DIABETES RESEARCH INSTITUTE FOUNDATION, INC. AND ITS AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

Berkowitz Pollack Brant Advisors +CPAs

DIABETES RESEARCH INSTITUTE FOUNDATION, INC. AND ITS AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Diabetes Research Institute Foundation, Inc.

We have audited the accompanying consolidated financial statements of Diabetes Research Institute Foundation, Inc. and its Affiliate, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Diabetes Research Institute Foundation, Inc. and its Affiliate as of June 30, 2020, and the changes in their net assets, their functional expenses and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note B to the financial statements, certain contributions were incorrectly classified as contributions without donor restrictions in the 2019 financial statements. Accordingly, the $10,574,337 effect of the correction was recorded as an adjustment to opening net assets in the 2020 financial statements.

Berkowitz Pollack Brant

Ft Lauderdale, Florida
February 17, 2021

DIABETES RESEARCH INSTITUTE FOUNDATION, INC. AND ITS AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS	
Cash and cash equivalents	$ 7,123,014
Investments	15,684,281
Receivables:	
Pledges, net	7,319,259
Other, net of allowance for doubtful accounts of $31,413	494,007
Prepaid expenses	653,874
Office equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of $490,012	80,638
TOTAL ASSETS	$ 31,355,073
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued expenses	$ 489,496
Debt	415,300
Due to the Diabetes Research Institute	390,816
TOTAL LIABILITIES	1,295,612
COMMITMENTS	
NET ASSETS	
Without donor restrictions	4,485,027
With donor restrictions	25,574,434
TOTAL NET ASSETS	30,059,461
TOTAL LIABILITIES AND NET ASSETS	$ 31,355,073

See notes to consolidated financial statements.

DIABETES RESEARCH INSTITUTE FOUNDATION, INC. AND ITS AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, LOSSES AND OTHER SUPPORT:			
Contributions, legacies and bequests, net	$ 5,812,945	$ 6,050,434	$ 11,863,379
Interest and dividends, net of investment fees of $115,102	329,518	-	329,518
Gain on sales of equity securities, net	143,505	-	143,505
Net assets released from restrictions	4,035,622	(4,035,622)	-
	10,321,590	2,014,812	12,336,402
Special fundraising activities:			
Empire Ball:			
Revenues	1,187,203	-	1,187,203
Expenses	(357,405)	-	(357,405)
	829,798	-	829,798
Blueprint for Cure:			
Revenues	573,399	-	573,399
Expenses	(451,272)	-	(451,272)
	122,127	-	122,127
Other fundraising activities:			
Revenues	2,671,054	-	2,671,054
Expenses	(1,760,414)	-	(1,760,414)
	910,640	-	910,640
Special fundraising activities, net of related expenses	1,862,565	-	1,862,565
TOTAL REVENUE, GAINS, LOSSES AND OTHER SUPPORT, NET OF RELATED EXPENSES	12,184,155	2,014,812	14,198,967
EXPENSES:			
Program services:			
Research	6,297,706	-	6,297,706
Community diabetes education	493,155	-	493,155
TOTAL PROGRAM SERVICES	6,790,861	-	6,790,861
Supporting services:			
Management and general	2,021,795	-	2,021,795
General fundraising	2,420,167	-	2,420,167
TOTAL SUPPORTING SERVICES	4,441,962	-	4,441,962
TOTAL EXPENSES	11,232,823	-	11,232,823
CHANGE IN NET ASSETS	951,332	2,014,812	2,966,144
NET ASSETS - BEGINNING OF YEAR, as previously reported	14,108,032	12,985,285	27,093,317
Prior Period Adjustment (Note B)	(10,574,337)	10,574,337	-
NET ASSETS - BEGINNING OF YEAR, as restated	3,533,695	23,559,622	27,093,317
NET ASSETS - END OF YEAR	$ 4,485,027	$ 25,574,434	$ 30,059,461

See notes to consolidated financial statements.

