

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Crohn's & Colitis Foundation, Inc.**

December 31, 2021 and 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

National Board of Trustees of the  
Crohn's & Colitis Foundation, Inc.

**Opinion**

We have audited the accompanying financial statements of Crohn's & Colitis Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

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

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

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

**Report on 2020 summarized comparative information**

We have previously audited the Foundation's 2020 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 16, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



New York, New York  
June 1, 2022

**Crohn's & Colitis Foundation, Inc.**

**STATEMENTS OF FINANCIAL POSITION**

**As of December 31, 2021, with summarized comparative information for 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 17,511,439	\$ 9,313,797
Short-term investments	60,010	6,173,733
Pledges receivable, net	6,887,461	8,628,024
Bequests receivable	190,939	183,843
Prepaid expenses and other assets	3,560,898	3,593,073
Long-term investments	27,453,966	25,654,435
Reinsurance contracts	227,176	235,315
Charitable remainder trusts	75,397	77,215
Fixed assets, net	1,696,742	1,759,741
Total assets	\$ 57,664,028	\$ 55,619,176
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 8,984,303	\$ 5,978,234
Research grants payable	28,503,624	26,005,220
Loan payable	2,000,000	5,721,600
Deferred rent	180,232	266,304
Deferred revenue	6,368,699	6,346,010
Reinsurance contracts	227,176	235,315
Total liabilities	46,264,034	44,552,683
 <b>Commitments (Note 9)</b>		
<b>Net assets</b>		
Without donor restrictions	3,576,676	408,647
With donor restrictions	7,823,318	10,657,846
Total net assets	11,399,994	11,066,493
Total liabilities and net assets	\$ 57,664,028	\$ 55,619,176

The accompanying notes are an integral part of these financial statements.

## Crohn's &amp; Colitis Foundation, Inc.

## STATEMENTS OF ACTIVITIES

For the year ended December 31, 2021, with summarized comparative information for 2020

	2021			2020 Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
<b>Operating revenue</b>				
Contributions and grants:				
Contributions and grants from individuals, foundations and corporations	\$ 20,181,219	\$ 12,785,469	\$ 32,966,688	\$ 38,338,604
Contributed services and airtime	5,158,533	-	5,158,533	2,936,025
Special events revenue	29,400,467	-	29,400,467	24,641,012
Less: costs of direct benefits to donors	(4,150,499)	-	(4,150,499)	(2,468,248)
Net special events revenue	25,249,968	-	25,249,968	22,172,764
Federated campaigns	1,337,175	-	1,337,175	1,148,015
Bequests	4,291,547	-	4,291,547	6,514,393
Total contributions and grants	56,218,442	12,785,469	69,003,911	71,109,801
Other income:				
IBD Plexus membership revenue	6,685,311	-	6,685,311	5,347,081
Program service fees	9,841	-	9,841	46,650
Investment return designated for operations	1,231,497	-	1,231,497	576,560
Federal grant revenue	605,417	-	605,417	593,693
Royalties	486,445	-	486,445	492,419
PPP loan forgiveness revenue	5,787,908	-	5,787,908	-
Other	5,444	-	5,444	385,732
Total other income	14,811,863	-	14,811,863	7,442,134
Total contributions, grants and other income	71,030,305	12,785,469	83,815,774	78,551,935
Net assets released from restrictions	15,619,997	(15,619,997)	-	-
Total operating revenue	86,650,302	(2,834,528)	83,815,774	78,551,935
<b>Operating expenses</b>				
Program services:				
Research	34,724,146	-	34,724,146	33,088,859
Health professional education and public information	33,665,530	-	33,665,530	30,123,735
Total program services	68,389,676	-	68,389,676	63,212,594
Supporting services:				
Management and general	10,198,016	-	10,198,016	10,319,956
Fundraising	5,224,330	-	5,224,330	5,017,292
Total supporting services	15,422,346	-	15,422,346	15,337,248
Total operating expenses	83,812,022	-	83,812,022	78,549,842
Changes in net assets from operations	2,838,280	(2,834,528)	3,752	2,093
<b>Non-operating activities</b>				
Investment return, net of amounts designated for operations	331,567	-	331,567	2,225,932
Changes in remainder trust valuations	(1,818)	-	(1,818)	20,118
Total non-operating activities	329,749	-	329,749	2,246,051
Changes in net assets	3,168,029	(2,834,528)	333,501	2,248,144
Net assets, beginning of year	408,647	10,657,846	11,066,493	8,818,349
Net assets, end of year	\$ 3,576,676	\$ 7,823,318	\$ 11,399,994	\$ 11,066,493

The accompanying notes are an integral part of these financial statements.

