

Financial Statements and Report of
Independent Certified Public
Accountants

Crohn's & Colitis Foundation, Inc.

December 31, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements**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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Notes 1 and 7 to the financial statements in 2022, the Foundation adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 2021 summarized comparative information

We have previously audited the Foundation's 2021 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 1, 2022. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



New York, New York
June 23, 2023

Crohn's & Colitis Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

For the year ended December 31, 2022, with summarized comparative information for 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 6,835,551	\$ 17,511,439
Short-term investments	22,672	60,010
Pledges receivable, net	10,122,054	6,887,461
Bequests receivable	-	190,939
Prepaid expenses and other assets	7,166,763	3,560,898
Right-of-use assets	9,623,722	-
Long-term investments	19,760,564	27,453,966
Reinsurance contracts	214,895	227,176
Charitable remainder trusts	50,111	75,397
Fixed assets, net	3,645,313	1,696,742
	<u>\$ 57,441,645</u>	<u>\$ 57,664,028</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 6,768,360	\$ 8,984,303
Research grants payable	31,325,222	28,503,624
Loan payable	-	2,000,000
Lease liability	9,727,476	-
Deferred rent	-	180,232
Deferred revenue	3,342,842	6,368,699
Reinsurance contracts	214,895	227,176
	<u>51,378,795</u>	<u>46,264,034</u>
Commitments (Note 9)		
Net assets		
Without donor restrictions	(3,383,860)	3,576,676
With donor restrictions	9,446,710	7,823,318
	<u>6,062,850</u>	<u>11,399,994</u>
Total net assets	<u>6,062,850</u>	<u>11,399,994</u>
Total liabilities and net assets	<u>\$ 57,441,645</u>	<u>\$ 57,664,028</u>

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

Crohn's & Colitis Foundation, Inc.

STATEMENTS OF ACTIVITIES

For the year ended December 31, 2022, with summarized comparative information for 2021

	2022			2021
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
Operating revenue				
Contributions and grants				
Contributions and grants from individuals, foundations and corporations	\$ 17,825,181	\$ 19,213,644	\$ 37,038,825	\$ 32,966,688
Contributed services and airtime	10,836,205	-	10,836,205	5,158,533
Special events revenue	32,731,367	-	32,731,367	29,400,467
Less: costs of direct benefits to donors	<u>(6,201,447)</u>	<u>-</u>	<u>(6,201,447)</u>	<u>(4,150,499)</u>
Net special events revenue	<u>26,529,920</u>	<u>-</u>	<u>26,529,920</u>	<u>25,249,968</u>
Federated campaigns	1,281,980	-	1,281,980	1,337,175
Bequests	<u>2,028,638</u>	<u>-</u>	<u>2,028,638</u>	<u>4,291,547</u>
Total contributions and grants	<u>58,501,924</u>	<u>19,213,644</u>	<u>77,715,568</u>	<u>69,003,911</u>
Other income				
IBD Plexus membership revenue	7,109,626	-	7,109,626	6,685,311
Program service fees	186,605	-	186,605	9,841
Investment return designated for operations	1,452,724	-	1,452,724	1,231,497
Federal grant revenue	669,541	-	669,541	605,417
Royalties	631,036	-	631,036	486,445
PPP loan forgiveness revenue	2,019,342	-	2,019,342	5,787,908
Other	<u>4,026,536</u>	<u>-</u>	<u>4,026,536</u>	<u>5,444</u>
Total other income	<u>16,095,410</u>	<u>-</u>	<u>16,095,410</u>	<u>14,811,863</u>
Total contributions, grants and other income	74,597,334	19,213,644	93,810,978	83,815,774
Net assets released from restrictions	<u>17,590,252</u>	<u>(17,590,252)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>92,187,586</u>	<u>1,623,392</u>	<u>93,810,978</u>	<u>83,815,774</u>
Operating expenses				
Program services				
Research	35,591,722	-	35,591,722	34,724,146
Health professional education and public information	<u>41,471,042</u>	<u>-</u>	<u>41,471,042</u>	<u>33,665,530</u>
Total program services	<u>77,062,764</u>	<u>-</u>	<u>77,062,764</u>	<u>68,389,676</u>
Supporting services				
Management and general	11,071,573	-	11,071,573	10,198,016
Fundraising	<u>5,661,658</u>	<u>-</u>	<u>5,661,658</u>	<u>5,224,330</u>
Total supporting services	<u>16,733,231</u>	<u>-</u>	<u>16,733,231</u>	<u>15,422,346</u>
Total operating expenses	<u>93,795,995</u>	<u>-</u>	<u>93,795,995</u>	<u>83,812,022</u>
Changes in net assets from operations	(1,608,409)	1,623,392	14,983	3,752
Non-operating activities				
Investment return, net of amounts designated for operations	(5,326,841)	-	(5,326,841)	331,567
Changes in remainder trust valuations	<u>(25,286)</u>	<u>-</u>	<u>(25,286)</u>	<u>(1,818)</u>
Total non-operating activities	<u>(5,352,127)</u>	<u>-</u>	<u>(5,352,127)</u>	<u>329,749</u>
Changes in net assets	(6,960,536)	1,623,392	(5,337,144)	333,501
Net assets, beginning of year	<u>3,576,676</u>	<u>7,823,318</u>	<u>11,399,994</u>	<u>11,066,493</u>
Net assets (deficit), end of year	<u>\$ (3,383,860)</u>	<u>\$ 9,446,710</u>	<u>\$ 6,062,850</u>	<u>\$ 11,399,994</u>

