

Foundation for the National Institutes of Health, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Foundation for the National Institutes of Health, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022, and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Foundation for the National Institutes of Health, Inc. as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foundation for the National Institutes of Health, Inc. 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.

Emphasis of Matter – Change in Accounting Principle

As disclosed in Note 2 to the financial statements, the Foundation changed its method of accounting for leases in accordance with Accounting Standards Update No. 2016-02, *Leases* (Topic 842), effective January 1, 2022. The Foundation adopted this standard using the comparatives approach under ASC 840 and has elected not to restate prior periods. Our opinion is not modified with respect to this matter.

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 Foundation for the National Institutes of Health, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, we:

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

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 31, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

FORVIS

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2023, on our consideration of Foundation for the National Institutes of Health, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation for the National Institutes of Health, Inc.'s internal control over financial reporting and compliance.

FORVIS,LLP

Richmond, VA
May 15, 2023

Foundation for the National Institutes of Health, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 63,766,120	\$ 39,815,103
NIH receivable	1,250,000	500,000
Contributions receivable, net, current portion	37,889,445	43,332,234
Accrued interest	574,463	126,005
ERC grant receivable	256,066	347,757
Prepaid expenses and other receivables	<u>275,840</u>	<u>3,091,847</u>
Total current assets	104,011,934	87,212,946
Contributions receivable, net, less current portion	10,656,105	23,293,459
Investments	93,906,373	109,707,585
Property and equipment, net	1,571,232	1,725,769
Right of use asset, operating lease	<u>6,436,898</u>	-
Total assets	<u>\$ 216,582,542</u>	<u>\$ 221,939,759</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,918,557	\$ 8,537,356
Current portion of operating lease liability	484,259	-
Charitable gift annuity	<u>114,097</u>	<u>119,864</u>
Total current liabilities	9,516,913	8,657,220
Advance receipts on conditional contributions	783,334	338,978
Deferred lease incentive	-	1,408,688
Deferred rent liability	-	585,551
Long-term operating lease liability	<u>7,954,860</u>	-
Total liabilities	<u>18,255,107</u>	<u>10,990,437</u>
Net assets:		
Without donor restrictions:		
Unrestricted, general	6,825,782	5,253,326
Board designated	<u>20,604,998</u>	<u>23,290,885</u>
Total without donor restrictions	27,430,780	28,544,211
With donor restrictions	<u>170,896,655</u>	<u>182,405,111</u>
Total net assets	<u>198,327,435</u>	<u>210,949,322</u>
Total liabilities and net assets	<u>\$ 216,582,542</u>	<u>\$ 221,939,759</u>

See accompanying notes.

Foundation for the National Institutes of Health, Inc.
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and other changes:			
Contributions	\$ 600,263	\$ 62,055,045	\$ 62,655,308
In-kind contributions	4,412,721	-	4,412,721
Transfers from NIH	2,000,000	-	2,000,000
Donated services	30,000	-	30,000
Fundraising event	651,525	-	651,525
Investment and interest (loss) income, net	(3,624,479)	(894,955)	(4,519,434)
Administrative revenue	50,000	-	50,000
Net assets released from restrictions:			
Satisfaction of indirect cost requirements	6,716,358	(6,716,358)	-
Satisfaction of program restrictions	65,952,188	(65,952,188)	-
 Total revenue, support and other changes	 <u>76,788,576</u>	 <u>(11,508,456)</u>	 <u>65,280,120</u>
Expenses:			
Program services:			
Fellowships and training programs	641,405	-	641,405
Memorials, awards and events	370,930	-	370,930
Capital projects	161,645	-	161,645
Research programs	69,351,144	-	69,351,144
 Total program services	 <u>70,525,124</u>	 <u>-</u>	 <u>70,525,124</u>
Supporting services:			
Management and general	6,872,912	-	6,872,912
Fundraising	503,971	-	503,971
 Total supporting services	 <u>7,376,883</u>	 <u>-</u>	 <u>7,376,883</u>
 Total expenses	 <u>77,902,007</u>	 <u>-</u>	 <u>77,902,007</u>
 Change in net assets	 (1,113,431)	 (11,508,456)	 (12,621,887)
Net assets, beginning of year	<u>28,544,211</u>	<u>182,405,111</u>	<u>210,949,322</u>
 Net assets, end of year	 <u>\$ 27,430,780</u>	 <u>\$ 170,896,655</u>	 <u>\$ 198,327,435</u>