**Crohn's & Colitis Foundation, Inc.**

**STATEMENTS OF CASH FLOWS**

**For the year ended December 31, 2021, with summarized comparative information for 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 333,501	\$ 2,248,144
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization of fixed assets	735,872	698,435
Amortization of licensing fees	100,001	100,001
Straight-line rent adjustment	(86,072)	(69,628)
Net realized and unrealized gains on investments	(1,264,321)	(2,225,932)
Donated securities	(511,238)	(449,027)
Change in valuation of charitable remainder trusts	1,818	(20,118)
Provision for uncollectible accounts	329,934	493,700
Amortization of discount to present value on bequests and pledges receivable	(45,592)	(97,294)
Forgiveness of PPP loan payable	(5,721,600)	-
Changes in operating assets and liabilities:		
Pledges receivable	1,449,125	3,970,073
Bequests receivable	-	344,366
Prepaid expenses and other assets	(67,826)	651,491
Charitable remainder trusts	-	1,607,557
Accounts payable and accrued expenses	3,006,069	1,186,415
Deferred revenue	22,689	793,778
Research grants payable	2,498,404	457,972
Net cash and cash equivalents provided by operating activities	780,764	9,689,933
<b>Cash flows from investing activities</b>		
Purchases of investments	(1,446,744)	(10,535,782)
Proceeds from sales of investments	7,536,495	1,620,768
Purchases of fixed assets	(672,873)	(283,174)
Net cash and cash equivalents provided by (used in) investing activities	5,416,878	(9,198,187)
<b>Cash flows from financing activities</b>		
Proceeds from loan payable	2,000,000	5,721,600
Net cash and cash equivalents provided by financing activities	2,000,000	5,721,600
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	8,197,642	6,213,346
<b>Cash and cash equivalents, beginning of year</b>	9,313,797	3,100,451
<b>Cash and cash equivalents, end of year</b>	\$ 17,511,439	\$ 9,313,797
<b>Other supplemental information:</b>		
Equity securities received	\$ 830,950	\$ 729,058

The accompanying notes are an integral part of these financial statements.

Crohn's & Colitis Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021, with summarized comparative information for 2020

	Program Services			Supporting Services				Total	
	Research	Professional Education and Public Information	Total	Management and General	Fundraising	Costs of Direct Benefits to Donors	Total	2021	2020
Research grants and development costs, net	\$ 27,571,371	\$ -	\$ 27,571,371	\$ -	\$ -	\$ -	\$ -	\$ 27,571,371	\$ 27,071,536
Salaries and related expenses	5,273,493	17,226,178	22,499,671	6,751,264	3,458,597	-	10,209,861	32,709,532	32,264,832
Contract services and fees	765,805	7,803,674	8,569,479	1,639,074	839,679	3,266,783	5,745,536	14,315,015	10,500,555
Contributed services and airtime	246,531	4,912,003	5,158,534	-	-	-	-	5,158,534	2,936,025
Publications and related printed materials	41,257	293,996	335,253	144,011	73,775	-	217,786	553,039	553,767
Occupancy costs	133,382	950,479	1,083,861	465,584	238,514	-	704,098	1,787,959	1,939,113
Postage	33,759	216,919	250,678	106,238	54,424	-	160,662	411,340	433,780
Conferences and conventions	261,000	-	261,000	-	-	-	-	261,000	295,202
Telephone and communications	43,529	256,087	299,616	116,876	59,874	-	176,750	476,366	501,711
Meetings and travel	21,154	135,765	156,919	65,166	33,384	18,248	116,798	273,717	544,778
Office supplies and expenses	34,622	219,278	253,900	103,282	52,910	-	156,192	410,092	399,776
Advertising	56,276	395,333	451,609	193,651	99,205	-	292,856	744,465	572,291
Adjustment to provision for uncollectible accounts	24,613	175,393	200,006	85,915	44,013	-	129,928	329,934	493,700
Other	155,254	634,465	789,719	310,189	158,908	865,468	1,334,565	2,124,284	1,712,588
Total expenses before depreciation and amortization	34,662,046	33,219,570	67,881,616	9,981,250	5,113,283	4,150,499	19,245,032	87,126,648	80,219,654
Depreciation and amortization	62,100	445,960	508,060	216,766	111,047	-	327,813	835,873	798,436
Total functional expenses	34,724,146	33,665,530	68,389,676	10,198,016	5,224,330	4,150,499	19,572,845	87,962,521	81,018,090
Less:									
Costs of direct benefits to donors of special events	-	-	-	-	-	(4,150,499)	(4,150,499)	(4,150,499)	(2,468,248)
Total expenses reported by function on the statement of activities	\$ 34,724,146	\$ 33,665,530	\$ 68,389,676	\$ 10,198,016	\$ 5,224,330	\$ -	\$ 15,422,346	\$ 83,812,022	\$ 78,549,842

The accompanying notes are an integral part of these financial statements.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021 and 2020**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

Crohn's & Colitis Foundation, Inc. (the "Foundation") is a not-for-profit organization founded in 1967.