DIABETES RESEARCH INSTITUTE FOUNDATION, INC. AND ITS AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Program
	Research	Community Diabetes Education	Total Program Services	Management and General	General Fundraising	Total Supporting Services	and Supporting Services Expenses
Salaries	$ 43,021	$ 328,708	$ 371,729	$ 508,423	$ 1,152,636	$ 1,661,059	$ 2,032,788
Payroll taxes	2,789	21,866	24,655	39,467	84,659	124,126	148,781
Employee benefits	141	10,880	11,021	81,640	91,977	173,617	184,638
Employee retirement benefits	-	13,419	13,419	12,777	39,365	52,142	65,561
Total salaries and related expenses	45,951	374,873	420,824	642,307	1,368,637	2,010,944	2,431,768
Audit and tax	-	-	-	43,427	-	43,427	43,427
Bad debt expense	-	-	-	431,037	-	431,037	431,037
Catering	-	-	-	3,911	12,216	16,127	16,127
Conferences, meetings, and seminars	-	19,821	19,821	4,988	5,511	10,499	30,320
Contractual services	-	92,946	92,946	628,484	699,449	1,327,933	1,420,879
Depreciation and amortization	-	984	984	25,872	1,728	27,600	28,584
Dues and subscriptions	-	8,734	8,734	5,502	13,665	19,167	27,901
Focus and annual report	-	11,336	11,336	28,735	-	28,735	40,071
Grant support to the Diabetes Research Institute	6,250,536	-	6,250,536	-	-	-	6,250,536
Insurance	-	-	-	55,588	-	55,588	55,588
Legal	-	-	-	23,526	5,414	28,940	28,940
Licenses and taxes	-	-	-	7,034	-	7,034	7,034
Lobbying	-	-	-	-	44,000	44,000	44,000
Maintenance and repairs	-	256	256	44,982	2,980	47,962	48,218
Miscellaneous	-	542	542	27,872	16,136	44,008	44,550
Office supplies	-	83	83	33,831	8,097	41,928	42,011
Postage	-	380	380	13,836	45,560	59,396	59,776
Printing and publications	-	1,029	1,029	3,775	102,753	106,528	107,557
Public relations	-	7,937	7,937	300	41,579	41,879	49,816
Rent, leases and equipment	1,148	15,490	16,638	204,174	30,173	234,347	250,985
Telephone	70	2,051	2,121	21,619	6,406	28,025	30,146
Travel and entertainment	-	205	205	18,224	88,161	106,385	106,590
Utilities	-	-	-	3,331	-	3,331	3,331
Net allocated in (out) (Note A)	1	(43,512)	(43,511)	(250,560)	(72,298)	(322,858)	(366,369)
Total	$ 6,297,706	$ 493,155	$ 6,790,861	$ 2,021,795	$ 2,420,167	$ 4,441,962	$ 11,232,823

See notes to consolidated financial statements.

DIABETES RESEARCH INSTITUTE FOUNDATION, INC. AND ITS AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 2,966,144
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	29,568
Discount on pledges receivable	(37,214)
Donated investments	(90,736)
Gain on sales of equity securities, net	(143,505)
Change in operating assets and liabilities:	
Pledges receivable	1,229,340
Other receivables	281,263
Prepaid expenses	(124,907)
Accounts payable and accrued expenses	(377,096)
Due to the Diabetes Research Institute	(695,895)
TOTAL ADJUSTMENTS	70,818
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,036,962
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment securities	(8,977,920)
Purchase of office equipment and leasehold improvements	(16,951)
Proceeds from sales of investment securities	9,557,141
NET CASH PROVIDED BY INVESTING ACTIVITIES	562,270
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of debt	415,300
NET CASH PROVIDED BY FINANCING ACTIVITIES	415,300
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,014,532
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,108,482
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,123,014