Foundation for the National Institutes of Health, Inc.
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and other changes:			
Contributions	\$ 829,206	\$ 99,237,554	\$ 100,066,760
Grants	43,744	-	43,744
In-kind contributions	3,936,832	-	3,936,832
Transfers from NIH	1,250,000	-	1,250,000
Donated services	16,900	-	16,900
Fundraising event	352,300	-	352,300
Investment and interest income, net	1,149,891	732,550	1,882,441
ERC grant income	913,617	-	913,617
Administrative revenue	50,000	-	50,000
Net assets released from restrictions:			
Satisfaction of indirect cost requirements	5,415,213	(5,415,213)	-
Satisfaction of program restrictions	47,985,531	(47,985,531)	-
	<u>61,943,234</u>	<u>46,569,360</u>	<u>108,512,594</u>
Expenses:			
Program services:			
Fellowships and training programs	852,431	-	852,431
Memorials, awards and events	457,912	-	457,912
Capital projects	53,512	-	53,512
Research programs	50,719,285	-	50,719,285
	<u>52,083,140</u>	<u>-</u>	<u>52,083,140</u>
Supporting services:			
Management and general	6,310,346	-	6,310,346
Fundraising	374,002	-	374,002
	<u>6,684,348</u>	<u>-</u>	<u>6,684,348</u>
Total expenses	<u>58,767,488</u>	<u>-</u>	<u>58,767,488</u>
Change in net assets	3,175,746	46,569,360	49,745,106
Net assets, beginning of year	<u>25,368,465</u>	<u>135,835,751</u>	<u>161,204,216</u>
Net assets, end of year	<u>\$ 28,544,211</u>	<u>\$ 182,405,111</u>	<u>\$ 210,949,322</u>

See accompanying notes.

Foundation for the National Institutes of Health, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	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	\$ 31,099	\$ 77,288	\$ 35,922	\$ 7,524,798	\$ 7,669,107	\$ 5,015,968	\$ 186,560	\$ 5,202,528	\$ 12,871,635
Stipends	-	109,500	10,000	118,120	237,620	-	5,000	5,000	242,620
Programs contracts	507,452	160,680	50,650	46,112,838	46,831,620	42	-	42	46,831,662
Grant awards	-	-	-	8,414,306	8,414,306	-	-	-	8,414,306
Meetings and travel	88,988	20,391	28,315	1,334,812	1,472,506	79,058	163,094	242,152	1,714,658
Office supplies and expense	4,837	170	-	-	5,007	9,104	141	9,245	14,252
Telephone	-	-	-	103,597	103,597	94,180	8,442	102,622	206,219
Books and supplies	100	-	-	12,892	12,992	10,406	-	10,406	23,398
Tuition	-	-	-	5,863	5,863	4,399	-	4,399	10,262
Insurance	-	-	-	133,789	133,789	108,060	-	108,060	241,849
Consultants	-	-	34,292	4,701,974	4,736,266	342,188	30,026	372,214	5,108,480
Professional fees	-	580	-	189,970	190,550	174,093	1,419	175,512	366,062
Depreciation and amortization	-	-	-	-	-	233,480	-	233,480	233,480
Lease cost	4,361	-	-	175,108	179,469	575,316	-	575,316	754,785
Recruiting	-	-	-	127,196	127,196	14,512	-	14,512	141,708
Dues and subscriptions	-	-	-	24,928	24,928	16,962	25	16,987	41,915
Equipment and maintenance	4,206	-	-	3,597	7,803	64,183	-	64,183	71,986
Printing and photocopying	-	8	-	81,598	81,606	52	42,031	42,083	123,689
Postage and delivery	-	226	142	3,959	4,327	4,816	6,397	11,213	15,540
Service charges	156	47	100	2,881	3,184	18,837	659	19,496	22,680
Communication	206	144	-	60,401	60,751	82,798	58,055	140,853	201,604
Advertising and promotion	-	1,896	-	14,380	16,276	6,258	2,000	8,258	24,534
Miscellaneous	-	-	2,224	4,137	6,361	18,200	122	18,322	24,683
Bad debt expense	-	-	-	200,000	200,000	-	-	-	200,000
	<u>\$ 641,405</u>	<u>\$ 370,930</u>	<u>\$ 161,645</u>	<u>\$ 69,351,144</u>	<u>\$ 70,525,124</u>	<u>\$ 6,872,912</u>	<u>\$ 503,971</u>	<u>\$ 7,376,883</u>	<u>\$ 77,902,007</u>