The Foundation's mission is to cure Crohn's disease and ulcerative colitis, and to improve the quality of life of children and adults affected by these diseases. For more than five decades, the Foundation has remained at the forefront of research in Crohn's disease and ulcerative colitis, collectively known as inflammatory bowel diseases. Today, the Foundation funds cutting-edge studies at major medical institutions, nurtures investigators at the early stages of their careers, and finances underdeveloped areas of research. In addition, the Foundation also offers a wide range of educational programs for patients and healthcare professionals and provides supportive services to help people cope with these chronic intestinal diseases.

The Foundation has its headquarters in New York City (the "National Office") and has 35 Chapters (the "Chapters") across the United States.

***Basis of Presentation***

The accompanying financial statements of the Foundation, which include the 35 chapters have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Those standards require that net assets and revenues, gains, expenses and losses be classified as net assets with or without restrictions based on the existence or absence of donor-imposed restrictions as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions represent resources that are available in support of operations, including resources for capital expenditures.

*Net assets with donor restrictions* - Net assets that are subject to donor-imposed restrictions. Net assets with donor restrictions include amounts that are restricted by donors for particular research projects or education programs or are restricted as to the timing of use.

Net assets with donor restrictions also include funds whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity. As of and for the years ended December 31, 2021 and 2020, the Foundation had no such funds.

***Cash and Cash Equivalents***

The Foundation considers highly liquid financial instruments with original maturities of three months or less when purchased, to be cash equivalents.

***Investments***

The estimated fair value of investments is based on quoted market prices, except for certain investments, principally marketable alternative investments, for which quoted market prices are not available. The estimated fair value of marketable alternative investments is based on valuations provided by external investment managers as of the measurement date. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risk. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the reported amounts in the financial statements.

Short-term investments are generated from operating cash surpluses and are available for operations.

Effective January 1, 2019, the Foundation instituted a spending rate policy to facilitate growth in its mission investment. Under this policy, the Foundation's Investments Committee recommends an annual spending rate up to 5% calculated over the long-term investment portfolio's 36-month rolling average. The spending rate is initially incorporated into the annual budget approval process by the Budget & Finance Committee and is ultimately ratified by the Board of Trustees. In establishing the spending rate, the Investments Committee shall consider general economic conditions, the effects of inflation or deflation and the investment portfolio returns in the prior three-, five- and seven-year periods.

The investment return to be used by the Foundation in operations is approved by the Board of Trustees and is reported as operating revenue on the Foundation's statements of activities. The difference between the actual realized and unrealized gain or loss on the investment portfolio and the authorized spending level is reported as a nonoperating activity.

The approved spending rate for the December 31, 2021 fiscal year was 5% and totaled \$932,754, which is included in investment return designated for operations. The Foundation did not incorporate an approved spending rate for the year ended December 31, 2020 in operations. Interest and dividends, net of investment fees of \$298,743 and \$576,560, are reported in investment return designated for operations for the years ended December 31, 2021 and 2020, respectively.

***Revenue Recognition***

The Foundation recognizes revenue when control of the promised goods or services is transferred to the Foundation's customers in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods or services.

***IBD Plexus Membership Revenue***

On October 2, 2017, the Foundation launched IBD Plexus, a first-of-its-kind information exchange platform housing data from thousands of patients participating in four of the Foundation's cohort groups - IBD Qorus, RISK pediatric, SPARC IBD, and IBD Partners. Patients have contributed millions of data points, which are now accessible from a single location. IBD Plexus allows investigators to more rapidly access key information for research purposes. After completion and approval of a written proposal, individual members of the program receive access to biosamples and raw data. The Foundation satisfies its performance obligation and recognizes revenue evenly over the membership term as its members simultaneously receive and consume the benefits over that timeframe. The Foundation offers short-term memberships of one year and Premier Membership of up to five years. Generally, membership does not commence until after the Foundation receives payment. Payments received under these arrangements in advance of the Foundation satisfying its performance obligation are reported as deferred revenue in the accompanying statements of financial position.

***Royalties***

The Foundation receives royalties from its publication provided to its members. These agreements are in place through December 2023. The revenue is earned based on varying percentages of attributable revenue earned in an accounting year and are paid out by April 30 subsequent to the end of the relevant accounting year.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

***Contributions and Grants***

The Foundation receives grants and contributions from a number of sources including the U.S. government, private foundations, and other donors. Grants and contributions are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP. The Foundation determines whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the Foundation is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers of the agreement. Unconditional contributions, including cash, promises to give, and certain contributed services, gifts-in-kind and other assets are recorded as revenue, at fair value, when received. Conditional contributions are recorded when the conditions on which they depend are substantially met. Contributions are recorded, net of estimated uncollectible amounts. Unconditional pledges that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using an appropriate discount rate which articulates with the collection period of the respective pledge. Amortization of the related discounts is included in contributions revenue.