See notes to consolidated financial statements.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization: The Diabetes Research Institute Foundation, Inc. (the "US Foundation") is a not-for-profit organization exempt from income tax under Section 501(c) (3) of the United States Internal Revenue Code. The US Foundation's affiliate, the Diabetes Research Institute Foundation (UK) Limited (the "UK Foundation"), is a registered charity with the Charity Commission of England and Wales and a not-for-profit organization exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code. The US Foundation and UK Foundation are collectively termed the "Foundation" or the "Organization". The Foundation's main purpose is the support of research in the field of Diabetes. The beneficiary of the Foundation's research support is the Diabetes Research Institute at the University of Miami, Miller School of Medicine (the "Institute").

Principles of Consolidation: The consolidated financial statements include the accounts of the US Foundation and the UK Foundation. The US Foundation has effective control of the UK Foundation, which had insignificant operations during the year ended June 30, 2020. All significant transactions and account balances between these entities have been eliminated in consolidation.

Basis of Accounting: The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- Net assets without donor restrictions: Net assets without donor restrictions consist of resources that are available for use in carrying out the mission of the Foundation and include those expendable resources that have been designated for special use by the Board of Directors.

- Net assets with donor restrictions: Net assets with donor restrictions represent contributions subject to donor-imposed restrictions. Some restrictions are temporary in nature, stipulating that resources be used after a specified date or for a particular purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Some restrictions are perpetual in nature and mandate the original principal be invested in perpetuity. There were no assets with perpetual restrictions as of June 30, 2020.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Liquidity: Assets are presented in the accompanying consolidated statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash Equivalents: All highly liquid cash investments with original maturities of three months or less when purchased are considered to be cash equivalents.

Investment Securities: Investment securities are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (Note D). A decline in the fair value of an investment security below cost that is deemed other than temporary is charged as an impairment loss of investment securities. As of June 30, 2020, management determined that no investment securities were other than temporary impaired. Investment security transactions are recorded on a trade date basis. The cost basis of investments sold is determined by the average cost method. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Pledges Receivable: Unconditional promises to give are included in the consolidated financial statements as pledges receivable and contribution revenue in the appropriate net asset category. Allowances are provided for amounts estimated to be uncollectible based on historical experience and any specific collection issues that the Organization has identified. It is the Organization’s policy to charge uncollectible promises to give against the allowance when management determines that the related balance will not be collected. Pledges and bequests due in future periods are recorded at their net present value based upon discount rates ranging between 0.52% and 2.82% per annum. Conditional promises to give (amounted to approximately $1,000,000 at June 30, 2020) are not recognized until the conditions on which they depend are substantially met.

Office Equipment and Leasehold Improvements: Office equipment and leasehold improvements are recorded at cost or, if donated, at fair value at the donation date. Major renewals and improvements are capitalized, while repairs and maintenance expenditures are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts and any resulting gains or losses are recognized. Depreciation is provided on the straight-line basis over the estimated useful lives of the office equipment, ranging from three to ten years. Leasehold improvements are amortized over the lesser of the useful life or the term of the lease. Depreciation and amortization expense for the year ended June 30, 2020 amounted to approximately $30,000.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Contributions: Contributions and gifts received with no restrictions or specified uses identified by the donor or grantor are included in revenue without donor restrictions in the consolidated statement of activities when received. Contributions received with donor or grantor stipulations that limit the use of donated assets are reported as revenue with donor restrictions in the consolidated statement of activities when received. When donor or grantor restrictions expire or are fulfilled by actions of the Foundation, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as revenue without donor restrictions in the accompanying consolidated financial statements.

Fund-Raising Activities: The Organization's consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, "Not-for-Profit Entities". FASB ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. A majority of the common expenses have been allocated among the programs and supporting services based upon an individual's salary and management's estimate of time spent within the functional areas of the Organization. For other common expenses, they are allocated based upon headcount or square footage. Expenditures made in direct fulfillment of the Foundation's expressed goals are classified as program services.