See accompanying notes.

Foundation for the National Institutes of Health, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	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	\$ 23,559	\$ 105,256	\$ 16,467	\$ 6,671,516	\$ 6,816,798	\$ 4,311,095	\$ 173,609	\$ 4,484,704	\$ 11,301,502
Stipends	-	105,500	10,000	-	115,500	-	20,000	20,000	135,500
Programs contracts	816,045	192,000	-	33,633,818	34,641,863	12,480	-	12,480	34,654,343
Grant awards	-	-	-	5,287,365	5,287,365	-	-	-	5,287,365
Meetings and travel	2,513	14,397	23,262	94,229	134,401	5,989	81,979	87,968	222,369
Office supplies and expense	4,729	-	1,142	-	5,871	4,597	26	4,623	10,494
Telephone	-	-	-	92,778	92,778	90,229	7,944	98,173	190,951
Books and supplies	323	-	-	13,430	13,753	2,719	-	2,719	16,472
Tuition	-	-	-	5,853	5,853	1,514	-	1,514	7,367
Insurance	-	-	-	135,102	135,102	92,930	-	92,930	228,032
Consultants	-	36,290	175	4,275,240	4,311,705	326,029	18,487	344,516	4,656,221
Professional fees	-	-	-	87,892	87,892	119,089	-	119,089	206,981
Depreciation and amortization	-	-	-	-	-	240,478	-	240,478	240,478
Rent/housing	3,858	-	-	175,724	179,582	567,017	-	567,017	746,599
Recruiting	-	-	-	30,625	30,625	349,134	-	349,134	379,759
Dues and subscriptions	-	-	-	16,879	16,879	14,139	-	14,139	31,018
Equipment and maintenance	585	-	-	3,924	4,509	34,386	-	34,386	38,895
Printing and photocopying	-	-	-	77,693	77,693	93	39,752	39,845	117,538
Postage and delivery	310	15	89	11,311	11,725	5,289	3,086	8,375	20,100
Service charges	292	95	561	3,670	4,618	18,353	941	19,294	23,912
Communication	217	509	-	78,033	78,759	98,295	20,186	118,481	197,240
Advertising and promotion	-	3,850	-	23,963	27,813	5,899	7,059	12,958	40,771
Miscellaneous	-	-	1,816	240	2,056	10,592	933	11,525	13,581
	<u>\$ 852,431</u>	<u>\$ 457,912</u>	<u>\$ 53,512</u>	<u>\$ 50,719,285</u>	<u>\$ 52,083,140</u>	<u>\$ 6,310,346</u>	<u>\$ 374,002</u>	<u>\$ 6,684,348</u>	<u>\$ 58,767,488</u>

See accompanying notes.