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, 2022, with summarized comparative information for 2021

	2022	2021
Cash flows from operating activities		
Changes in net assets	\$ (5,337,144)	\$ 333,501
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization of fixed assets	692,376	735,872
Amortization of licensing fees	33,000	100,001
Straight-line rent adjustment	(76,478)	(86,072)
Net realized and unrealized gains on investments	4,270,449	(1,264,321)
Donated securities	(522,295)	(511,238)
Change in valuation of charitable remainder trusts	25,286	1,818
Provision for uncollectible accounts	389,890	329,934
Amortization of discount to present value on bequests and pledges receivable	16,336	(45,592)
Forgiveness of PPP loan payable	(2,000,000)	(5,721,600)
Changes in operating assets and liabilities:		
Pledges receivable	(3,640,819)	1,449,125
Bequests receivable	190,939	-
Prepaid expenses and other assets	(3,638,865)	(67,826)
Accounts payable and accrued expenses	(2,215,943)	3,006,069
Deferred revenue	(3,025,857)	22,689
Research grants payable	2,821,598	2,498,404
Net cash and cash equivalents provided by operating activities	<u>(12,017,527)</u>	<u>780,764</u>
Cash flows from investing activities		
Purchases of investments	(783,998)	(1,446,744)
Proceeds from sales of investments	4,766,584	7,536,495
Purchases of fixed assets	<u>(2,640,947)</u>	<u>(672,873)</u>
Net cash and cash equivalents provided by (used in) investing activities	<u>1,341,639</u>	<u>5,416,878</u>
Cash flows from financing activities		
Proceeds from loan payable	<u>-</u>	<u>2,000,000</u>
Net cash and cash equivalents provided by financing activities	<u>-</u>	<u>2,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(10,675,888)</u>	<u>8,197,642</u>
Cash and cash equivalents, beginning of year	<u>17,511,439</u>	<u>9,313,797</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,835,551</u></u>	<u><u>\$ 17,511,439</u></u>
Other supplemental information:		
Equity securities received	\$ 832,951	\$ 830,950
Cash paid for interest	\$ 51,951	\$ -

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, 2022, with summarized comparative information for 2021