Donated Services: The Foundation utilizes the services of volunteers in its program services and fundraising campaigns. Because there are no objective means of valuing such services, no amounts have been recorded in the accompanying consolidated financial statements.

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses, and gains and losses during the reporting period. The most significant estimates include an allowance for uncollectible pledges receivable and an estimate for indirect expenses that are allocated among the programs and supporting services. Actual results could differ from those estimates.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Subsequent Events: The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through February 17, 2021, the date the consolidated financial statements were available to be issued.

Recently Adopted Accounting Standards: In January 2016, the FASB issued Accounting Standards Update ("ASU") 2016-01, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 adds Subtopic 958-321, Not-for-Profit Entities—Investments—Equity Securities, and removes existing guidance for investments in equity securities from ASC 958-320, Not-for-Profit Entities—Investments—Debt and Equity Securities. ASU 2016-01 eliminates the requirement to classify equity investments as trading or available-for-sale and requires all in-scope equity investments to be measured at fair value as of each reporting date, with subsequent fair value changes recognized in net income. The Organization adopted ASU 2016-01 effective July 1, 2019. The adoption of ASU 2016-01 had no significant impact on the Organization's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The amendments in this update provide guidance on eight specific cash flow issues. This update is to provide specific guidance on each of the eight issues, thereby reducing the diversity in practice in how certain transactions are classified in the statement of cash flows. This ASU is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. The Organization adopted ASU 2016-15 effective July 1, 2019. The adoption of ASU 2016-15 had no significant impact on the Organization's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The effective date of the amendments in this update are for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization adopted ASU 2016-18 effective July 1, 2019. The adoption of ASU 2016-18 had no significant impact on the Organization's consolidated financial statements.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Recently Adopted Accounting Standards--Continued: In July 2018, the FASB issued ASU 2018-09, Codification Improvements. These amendments affect a wide variety of Topics in the ASC. These amendments are presented in nine sections and represent changes to clarify, correct errors in, or make minor improvements to the ASC. The amendments make the ASC easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. The transition and effective date of the guidance is based on the facts and circumstances of each amendment. Some of the amendments in this update do not require transition guidance and will be effective upon issuance of this update. However, many of the amendments in this update do have transition guidance with effective dates for annual periods beginning after December 15, 2018, for public business entities, and for annual periods beginning after December 15, 2019, for all others. The Organization adopted ASU 2018-09 effective July 1, 2019. The adoption of ASU 2018-09 had no significant impact on the Organization’s financial statements.

Effective July 1, 2019, the Organization adopted FASB ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provides additional guidance on determining whether a contribution is conditional or unconditional. The adoption of this ASU did not have a significant impact on the Organization’s consolidated changes in net assets or financial position.

In May 2019, the FASB issued ASU 2019-06, Intangibles-Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958), extending the Private Company Accounting Alternatives on Goodwill and Certain Intangible Assets to Not-for-Profit Entities. The objective of the amendments in this ASU is to extend the scope of the accounting alternatives provided in ASU 2014-02, Intangibles-Goodwill and Other (Topic 350): Accounting for Goodwill, and ASU 2014-18, Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination, to not-for-profit entities. ASUs 2014-02 and 2014-18 simplify the subsequent accounting for goodwill and the accounting for certain identifiable intangible assets in a business combination. The amendments in ASU 2019-06 were effective upon issuance. The Organization adopted ASU 2019-06 effective July 1, 2019. The adoption of ASU 2019-06 had no significant impact on the Organization’s consolidated financial statements.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, Leases. This ASU will require entities that lease assets—referred to as “lessees”—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases; and ASU 2018-11, Targeted Improvements to Topic 842, Leases. The amendments in these updates affect narrow aspects of the guidance issued in the amendments in ASU 2016-02. The Foundation is currently evaluating the impact that the adoption of ASU 2016-02 and these related amendments will have on the Foundation’s consolidated financial statements.