Foundation for the National Institutes of Health, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (12,621,887)	\$ 49,745,106
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	233,480	240,478
Contributions restricted for long-term purposes	(14,225)	(16,465)
Net realized and unrealized loss (gain) on investments	6,533,392	(719,063)
Deferred lease incentive amortization	-	(130,033)
Deferred rent liability	-	12,939
Noncash lease expense	589,410	-
Change in assets and liabilities:		
NIH receivable	(750,000)	-
Contributions receivable	18,080,143	(25,766,782)
Accrued interest	(448,458)	49,570
Prepaid expenses and other receivables	2,816,007	(1,109,387)
ERC grant receivable	91,691	3,186
Accounts payable and accrued expenses	381,201	1,370,406
Charitable gift annuity	(5,767)	(5,900)
Operating lease liabilities	(581,428)	-
Advance receipts on conditional contributions	444,356	(992,500)
Net cash provided by operating activities	<u>14,747,915</u>	<u>22,681,555</u>
Cash flows from investing activities:		
Furniture and equipment acquisitions	(78,943)	(17,414)
Sales and maturities of investments	137,517,946	11,955,373
Purchase of investments	(128,250,126)	(57,658,312)
Net cash provided (used) by investing activities	<u>9,188,877</u>	<u>(45,720,353)</u>
Cash flows from financing activities:		
Contributions restricted for investment in endowment	14,225	16,465
Net increase (decrease) in cash and cash equivalents	23,951,017	(23,022,333)
Cash and cash equivalents, beginning of year	<u>39,815,103</u>	<u>62,837,436</u>
Cash and cash equivalents, end of year	<u>\$ 63,766,120</u>	<u>\$ 39,815,103</u>
Supplemental disclosure of noncash transactions:		
Leasehold improvements acquired with lease incentive	<u>\$ -</u>	<u>\$ 481,735</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 create and lead alliances and public-private partnerships that advance breakthrough biomedical discoveries and improve the quality of people's lives.

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.

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 receivables 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.

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., the comparatives under ASC 840 option.

The Foundation adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard.

The Foundation elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Foundation has lease agreements with nonlease components that relate to the lease components. The Foundation elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Foundation elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. The Foundation did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

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

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$7,026,309 and \$9,020,546, respectively. As part of adopting the standard, previously recognized liabilities for deferred rent and lease incentives were reclassified as a component of the ROU assets. The standard did not significantly affect the statements of activities, functional expenses or cash flows.

The cumulative effect of the changes made to the statement of financial position for the adoption of this standard was as follows:

	December 31, 2021 As Reported	ASC 842 Adjustment January 1 2022	January 1, 2022 As Adjusted
Assets			
Right-of-use assets – operating leases	\$ -	\$ 7,026,309	\$ 7,026,309
Liabilities			
Operating lease liabilities	-	\$ 9,020,546	\$ 9,020,546
Deferred lease incentive	\$ 1,408,688	\$ (1,408,688)	\$ -
Deferred rent liability	\$ 585,551	\$ (585,551)	\$ -

Leases

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office building and equipment. The Foundation uses the implicit rate when readily determinable. If the lease does not provide an implicit rate, the Foundation uses a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The Foundation has elected not to record leases with an initial term of 12 months or less on the statement of financial position, unless there is reasonable certainty the lease will be renewed or extended. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates and the presence of factors that would cause a significant economic penalty to the Foundation if the option were not exercised. Lease expense is generally recognized on a straight-line basis over the lease term.

Deferred rent and incentives – 2021 only

Prior to the adoption of Topic 842, deferred rent was 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 was recorded and amortized over the life of the lease.

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:

<u>Expense</u>	<u>Method of Allocation</u>
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 and amortization	Time and effort

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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 and maintenance	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, 2022 and 2021.

Adoption of New Standard - Contributed Nonfinancial Assets

During 2022, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires the Foundation to present gifts-in-kind as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosures include: the Foundation's policy about monetizing rather than utilizing contributed nonfinancial assets, any donor-imposed restrictions associated with the contributed nonfinancial asset, the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

The Foundation reported contributed nonfinancial assets separately in the statement of activities for the year ended December 31, 2021. Therefore, no retroactive adjustments were made to the statement of activities for the year ended December 31, 2021 for the adoption of ASU 2020-07.

Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 15, 2023, the date the financial statements were available to be issued.

3. Availability and Liquidity

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

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 63,766,120	\$ 39,815,103
NIH receivable	1,250,000	500,000
Contributions receivable, net	48,545,550	66,625,693
Other receivables	275,924	3,209,250
Investments	<u>93,906,373</u>	<u>109,707,585</u>
Total financial assets	<u>207,743,967</u>	<u>219,857,631</u>
Less amounts not to be used within one year:		
Net assets with donor restrictions	170,896,655	182,405,111
Legacy Fund established by the board	1,604,100	1,604,000
Quasi endowment established by the board	<u>16,000,898</u>	<u>18,686,885</u>
	<u>188,501,653</u>	<u>202,695,996</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 19,242,314</u>	<u>\$ 17,161,635</u>

The Foundation's goal is to maintain financial assets to meet one year of Supporting Services (approximately \$8.1 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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Furniture and equipment	\$ 1,175,504	\$ 1,096,561
Leasehold improvements	<u>1,869,159</u>	<u>1,869,159</u>
	3,044,663	2,965,720
Accumulated depreciation and amortization	<u>(1,473,431)</u>	<u>(1,239,951)</u>
	<u>\$ 1,571,232</u>	<u>\$ 1,725,769</u>

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6. Investments

Investments as of December 31, 2022, are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 9,396,149	\$ 9,396,149
U.S. government bonds	47,495,680	46,212,433
Corporate bonds	20,471,616	19,273,472
Exchange traded funds	6,240,702	6,620,311
Mutual funds	<u>12,687,232</u>	<u>12,404,008</u>
	<u>\$ 96,291,379</u>	<u>\$ 93,906,373</u>

The following schedule summarizes the investment return and its classification for 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 1,856,862	\$ 347,311	\$ 2,204,173
Realized loss	(614,889)	(129,527)	(744,416)
Unrealized loss	(4,676,237)	(1,112,739)	(5,788,976)
Investment fees	<u>(190,215)</u>	<u>-</u>	<u>(190,215)</u>
Total investment return	<u>\$ (3,624,479)</u>	<u>\$ (894,955)</u>	<u>\$ (4,519,434)</u>

Investments as of December 31, 2021, are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 8,177,950	\$ 8,177,950
U.S. government bonds	65,044,237	64,776,949
Corporate Bonds	14,447,958	14,216,683
Exchange traded funds	4,118,259	5,284,295
Mutual funds	<u>14,515,211</u>	<u>17,251,708</u>
	<u>\$ 106,303,615</u>	<u>\$ 109,707,585</u>

The following schedule summarizes the investment return and its classification for 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 1,093,882	\$ 253,000	\$ 1,346,882
Realized gain	62,755	114,257	177,012
Unrealized gain	176,758	365,293	542,051
Investment fees	<u>(183,504)</u>	<u>-</u>	<u>(183,504)</u>
Total investment return	<u>\$ 1,149,891</u>	<u>\$ 732,550</u>	<u>\$ 1,882,441</u>

7. Contributions Receivable

Contributions receivable at December 31, were as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 37,904,445	\$ 43,347,234
Receivable in one to five years	<u>10,918,000</u>	<u>23,817,562</u>
Total unconditional contributions receivable	48,822,445	67,164,796
Discounts to net present value	(261,895)	(524,103)
Allowance for uncollectible contributions receivable	<u>(15,000)</u>	<u>(15,000)</u>
Net unconditional contributions receivable	<u>\$ 48,545,550</u>	<u>\$ 66,625,693</u>

The discount rate used on long-term contributions receivable was 2.25% in 2022 and 2021.

