Gates (FNIH Travel support for NIH Scientists)	<b>139,739</b>	279,739
Comprehensive Cellular Vaccine Immune Monitoring Consortium	<b>2,625,249</b>	4,552,057
Structure-based Vaccine Design against HIV-1	<u>-</u>	<u>108,333</u>
	<b><u>\$ 17,103,344</u></b>	<b><u>\$ 23,322,111</u></b>

These authorized awards would become a liability to the Foundation in the future, if the grantees meet certain conditions, including the Foundation's satisfaction with and approval of progress reports.

**20. Lease**

In January 2017, the Foundation entered into a new lease agreement with Hines USVF North Bethesda Place LP for a fifteen-year period which expires October 31, 2032. This lease is effective November 2017 and contains a rent abatement period for the first seven months.

In June 2019, the Foundation entered into a new lease agreement with Hines USVF North Bethesda Place LP for a twelve-year period which expires October 31, 2032. This lease is effective January 2020 and contains multiple rent abatement periods.

Rent expense was \$564,954 and \$549,754, respectively, for 2019 and 2018.

The future minimum lease payments required under the operating lease for the years ending December 31, are as follows:

2020	\$ 707,122
2021	847,247
2022	722,172
2023	618,939
2024	919,084
Thereafter	<u>7,644,035</u>
	<b><u>\$ 11,458,599</u></b>

**21. Risks and Uncertainties**

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Foundation's account balances and amounts reported in the statements of financial position.