	Program Services			Supporting Services				Total	
	Research	Professional Education and Public Information	Total	Management and General	Fundraising	Costs of Direct Benefits to Donors	Total	2022	2021
Research grants and development costs, net	\$ 26,029,225	\$ -	\$ 26,029,225	\$ -	\$ -	\$ -	\$ -	\$ 26,029,225	\$ 27,571,371
Salaries and related expenses	7,200,923	18,552,322	25,753,245	7,302,758	3,734,401	-	11,037,159	36,790,404	32,709,532
Contract services and fees	1,064,512	8,095,725	9,160,237	1,734,399	886,917	5,084,481	7,705,797	16,866,034	14,315,015
Contributed services and airtime	259,817	10,576,388	10,836,205	-	-	-	-	10,836,205	5,158,534
Publications and related printed materials	68,699	351,643	420,342	172,749	88,338	-	261,087	681,429	553,039
Occupancy costs	176,838	947,007	1,123,845	463,139	236,835	-	699,974	1,823,819	1,787,959
Postage	46,051	240,885	286,936	118,037	60,360	-	178,397	465,333	411,340
Conferences and conventions	52,020	62,331	114,351	1,557	796	-	2,353	116,704	261,000
Telephone and communications	69,056	304,037	373,093	140,404	71,798	-	212,202	585,295	476,366
Meetings and travel	244,669	570,625	815,294	276,170	141,226	86,208	503,604	1,318,898	273,717
Office supplies and expenses	50,429	225,755	276,184	105,887	54,148	-	160,035	436,219	410,092
Advertising	77,042	410,726	487,768	201,774	103,181	-	304,955	792,723	744,465
Adjustment to provision for uncollectible accounts	37,892	202,010	239,902	99,240	50,748	-	149,988	389,890	329,934
Other	144,052	555,756	699,808	270,827	138,495	1,030,758	1,440,080	2,139,888	2,124,284
Total expenses before depreciation and amortization	35,521,225	41,095,210	76,616,435	10,886,941	5,567,243	6,201,447	22,655,631	99,272,066	87,126,648
Depreciation and amortization	70,497	375,832	446,329	184,632	94,415	-	279,047	725,376	835,873
Total functional expenses	35,591,722	41,471,042	77,062,764	11,071,573	5,661,658	6,201,447	22,934,678	99,997,442	87,962,521
Less:									
Costs of direct benefits to donors of special events	-	-	-	-	-	(6,201,447)	(6,201,447)	(6,201,447)	(4,150,499)
Total expenses reported by function on the statement of activities	<u>\$ 35,591,722</u>	<u>\$ 41,471,042</u>	<u>\$ 77,062,764</u>	<u>\$ 11,071,573</u>	<u>\$ 5,661,658</u>	<u>\$ -</u>	<u>\$ 16,733,231</u>	<u>\$ 93,795,995</u>	<u>\$ 83,812,022</u>

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

Crohn's & Colitis Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021

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, 2022 and 2021 fiscal years was 5% and totaled \$1,068,636 and \$932,754, respectively, which are included in investment return designated for operations. Interest and dividends, net of investment fees of \$384,088 and \$298,743, are reported in investment return designated for operations for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

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 statements of activities at fair value. Total donated services amounted to \$1,161,232 and \$667,001 for the years ended December 31, 2022 and 2021, 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 \$9,674,973 and \$4,481,532 for the years ended December 31, 2022 and 2021, 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.

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.

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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. Contractual revenue including IBD Plexus memberships and signing bonus are recognized as revenue ratably over the contractual term as specified in the agreements. Foundation programs and projects consist primarily of sponsored projects, memberships, and advances for royalties. Project and program revenues are recorded when earned or the conditions are met, and royalty advances are recognized as described in Note 1.