8. Conditional Contributions Receivable

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

	<u>2022</u>	<u>2021</u>
Conditioned upon the funder not notifying the Foundation by a specific date that they do not wish to fund the program	\$ 147,000	\$ 199,500
Conditioned upon meeting certain milestones and/or the funder not Cancelling	<u>67,996,125</u>	<u>75,909,344</u>
	<u>\$ 68,143,125</u>	<u>\$ 76,108,844</u>

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>2022</u>	<u>2021</u>
Endowment Fund	\$ 16,000,898	\$ 18,686,885
Contingency Fund	3,000,000	3,000,000
Legacy Fund	<u>1,604,100</u>	<u>1,604,000</u>
	<u>\$ 20,604,998</u>	<u>\$ 23,290,885</u>

10. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Fellowships and Training Programs	\$ 2,838,170	\$ 3,658,662
Memorials, Awards and Events	5,197,915	4,036,337
Capital Projects	749,290	1,472,683
Research Partnerships	157,647,308	168,708,240
Other Temporarily Restricted Programs	<u>603,630</u>	<u>579,274</u>
Total Temporarily Restricted Net Assets	<u>167,036,313</u>	<u>178,455,196</u>
Perpetual Endowments	<u>3,860,342</u>	<u>3,949,915</u>
	<u>\$ 170,896,655</u>	<u>\$ 182,405,111</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
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

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The endowment net asset composition, by type of fund, was as follows as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 16,000,898	\$ -	\$ 16,000,898
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,860,342	3,860,342
Accumulated investment gains	-	967,975	967,975
Total endowment funds	<u>\$ 16,000,898</u>	<u>\$ 4,828,317</u>	<u>\$ 20,829,215</u>

The changes in endowment assets were as follows for 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,686,885	\$ 5,824,249	\$ 24,511,134
Investment return:			
Investment income	-	135,245	135,245
Net appreciation (realized and unrealized)	-	(924,047)	(924,047)
Total investment return	-	(788,802)	(788,802)
Contributions	-	14,225	(85,775)
Redesignation of gift	-	(100,000)	-
Additional board designation	-	-	-
Appropriation of endowment assets for expenditure	(2,685,987)	(121,355)	(2,807,342)
Endowment net assets, end of year	<u>\$ 16,000,898</u>	<u>\$ 4,828,317</u>	<u>\$ 20,829,215</u>

The endowment net asset composition, by type of fund, was as follows as of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 18,686,885	\$ -	\$ 18,686,885
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,949,915	3,949,915
Accumulated investment gains	-	1,874,334	1,874,332
Total endowment funds	<u>\$ 18,686,885</u>	<u>\$ 5,824,249</u>	<u>\$ 24,511,134</u>

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The changes in endowment assets were as follows for 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 15,549,000	\$ 5,329,035	\$ 20,878,035
Investment return:			
Investment income	-	207,994	207,994
Net appreciation (realized and unrealized)	-	336,670	336,670
Total investment return	-	544,664	544,664
Contributions	-	16,465	14,465
Additional board designation	3,137,885	-	3,137,885
Appropriation of endowment assets for expenditure	-	(65,915)	(65,915)
Endowment net assets, end of year	<u>\$ 18,686,885</u>	<u>\$ 5,824,249</u>	<u>\$ 24,511,134</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 is determined by NIH and has been reflected in the accompanying financial statements as in-kind contributions with a like amount recorded as telephone expense, communications expense, program expenses or rent/housing expense. For 2022 and 2021, these in-kind contributions from NIH of \$290,766 and \$277,668, respectively, are reflected in the financial statements.

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During 2022 and 2021, additional in-kind contributions of \$4,121,955 and \$3,659,164, respectively, were received from various donors in the form of vial samples and are valued at their retail market value provided by the donor when received.

	<u>2022</u>	<u>2021</u>
In-Kind Program Expenses:		
Clinical Center Drug Donations	\$ 3,529,911	\$ -
Non-Invasive Biomarkers of Metabolic Liver Disease	-	3,554,648
ctDNA Reference Standards	572,044	104,516
Minimal Residual Disease in Acute Myeloid Leukemia	<u>20,000</u>	<u>-</u>
	<u>4,121,955</u>	3,659,164
In-Kind Telephone	183,024	169,968
In-Kind IT Support	96,660	96,660
In-Kind Rent	11,040	11,040
In-Kind Program Operations	<u>42</u>	<u>-</u>
	<u>\$ 4,412,721</u>	<u>\$ 3,936,832</u>

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 is based on standard hourly rates and has been reflected in the financial statements as donated services with a like amount recorded as professional fees expense.