The Foundation maintains an allowance for uncollectible pledges for estimated losses that may result from the inability of its donors to make payments. Such allowances are based upon several factors, including, but not limited to, historical collection experience and the financial condition of its donors. Receivables are written-off when deemed to be uncollectible.

***Contributed Services and Airtime***

The Foundation's volunteers, comprised principally of physicians and health professionals, have made significant contributions of their time in furtherance of the Foundation's programs. The Foundation has determined that such donated services meet the criteria for recognition in the financial statements and are reported as both revenue and expense in the accompanying statements of activities at fair value. Total donated services amounted to \$677,001 and \$1,067,354 for the years ended December 31, 2021 and 2020, respectively.

The Foundation receives considerable in-kind contributions primarily in the form of donated public service announcements on television and radio stations. The fair value of such in-kind contributions, based upon information provided by third-party media services, is reflected in the statements of activities as contributed airtime revenue and health professional education and public information program service expense. Total contributed airtime amounted to \$4,481,532 and \$1,868,671 for the years ended December 31, 2021 and 2020, respectively.

***Special Events Revenue***

Revenue and expenses related to a special event are recognized upon the occurrence of the respective event. Amounts received in advance of the event are recorded as deferred revenues and costs incurred prior to the event date are recognized as prepaid expenses in the accompanying statements of financial position.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

***Federated Campaigns***

The Foundation participates in several federated campaigns. The federated campaigns raise funds for various charitable organizations including the Foundation primarily through employee payroll deductions in workplace campaigns administered through fundraising organizations like United Way and its local chapters, Benevity, and Foundation members corporations. The Foundation receives a share of the total workplace giving campaign. Since the Foundation does not receive enough information to calculate an expected amount to be received in the future, federated campaign revenue is recorded when the funds are received.

***Deferred Revenue***

Deferred revenue consists of conditional contributions, payments on contracts in which deliverables have not yet been met, and a non-refundable one-time signing bonus received by the Foundation in connection with a third party to publish the Foundation's journal. The conditional contributions are recognized as income when the conditions have been substantially met and the signing bonus revenue and revenues on contracts will be recognized ratably over the contractual term of the arrangement as specified in the agreement. The conditional contributions are recognized as contribution income when the conditions have been substantially met. The revenue on the contracts will be recognized as IBD Plexus revenue ratably over the contractual term of the arrangement as specified in the agreement. The signing bonus revenue is recognized

The following table depicts the significant activities of deferred revenue:

	December 31, 2020	Revenue Recognized in 2021	Cash Received in Advance of Performance	December 31, 2021
IBD Plexus membership revenue	\$ 3,972,917	\$ 6,685,311	\$ 7,466,041	\$ 4,753,647
Signing bonus	139,063	46,354	-	92,709
Foundation programs and projects	2,234,030	2,465,021	1,753,334	1,522,343
	<u>\$ 6,346,010</u>	<u>\$ 9,196,686</u>	<u>\$ 9,219,375</u>	<u>\$ 6,368,699</u>

The deferred revenue balance of \$6,368,699 at December 31, 2021 includes amounts totaling \$5,454,895 that will be earned and recognized as revenue in the next fiscal year, and \$913,804 that will be earned thereafter.

***Fair Value Measurements***

The FASB Topic 820, under the FASB ASC defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level I - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level II - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level III - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting Foundation. Unobservable inputs reflect the reporting foundation's own 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 Foundation has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value, except for those investments that are measured at fair value using the net asset value ("NAV") per share practical expedient.

The Foundation follows the accounting standards of the FASB ASC Subtopic, 820-10-35-59, *Fair Value Measurement and Disclosures - Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This allows for the estimation of the fair value of investments in investment companies, for which the investment does not have a readily determinable fair value, using NAV per share or its equivalent, as provided by the investment managers. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the NAVs of these investments as of the measurement date. These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

***Bequests Receivable***

Bequests are recognized as revenue when the Foundation is notified that it has an irrevocable right to the gift and the value can be estimated, generally when the bequest has been through probate and declared valid.

***Charitable Remainder Trusts***

The Foundation has been named as a beneficiary of charitable remainder trusts held by third-party trustees. A charitable remainder trust is an arrangement in which a donor establishes a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. The Foundation will receive its share of the assets remaining upon the termination of the charitable remainder trusts. The

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

Foundation has recorded the estimated present value of its beneficial interest in each of the trust's assets as charitable remainder trusts in the accompanying statements of financial position. The Foundation's interest in trust assets are deemed to be Level III financial instruments.

***Reinsurance Contracts***

The Foundation entered into an agreement with an insurance company to reinsure its charitable gift annuity program. Under the terms of the agreement, the insurance company agreed to assume the risk of changes in the present value of expected future cash flows payable to the annuitants in exchange for cash consideration. Additionally, the insurance company agreed to administer the monthly payments made to the beneficiaries over the duration of the annuity agreements. Subsequent changes in the actuarial present value of the Foundation's liability to annuitants do not impact the Foundation's statements of activities. As of December 31, 2021 and 2020, the actuarial present value of the Foundation's liability to the beneficiaries was \$227,176 and \$235,315, respectively. The discount rate was 2.8% and 3.25% for the years ended December 31, 2021 and 2020, respectively. Since the inputs in determining the fair value of the reinsurance agreement are not observable, the Foundation's beneficial interest is classified as Level III within the fair value hierarchy.