NOTE B--CORRECTION OF ERROR AND ADJUSTMENT TO PRIOR PERIOD

During 2020, the Organization discovered that an error relating to the classification of contributions with donor restrictions was made in the 2019 financial statements. Certain contributions were incorrectly classified as contributions without donor restrictions. Accordingly, the $10,574,337 effect of the correction was recorded as an adjustment to opening net assets in the 2020 financial statements.

NOTE C--CASH AND CASH EQUIVALENTS

Cash and cash equivalents are stated at cost plus accrued interest, which approximates market. Cash and cash equivalents as of June 30, 2020 consist of the following:

Cash	$ 4,332,219
Money market accounts	2,790,795
	$ 7,123,014

NOTE D--FAIR VALUE MEASUREMENTS

In accordance with GAAP, the Organization defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are observable inputs other than quoted prices included in *Level 1* that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs derived from observable market data.

Level 3 inputs are inputs that reflect the entity's own assumptions about the market price of an asset or liability. Unobservable inputs may be used if there is little or no market data for the asset or liability at the measurement date.

The asset or liability's fair value measurement level 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.

A description of the valuation methodology used for assets measured at fair value, is as follows:

Exchange traded funds, common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued based on quoted market prices, yield curves and pricing models using current market rates.

Convertible bonds: Valued at the Foundation's assumptions about the market price of an asset or liability.

NOTE D--FAIR VALUE MEASUREMENTS--Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

Fair value measurements and the fair value hierarchy level for the Foundation’s assets as of June 30, 2020, are shown below:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds:				
US Large Cap Equity	$ 5,507,641	$ -	$ -	$ 5,507,641
Global Equity	944,895	-	-	944,895
Emerging Market Equity	1,046,393	-	-	1,046,393
US Small/Mid Cap Equity	815,124	-	-	815,124
US Fixed Income	6,740,720	-	-	6,740,720
Global Fixed Income	627,020	-	-	627,020
Common Stock:				
Health Care	-	2,488	-	2,488
Convertible Bonds (A)	-	-	-	-
Assets at fair value	$15,681,793	$ 2,488	$ -	$15,684,281

(A) This is a level 3 investment with an original cost of $150,000 and a fair value of $0.

NOTE E--ENDOWMENT FUNDS

At June 30, 2020, the Foundation’s endowment consists of one individual fund designated by a donor to support the objectives of the Foundation’s mission. The endowment fund is subject to donor restrictions which stipulate that the original principal of the gift is to be invested, commingled, or merged with and become part of the general endowment funds and investment assets of the Foundation. Ten percent of the principal balance each year together with all income earned may be used by the Foundation for a period of nine years to fund the Foundation’s research programs. In the tenth year, a final distribution will be made of the remaining balance of the endowment.

NOTE E--ENDOWMENT FUNDS--Continued

Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment fund of the Foundation has been pooled in the Foundation's investments (Note D).

The Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation would classify as net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation of earnings required to be added to the endowment as stipulated by the donor-applicable donor gift instrument.

The portion of the donor-restricted endowment fund that is classified net assets with donor restrictions will remain as such, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the FUPMIFA. In accordance with the FUPMIFA, 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 intent of the donor of the 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 Organization.
7) The investment policies of the Organization.

Endowment net assets consist of the following at June 30, 2020:

Endowment fund with donor restrictions	$ 3,169,354

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

Endowment fund net assets, June 30, 2019	$ 3,521,504
Amounts appropriated for expenditure	(352,150)
Endowment fund net assets, June 30, 2020	$ 3,169,354

NOTE E--ENDOWMENT FUNDS--Continued

The Foundation has adopted investment and spending policies for endowment assets that meet the overall investment objectives of the Organization and provide funding to support the Organization's programs. Endowment assets include those assets of donor-restricted funds that the Foundation must hold for a donor-specified period. These assets are comingled with the investments of the Organization and are subject to the overall investment policies of the Organization. The Organization's spending policy appropriates ten percent of its endowment fund's principal balance for distribution each year, and is based on donor-imposed restrictions. The current spending policy is not expected to allow the Organization's endowment fund to grow as a result of expected investment returns.