For 2022 and 2021, donated services of \$30,000 and \$16,900, 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 8% of annual salary from the Foundation in both 2022 and 2021. Retirement plan expense for 2022 and 2021 was \$773,108 and \$702,994, respectively.

16. Concentration of Revenue

For 2022 and 2021, the Foundation received approximately 17% and 15%, 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; corporate 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, 2022 and 2021:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
U.S. government bonds	\$ 46,212,433	\$ -	\$ -	\$ 46,212,433
Corporate bonds	19,273,472	-	-	19,273,472
Equity mutual funds	8,944,115	-	-	8,944,115
Bond mutual funds	3,459,893	-	-	3,459,893
Exchange traded funds	6,620,311	-	-	6,620,311
Total investments	<u>\$ 84,510,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,510,224</u>

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
U.S. government bonds	\$ 64,776,949	\$ -	\$ -	\$ 64,776,949
Corporate Bonds	14,216,683	-	-	14,216,683
Equity mutual funds	13,063,833	-	-	13,063,833
Bond mutual funds	4,187,875	-	-	4,187,875
Exchange traded funds	5,284,295	-	-	5,284,295
Total investments	<u>\$101,529,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$101,529,635</u>

19. Conditional Grant Awards

The Foundation has authorized conditional scientific grants under the following programs as of December 31:

	2022	2021
Accelerating Medicines Partnership: Parkinson's Disease	\$ 86,763	\$ 173,527
A-Plus Trial (NICHD Global Network) Multi-site Efficacy and Safety		
Trial of Intrapartum Azithromycin in LMICs	1,977,357	1,974,883
Using Biomarkers to Predict TB Treatment Duration	500,851	310,965
GeneConvene	-	2,327,641
Biomarkers Consortium – Cardiac Troponin Project	28,454	13,454
Biomarkers – Target BMx	50,000	50,000
LungMaP (Lung Cancer Master Protocol)	69,148	207,444
Osteoarthritis (OA) Biomarkers Qualification (OA BMxQ)	35,960	35,960
Accelerating Medicines Partnership: Alzheimer's Disease	216,000	1,474,000
Understanding the Mechanisms of Intravenous BCG-induced Protection against TB in NHP	-	975,813
NIH Travel for Gates (FNIH Travel support for NIH Scientists)	139,739	139,739
Comprehensive Cellular Vaccine Immune Monitoring Consortium	-	1,108,278
CAR-T	127,477	637,385
WHO Pandemic Convention Consultations	-	14,734
mRNA encoded HIV Env-Gag virus-like-particle (VLP) vaccines	550,003	170,000

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Comprehensive Cellular Vaccine Immune Monitoring Consortium 2	8,290,593	-
GN Postpartum IV Iron Trial	3,280,556	-
Equity Models for a Pandemic Treaty	29,905	-
	<u>\$ 15,382,806</u>	<u>\$ 9,613,823</u>

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 Commitments

Operating leases

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 was effective November 2017 and contained a rent abatement period for the first seven months. This lease contains a renewal option for two additional five year periods at market renewal rate determined by the landlord.

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 was effective January 2020 and contained multiple rent abatement periods. This lease contains a renewal option for two additional five year periods at market renewal rate determined by the landlord.

In December 2019, Lithium, LLC purchased the properties above from Hines USVF North Bethesda Place LP and became the lessor; no changes were made to the lease agreements.