***Fixed Assets***

Fixed assets, which consist of furniture, fixtures, equipment and website development costs are recorded at cost or, if donated, at fair value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Leasehold improvements are amortized over the remaining lease term or the estimated life of the improvements, whichever is shorter. Fixed assets costing greater than \$1,000 are capitalized.

***Research Grants Payable***

The Foundation records appropriations for research grants as a liability and expense after approval by the National Board of Trustees based upon: (i) the recommendations of the Board's advisory committees including the National Scientific Advisory Committee's Grants Review Committee, the Research Training Awards Program Committee and the Research Initiatives Committee, and any appropriate ad hoc review committee (collectively, the "Review Committees"); and (ii) the availability of funding. Most grants are approved for a one-year term with conditional annual renewal periods of up to two years. The grants are conditional based upon the evaluation of program accomplishments and progress reporting from the grant recipients by the Review Committees. The annual grants are disbursed quarterly over the period for which they have been approved. Conditional grants are recognized in the period in which the terms of the conditions are satisfied by the respective grantee.

***Functional Allocation of Expenses***

Expenses that can be directly identified with the program or supporting service activity to which they relate are charged accordingly. Other expenses have been allocated among program and supporting services based on effort reporting determined by the Foundation to be appropriate.

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Foundation to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation limit. The Foundation does not believe that a significant risk of loss due to the failure of a financial institution to perform exists.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP 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.

The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for pledges receivable, the allocation of certain expenses amongst program and supporting activities, the present value of the Foundation's beneficial interest in charitable remainder trusts, obligations to annuitants, the useful lives assigned to fixed assets and value of in-kind contributions. Actual results could differ from these estimates.

***Measure of Operations***

The accompanying statements of activities present the changes in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all revenues and expenses that relate to the Foundation's core mission. Operating revenues include investment return pursuant to the Foundation's investment spending policy. Operating revenues also include the release of net assets with donor restrictions net assets in support of operating activities, and all contributions without donor restrictions and with donor restrictions. Forgiveness of loans given to maintain operations through the pandemic are determined to be operating income.

The Foundation has defined nonoperating activities principally to include endowment return (loss), net of amounts distributed to support operations in accordance with the investment spending policy and changes in remainder trust valuations. Certain other gains and losses considered to be of a more unusual or non-recurring nature are also included as part of nonoperating activities.

***Income Taxes***

The Foundation is a not-for-profit voluntary health organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction by donors. Contributions to the Foundation are tax deductible within the limitations prescribed by the Code. The Foundation is also exempt from state and local taxes under similar statutes.

Accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement, provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Foundation is exempt from income tax under the Code, however, is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded under the Code. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, the Foundation has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

***Summarized Comparative Information***

The financial statements include certain prior year summarized comparative information in total, which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements as of and for the year ended December 31, 2020, from which the summarized information was derived.

***Pandemic Implications***

In early 2020, an outbreak of the novel strain of coronavirus ("COVID-19") emerged on a global scale. In reaction to the outbreak, federal, state, and local governments issued mandates that disrupted normal business activity in every sector of the economy. The pandemic caused the Foundation to close offices across the country and shift its operations, events and community-based programs to a virtual format, which remained in effect through 2021. Despite the operating challenges it presented, the Foundation remained focused on delivering its core mission. Towards the end of the 2021 fiscal year, offices reopened and the Foundation began to hold some in person events when strict safety protocols could be followed. The Foundation continues to closely monitor the ongoing impacts of COVID-19 and is focused on ensuring a careful balance between delivering on its mission and maintaining a strong financial position. Accordingly, the extent to which COVID-19 may have a future impact on the Foundation's financial position is uncertain.

***Subsequent Events***

Management has evaluated subsequent events through June 1, 2022, which is the date the financial statements were available to be issued. Except as disclosed in Note 7, the Foundation is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

***Recent Accounting Pronouncements***

In February 2016, the FASB issued the new guidance, ASU 2016-02, *Leases*, which simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Under the new guidance, lessees will be required to recognize a lease liability, which is a lessor's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control use of, a specified asset for the lease term for all leases (with the exception of short-term leases) at the adoption date. The new guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years after December 15, 2022 (i.e., fiscal year 2022). Early adoption is permitted for any interim or annual financial statements not yet issued. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing and operating leases) must apply a modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Management is currently evaluating the impact that ASU 2016-02 will have on the financial statements.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

**NOTE 2 - RESEARCH GRANTS**

At December 31, 2021 and 2020, the accompanying statements of financial position include research grants payable of \$28,503,624 and \$26,005,220, respectively, which are payable within one year.