NOTE F--PLEDGES RECEIVABLE

Unconditional promises to give as of June 30, 2020 consist of the following:

Within one year	$ 6,250,879
Between one year and five years	1,623,978
	7,874,857
Allowance for uncollectible promises to give of $501,045 and discounts of $54,553	(555,598)
Net pledges receivable	$ 7,319,259

NOTE G--TAX STATUS

The US Foundation is exempt (except for unrelated business income) from Federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. The UK Foundation is a registered charity that is exempt from Corporation Tax. The Foundation had no components of unrelated business income for the year ended June 30, 2020.

The Foundation accounts for uncertainty in income taxes in accordance with GAAP, which requires recognition in the consolidated financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

NOTE G--TAX STATUS--Continued

The US Foundation had no material unrecognized tax benefits and no adjustments to its consolidated financial position, activities, functional expenses or cash flows were required as of June 30, 2020. The Foundation does not expect that unrecognized tax benefits will increase within the next twelve months. The Foundation's tax returns for the years ended June 30, 2017 through 2019 remain subject to examination by major tax jurisdictions. The Foundation recognizes accrued interest and penalties, if any, related to uncertain tax positions as income tax expense.

NOTE H--COMMITMENTS

The US Foundation has non-cancelable operating leases to rent office facilities in Florida and New York. These leases expire at various dates through January 2026 and provide for annual increases in rental payments for certain operating expenses, as defined in the leases. Additionally, the US Foundation leases office equipment under non-cancelable operating leases expiring at various dates through October 2023. Lease expense for all of the above leases for the year ended June 30, 2020 amounted to approximately $375,000.

The Foundation accounts for lease abatements and escalations under the straight-line method over the life of the lease. Consequently, as of June 30, 2020, the Organization has a deferred lease liability amounting to approximately $129,000, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

As of June 30, 2020, the estimated minimum annual non-cancelable commitments on these leases are as follows:

Years Ending June 30,	Equipment	Office	Total
2021	$ 6,000	$ 247,000	$ 253,000
2022	5,000	288,000	293,000
2023	5,000	287,000	292,000
2024	2,000	294,000	296,000
2025	-	150,000	150,000
Thereafter	-	90,000	90,000
	$ 18,000	$ 1,356,000	$ 1,374,000

NOTE I--RELATED PARTY TRANSACTIONS

Included in gross pledges receivable (Note F) are amounts due from various related parties, including members of the Board of Directors amounting to approximately $840,000 as of June 30, 2020. During the year ended June 30, 2020, these related parties pledged approximately $354,000.

NOTE J--EMPLOYEE BENEFIT PLAN

The US Foundation has a 403(b) Thrift Plan (the "Plan") covering substantially all employees who work more than 20 hours a week. Eligible participants must have completed at least one year of service and have reached the age of twenty-one. The Plan allows eligible participants to defer a portion of their current compensation and have these amounts contributed to the Plan on their behalf. The US Foundation provides 100% matching of employee contributions up to a maximum of 6% of the employee’s gross earnings for eligible participants. The US Foundation contributed approximately $75,000 to the Plan during the year ended June 30, 2020.

NOTE K--CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Foundation to significant concentrations of credit risk, consist principally of cash, cash equivalents, investment securities and pledges receivable.