Lease expense was \$754,213 and \$746,599, respectively, for 2022 and 2021.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

	<u>2022</u>
Other Information	
Operating cash flows from operating leases	\$ 722,172
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 9,020,547
Weighted-average remaining lease term in years for operating leases	9.83
Weighted-average discount rate for operating leases	1.63%

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Future minimum operating lease payments at December 31, 2022 are as follows:

2023	\$	618,939
2024		919,084
2025		944,357
2026		970,986
2027		827,097
Thereafter		<u>4,901,596</u>
Total future undiscounted lease payments		9,182,059
Less imputed interest		<u>(742,940)</u>
Operating lease liabilities	\$	<u>8,439,119</u>

The future minimum lease payments at December 31, 2021 were as follows:

2022	\$	722,172
2023		618,939
2024		919,084
2025		944,357
2026		970,986
Thereafter		<u>5,728,692</u>
	\$	<u>9,904,230</u>

21. Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2020 and 2021. The credit is only available for 50 percent of qualified wages with a maximum potential credit per qualified employee of \$5,000 for 2020 and \$7,000 per quarter for 2021.

The Foundation qualifies for the ERC based on a partial shutdown and has elected to account for the ERC as a government grant by analogy of ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. During 2020 and 2021, the Foundation incurred qualifying wages. As of December 31, 2022 and 2021, \$256,066 and \$347,757, respectively, of the 2020 ERC remains outstanding, recognized as a receivable on the accompanying statements of financial position.

22. 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.

Foundation for the National Institutes of Health, Inc.

Compliance Section

Year Ended December 31, 2022

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Foundation for the National Institutes of Health, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foundation for the National Institutes of Health, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation for the National Institutes of Health, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Foundation for the National Institutes of Health, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foundation for the National Institutes of Health, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

**Richmond, VA
May 15, 2023**

Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited Foundation for the National Institutes of Health, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Foundation for the National Institutes of Health, Inc.'s major federal program for the year ended December 31, 2022. Foundation for the National Institutes of Health, Inc.'s major federal program is identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Foundation for the National Institutes of Health, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Foundation for the National Institutes of Health, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Foundation for the National Institutes of Health, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Foundation for the National Institutes of Health, Inc.'s federal program.

Auditor's Responsibilities for Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Foundation for the National Institutes of Health, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Foundation for the National Institutes of Health, Inc.'s compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation for the National Institutes of Health, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Foundation for the National Institutes of Health, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Foundation for the National Institutes of Health, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS,LLP

**Richmond, VA
May 15, 2023**

Foundation for the National Institutes of Health, Inc
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2022

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number</u>	<u>Pass-through Entity ID Number</u>	<u>Expenditures</u>	<u>Subrecipient Awards</u>
Research and Development - cluster Office of Strategic Coordination - National Institutes of Health Direct Program:					
COVID-19 - Accelerating COVID-19 Therapeutic Interventions and Vaccines (ACTIV)	N/A	OT2 OD030195	N/A	\$ 3,487,328	\$ -
Total Expenditures of Federal Awards				<u>\$ 3,487,328</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Foundation for the National Institutes of Health, Inc. (Foundation) under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements. Because the schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

2. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is presented using the accrual method of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Foundation has elected to not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

3. Contingency

The grant revenue amounts received and expensed are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Foundation. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Schedule of Findings and Questioned Costs

1. Summary of Auditor's Results

- a. An unmodified opinion was issued on the financial statements.
- b. There were no significant deficiencies or material weaknesses in internal control disclosed by the audit over financial reporting.
- c. The audit did not disclose any noncompliance that would be material to the financial statements.
- d. There were no significant deficiencies or material weaknesses in internal control over the major program to disclose.
- e. An unmodified opinion was issued on compliance for the major program.
- f. The audit did not disclose any audit findings required to be reported in accordance with Uniform Guidance.
- g. The major program is:
 - COVID-19 - Accelerating COVID-19 Therapeutic Interventions and Vaccines (ACTIV)
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. The auditee qualified as a low-risk auditee under Section 200.516 of OMB2CFR Part 200.

2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Governmental Auditing Standards

None

3. Findings and Questioned Costs for Federal Awards

None

4. Status of Prior Year Findings

None