In 2021 and 2020, grants in the amount of \$193,489 and \$550,001, respectively, were refunded/rescinded and netted with research grants and development costs expense in the accompanying statements of activities and functional expenses.

In addition, the Foundation has unpaid conditional grants outstanding of \$11,895,051 and \$8,658,229 at December 31, 2021 and 2020, respectively, which are payable upon satisfaction of the underlying conditions by the grantees and, therefore, such amounts have not been recorded in the accompanying financial statements.

**NOTE 3 - PLEDGES RECEIVABLE, NET**

At December 31, 2021 and 2020, pledges receivable, net, are due to be collected as follows:

	2021	2020
Within one year	\$ 6,608,026	\$ 6,700,573
One to five years	527,358	2,274,192
	7,135,384	8,974,765
Discounted to present value (at rates ranging from 0.32% to 5.00%)	(8,925)	(47,421)
Net present value	7,126,459	8,927,344
Allowance for uncollectible pledges	(238,998)	(299,320)
Pledges receivable, net	\$ 6,887,461	\$ 8,628,024

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

**NOTE 4 - INVESTMENTS**

Investments as of December 31, 2021 and 2020 consist of the following:

	2021	2020
Short-term investments:		
Cash and cash equivalents	\$ 48,811	\$ 62
Fixed income and mutual funds	11,199	6,173,671
	60,010	6,173,733
Long-term investments:		
Certificate of deposit	174,096	174,096
Mutual funds:		
Equities	12,537,148	10,333,467
Fixed income	14,084,923	14,564,345
Equities	69,885	51,861
Marketable alternative assets	587,914	530,666
 Total	 \$ 27,513,976	 \$ 31,828,168

The following table summarizes the valuation of the Foundation's investments within the fair value hierarchy as of December 31, 2021:

	2021			Investments at NAV	Total
	Level I	Level II	Level III		
Short-term investments (primarily money market funds)	\$ 48,811	\$ -	\$ -	\$ -	\$ 48,811
Certificate of deposit	174,096	-	-	-	174,096
Mutual funds:					
Equities	12,537,148	-	-	-	12,537,148
Fixed income	14,096,122	-	-	-	14,096,122
Equities	69,885	-	-	-	69,885
Marketable alternative assets	-	-	80,379	507,535	587,914
 Total	 \$ 26,926,062	 \$ -	 \$ 80,379	 \$ 507,535	 \$ 27,513,976

The following table summarizes the valuation of the Foundation's investments within the fair value hierarchy as of December 31, 2020:

	2020			Investments at NAV	Total
	Level I	Level II	Level III		
Short-term investments (primarily money market funds)	\$ 62	\$ -	\$ -	\$ -	\$ 62
Certificate of deposit	174,096	-	-	-	174,096
Mutual funds:					
Equities	10,333,467	-	-	-	10,333,467
Fixed income	20,738,016	-	-	-	20,738,016
Equities	51,861	-	-	-	51,861
Marketable alternative assets	-	-	76,092	454,574	530,666
 Total	 \$ 31,297,502	 \$ -	 \$ 76,092	 \$ 454,574	 \$ 31,828,168

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

The following tables includes information related to investments valued at NAV as of December 31, 2021 and 2020:

2021				
<u>Alternative Investment Strategy</u>	<u>Fair Value Determined Using NAV in Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
TIAA Access Account	\$ 507,535	None	Daily	\$1,000 minimum for transfers
2020				
<u>Alternative Investment Strategy</u>	<u>Fair Value Determined Using NAV in Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
TIAA Access Account	\$ 454,574	None	Daily	\$1,000 minimum for transfers

The Foundation's Level III investment consists of a Teachers Insurance and Annuity Association of America ("TIAA") Traditional Annuity account, a fixed rate annuity contract that is fully and unconditionally guaranteed and backed by the claims-paying ability by TIAA. During the accumulation phase, the TIAA Traditional Annuity provides a guaranteed minimum rate of interest between 1% and 3% with the potential for additional interest, if declared by TIAA. The TIAA Traditional Annuity is reported at contract value.

The contract value of the TIAA Traditional Annuity equals the accumulated cash contributions, interest credited, and transfers, if any, less withdrawals and transfers, if any. The TIAA Traditional Annuity is not available for sale or transfer on any securities exchange. Accordingly, transactions in similar investment instruments are not observable. The crediting rate is supported by the investment performance of a large, diversified portfolio which is correlated with the highest quality debt security yields and is adjusted for contract liquidity. A 20-year analysis of crediting rates for TIAA Traditional Annuity contracts suggests a rate of return that is representative of a risk adjusted market rate for this type of product. While transactions involving the purchases and sales of individual TIAA Traditional Annuity contracts are not observable in a public marketplace, contract value provides an approximation of fair value.