From time to time, the Foundation maintains its cash and cash equivalents in accounts at financial institutions that exceed the Federal Deposit Insurance Corporation (“FDIC”) limits. Balances are insured by the FDIC up to $250,000 per depositor at each financial institution. As of June 30, 2020, the amounts on deposit in these accounts exceeded the FDIC limits by approximately $2,458,000. The UK Foundation maintains its cash in accounts at financial institutions that are protected by the Financial Services Compensation Scheme (“FSCS”). Balances are insured by the FSCS up to £75,000 per depositor at each financial institution. As of June 30, 2020, the amounts on deposit in these accounts did not exceed the FSCS limits. The Foundation has cash accounts with an investment fund. As of June 30, 2020, the Foundation’s cash balances exceeded the Securities Investor Protection Corporation (“SIPC”) limits by approximately $3,567,000. To date, no losses have been incurred on any of the Foundation’s cash, cash equivalents or investments related to its deposits in these accounts.

NOTE K--CONCENTRATIONS OF CREDIT RISK--Continued

Concentrations of credit risk with respect to pledges receivable are limited due to the Foundation's large number of donors. The Foundation maintains allowances for potential credit losses. Actual losses incurred have historically been within management's expectations and estimates.

NOTE L--DEBT

PPP Note: On April 25, 2020, the Foundation entered into a Paycheck Protection Program Term Note (the "PPP Note") with a financial institution in the amount of $415,300, issued pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program. The PPP Note bears interest at 1% per annum and matures April 25, 2022. The Organization accounted for the PPP Note under the debt model in accordance with ASC Topic 470. As of June 30, 2020, the outstanding balance of the PPP Note is approximately $415,000.

The Organization may apply for forgiveness of a portion or the entire balance of the PPP Note based on eligible costs incurred during the covered period following the disbursement of funds by the financial institution. The amount of loan forgiveness is calculated in accordance with the requirements of the Paycheck Protection Program, including certain provisions, rules and regulations of the CARES Act. As of June 30, 2020, the Organization has applied for forgiveness of the entire loan balance and is pending approval.

At June 30, 2020, the expected maturities of the PPP Note are as follows:

Years Ended June 30,	Amount
2021	$ 166,100
2022	249,200
	$ 415,300

Line of Credit: On August 2nd, 2019, the Foundation executed an unsecured revolving line of credit agreement ("LOC") from a financial institution, due on demand, for $500,000. The LOC bears interest at a variable rate which is equal to the Wall Street Journal Prime Rate. The LOC was not utilized during the year ended June 30, 2020, and thus, the outstanding amount at June 30, 2020 was $0.

NOTE M--RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net assets with and without donor restrictions at June 30, 2020 consist of the following balances:

Amounts without donor restrictions:	
Undesignated	$ 4,485,027
Total net assets without donor restrictions	4,485,027
Amounts restricted by time or purpose:	
Amounts restricted by purpose:	
Research	20,990,083
Education	1,414,997
Net assets restricted by purpose	22,405,080
Amounts restricted by time:	
Endowment fund	3,169,354
Total net assets with donor restrictions	25,574,434
Total net assets	$ 30,059,461

NOTE N--LIQUIDITY

The following reflects the Foundation’s financial assets as of June 30, 2020, reduced by amounts not available for general use within one year of the consolidated financial statement date due to contractual or donor-imposed restrictions or internal designations. Amounts available include the appropriation from the donor-restricted endowment fund for the following year, as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available included amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action.

NOTE N--LIQUIDITY--Continued

Financial Assets as of June 30, 2020	$ 30,620,561
Plus endowment fund appropriation for the following year and funds with donor restrictions available for general expenditures	4,528,428
Less those amounts unavailable for general expenditures within one year, due to:	
Donor-restricted cash	(4,820,950)
Donor-restricted pledges receivable	(4,408,274)
Endowment funds with donor restrictions for specific purposes	(3,169,354)
Investment funds with donor restrictions for specific purposes	(13,222,593)
Financial assets available to meet cash needs for general expenditures within one year	$ 9,527,818

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically U.S. Treasury bills. In addition to the above amounts, effective August 2, 2019 the Organization has a commitment from a bank for a $500,000 line of credit (Note L) to meet daily cash requirements, if necessary.