The following table summarizes the activity within the Foundation's Level III investments for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance at January 1,	\$ 76,092	\$ 78,302
Purchases	-	-
Sales	-	(3,547)
Distributions and annuity settlement options	(1,630)	(3,033)
Appreciation in fair value	5,917	4,370
Balance at December 31,	<u>\$ 80,379</u>	<u>\$ 76,092</u>

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

**NOTE 5 - CHARITABLE REMAINDER TRUSTS**

At December 31, 2021 and 2020, the Foundation has a beneficial interest in irrevocable charitable remainder trusts. The present value of the Foundation's future interests in these charitable remainder trusts, which amount to \$75,397 and \$77,215 at December 31, 2021 and 2020, respectively, has been recorded as charitable remainder trusts, in accordance with the terms of the trusts and are included in net assets with donor restrictions. The present value of these trusts is calculated using a discount rate of 5.8% at December 31, 2021 and 2020. Changes in the fair value of these charitable remainder trusts amounted to a (decrease) increase of \$(1,818) and \$20,118 for the years ended December 31, 2021 and 2020, respectively. While the underlying trusts' assets are marketable, the Foundation's beneficial interest is classified as Level III within the fair value hierarchy.

The following table summarizes the activity within the Foundation's Level III charitable remainder trust's assets for the years ended December 31, 2021 and 2020:

	2021	2020
Balance at January 1,	\$ 77,215	\$ 1,664,654
Proceeds	-	(1,607,557)
Change in value of beneficial interests in trusts	(1,818)	20,118
Balance at December 31,	\$ 75,397	\$ 77,215

**NOTE 6 - FIXED ASSETS, NET**

Fixed assets, net, consisted of the following at December 31, 2021 and 2020:

	2021	2020
Furniture and fixtures	\$ 601,030	\$ 353,739
Office equipment	469,624	443,658
Computer equipment	1,905,533	1,687,165
Software license	302,549	302,549
Website development costs	3,831,000	3,559,458
Leasehold improvements	506,460	486,754
Projects in progress	110,000	220,000
	7,726,196	7,053,323
Accumulated depreciation and amortization	(6,029,454)	(5,293,582)
Fixed asset, net	\$ 1,696,742	\$ 1,759,741

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

**NOTE 7 - LOAN PAYABLE**

On April 22, 2020, the Foundation was granted a loan in the aggregate amount of \$5,721,600, pursuant to the Small Business Administration Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan was to mature on April 22, 2022 and bearing interest at a rate of one percent per annum. Principal payments of \$322,157 were expected to commence on November 22, 2020. Under the terms of the PPP, the loan may be forgiven if the funds are used for qualifying expenses, consisting of payroll costs, rent, and utilities. On June 24, 2021, the Foundation received notice that the Small Business Administration (the "SBA") authorized the full forgiveness of the loan. As such, the bank applied the forgiveness to the Foundation's loan account and offset all interest accrued. The forgiveness amount of \$5,787,908 has been reported in the accompanying statement of activities.

On February 6, 2021, the Foundation was granted a second PPP loan in the aggregate amount of \$2,000,000. The loan was to mature on February 6, 2026 bearing interest at a rate of one percent per annum. Principal payments of \$43,478 were expected to commence on May 24, 2022. Under the terms of the PPP, the loan may be forgiven if the funds are used for qualifying expenses, consisting of payroll costs, rent, and utilities. On January 31, 2022, the Foundation received notice that the SBA authorized the full forgiveness of the loan. As such, the bank applied the forgiveness to the Foundation's loan account and offset all interest accrued. The forgiveness amount of \$2,019,342 will be reported on the December 31, 2022 statement of activities.

**NOTE 8 - COMMITMENTS**

***Operating Leases***

On April 11, 2013, the Foundation entered into a lease agreement for its national headquarters which commenced on September 20, 2013 and expires on October 31, 2023. Monthly rental payments of \$49,569 began on September 2018 and will continue until the lease expiration date. For each year of the lease agreement, the lessor will contribute \$25,000 to the Foundation, which is recognized as a reduction in rent expense. The Foundation has the option to extend the term of the lease for an additional two and a half year periods with respect to the entire premises. In connection with this new lease, the Foundation entered into an irrevocable letter of credit for \$174,096 as security for performance of the Foundation's obligations under the lease. The bank required the Foundation to purchase a certificate of deposit for the same amount to collateralize the letter of credit over the entire lease term, which is included in investments in the accompanying statements of financial position.

The Foundation leases office space for its Chapter offices in various cities throughout the country. These leases expire at various dates and have renewal options ranging from three to five years. The leases provide for increases in future lease payments.

The Foundation has also entered into equipment leases for its offices in various cities throughout the country. These leases expire at various dates and last for a period between three to four years.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

The minimum annual rental commitments due under all operating leases were as follows:

<u>Year Ending December 31,</u>	
2022	\$ 1,253,221
2023	961,441
2024	260,470
2025	77,596
2026	11,539
Thereafter	<u>11,539</u>
Total	<u>\$ 2,575,806</u>

Rent expense totaled \$1,435,968 and \$1,607,003 for years ended December 31, 2021 and 2020, respectively.

**NOTE 9 - PENSION PLAN**

On October 1, 1982, the Foundation established a defined contribution pension plan. At inception, employees are eligible to participate in the plan upon hire. Employer contributions to this plan were 5% of each participating employee's salary upon reaching one year of service. On January 1, 2014, the Foundation amended the plan to implement a new graded vesting schedule with respect to Foundation contributions for new employees. New participants to the plan become 100% vested in the portion of Foundation contributions upon reaching three years of service and having worked at least 1,000 hours of service during the plan year. In addition, employees hired prior to January 1, 2014 continue to receive contributions equal to 5% of compensation and receive 6% of a participating employee's salary upon reaching six years of service. The Foundation's contribution to the plan was approximately \$1,074,000 and \$981,000 for the years ended December 31, 2021 and 2020, respectively.

On January 1, 2004, the Foundation established a 457(b) deferred compensation plan for a select group of its executive staff. The 457(b) Plan is a nonqualified deferred compensation plan subject to the provisions of the Code Section 457. Until paid or made available to the participant, all deferred amounts and investment earnings related to deferral amounts are solely the property and rights of the Foundation and are subject to the claims of the Foundation's creditors. Participants' rights under the 457(b) Plan are equal to those of a general creditor of the Foundation. The Foundation's plan assets were approximately \$1,251,000 and \$1,048,000 for the years ended December 31, 2021 and 2020, respectively, and are included in investments and accounts payable and accrued expenses in the accompanying statements of financial position.

**NOTE 10 - NET ASSETS**

As of December 31, 2021 and 2020, net assets with donor restrictions consist of the following restrictions:

	2021	2020
Purpose restricted:		
Research programs	\$ 4,817,502	\$ 8,163,077
Education programs	2,738,840	2,068,115
Time restricted	<u>266,976</u>	<u>426,654</u>
	<u>\$ 7,823,318</u>	<u>\$ 10,657,846</u>

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

**NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS**

For the years ended December 31, 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or the passage of time as follows:

	2021	2020
Purpose restricted:		
Research programs	\$ 12,754,993	\$ 11,982,737
Education programs	2,655,326	3,779,114
Time restricted	209,678	634,440
	\$ 15,619,997	\$ 16,396,291

**NOTE 12 - AVAILABILITY RESOURCES AND LIQUIDITY**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also maintaining sufficient funds to provide reasonable assurance that commitments and obligations supporting mission fulfillment will continue to be met. The Foundation has various sources of liquidity at its disposal, including approximately \$45 million of cash and cash equivalents and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing operating activities to support those activities to be general expenditures. The Foundation anticipates utilizing all net assets with donor restrictions in the subsequent fiscal year, with the exception of those that are not available within the next 12-months which total \$718,297 and \$2,111,344 as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the following table shows the total financial assets held by the Foundation that could readily be made available within one year of the statements of financial position date to meet general expenditures:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 17,511,439	\$ 9,313,797
Pledges receivable, net	6,887,461	8,628,024
Bequests receivable	190,939	183,843
Other receivables*	997,741	1,121,707
Investments	27,513,976	31,828,168
Total financial assets at year end	53,101,556	51,075,539
Less amounts not available to be used within one year:		
Pledges receivable, net	(279,435)	(1,927,501)
Bequests receivable	(190,939)	(183,843)
Financial assets not available to be used within one year	(470,374)	(2,111,344)
Financial assets available to meet general expenditures within one year	\$ 52,631,182	\$ 48,964,195

\* Other receivables representing amounts due from the federal government and fee for service arrangements, are included in the prepaid expenses and other assets in the accompanying statements of financial position.

**Crohn's & Colitis Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2021 and 2020**

**NOTE 13 - RELATED-PARTY TRANSACTIONS**

The Foundation receives contributions from members of its Board of Trustees. For the years ended December 31, 2021 and 2020, members of the Board of Trustees contributed financial gifts of \$224,744 and \$318,157, respectively.

Included in pledges receivable are \$83,000 and \$225,067 due from related parties as of December 31, 2021 and 2020, respectively.

**NOTE 14 - EMPLOYEE RETENTION CREDIT**

The CARES Act provides an employee retention credit, a refundable tax credit against employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and expanded the wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit was increased to 70% of qualified wages paid to employees per quarter. The Foundation submitted an application for tax credits related to wages incurred during the first and second quarters of 2021. Management asserts that the lack of an approval of the credit by the Internal Revenue Service (the "IRS") represents a barrier that precludes the Foundation from recognizing the revenue as an unconditional contribution. The full amount of the credit will be recognized as revenue when the final amount is determined and approved by the IRS, which is expected to occur in 2022.