The following table depicts the significant activities of deferred revenue:

	December 31, 2021	Revenue Recognized in 2022	Cash Received in Advance of Performance	December 31, 2022
IBD Plexus membership revenue	\$ 4,753,647	\$ 7,109,626	\$ 4,951,275	\$ 2,595,296
Signing bonus	92,709	46,355	-	46,354
Foundation programs and projects	1,522,343	1,413,065	591,914	701,192
	<u>\$ 6,368,699</u>	<u>\$ 8,569,046</u>	<u>\$ 5,543,189</u>	<u>\$ 3,342,842</u>

The deferred revenue balance of \$3,342,842 at December 31, 2022 includes amounts totaling \$3,285,698 that will be earned and recognized as revenue in the next fiscal year, and \$57,144 that will be earned thereafter.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Committee ("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.

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.

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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 NAV 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 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, 2022 and 2021, the actuarial present value of the Foundation's liability to the beneficiaries was \$214,895 and \$227,176, respectively. The discount rate was 3.5% and 2.8% for the years ended December 31, 2022 and 2021, respectively. Since the inputs in determining the fair value of the reinsurance

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December 31, 2022 and 2021

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 three 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.

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 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

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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 investment reserve 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.

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, 2021, from which the summarized information was derived.

New Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

In June 2020, the FASB issued ASU 2020-05, which provided for a one-year deferral on the requirements of ASU 2016-02. This guidance is effective for the Organization's annual reporting period beginning after December 15, 2021 (i.e. the Foundation's year ending December 31, 2022). The Foundation adopted Topic 842 as of January 1, 2022 under the "current-period adjustment method."

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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In transitioning to this new standard, the Foundation elected certain practical expedients available and did not elect to use hindsight. The Foundation did not reassess the lease classification and initial direct costs for leases that existed prior to the adoption of the new standard. Additionally, the Foundation did not reassess contracts entered into prior to adoption to determine whether the arrangement is or contains a lease.

On January 1, 2022 the Foundation recorded a right-of use asset totaling \$10,535,342 and a corresponding lease liability totaling \$10,892,777.

Subsequent Events

Management has evaluated subsequent events through June 23, 2023, which is the date the financial statements were available to be issued. The Foundation is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

NOTE 2 - RESEARCH GRANTS

At December 31, 2022 and 2021, the accompanying statements of financial position include research grants payable of \$31,325,222 and \$28,503,624, respectively. Research grants are available to be paid within one year but awardees may ask for a no cost extension at the discretion of the Foundation.

In 2022 and 2021, grants in the amount of \$1,393,315 and \$193,489, 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 \$13,055,536 and \$11,895,051 at December 31, 2022 and 2021, 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, 2022 and 2021, pledges receivable, net, are due to be collected as follows:

	2022	2021
Within one year	\$ 8,194,413	\$ 6,608,026
One to five years	2,023,571	527,358
	10,217,984	7,135,384
Discounted to present value (at rates ranging from 0.32% to 5.00%)	(25,261)	(8,925)
Net present value	10,192,723	7,126,459
Allowance for uncollectible pledges	(70,669)	(238,998)
Pledges receivable, net	\$ 10,122,054	\$ 6,887,461

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 4 - INVESTMENTS

Investments as of December 31, 2022 and 2021 consist of the following:

	2022	2021
Short-term investments:		
Cash and cash equivalents	\$ 15,626	\$ 48,811
Fixed income and mutual funds	7,046	11,199
	<u>22,672</u>	<u>60,010</u>
Long-term investments:		
Cash and cash equivalents	41,039	-
Certificate of deposit	174,096	174,096
Mutual funds - Equities	8,825,533	12,537,148
Mutual funds - Fixed income	10,123,938	14,084,923
Equities	54,727	69,885
Marketable alternative assets	541,231	587,914
	<u>19,783,236</u>	<u>27,513,976</u>
Total	\$ 19,783,236	\$ 27,513,976

The following table summarizes the valuation of the Foundation's investments within the fair value hierarchy as of December 31, 2022:

	2022				
	Level I	Level II	Level III	Investments at NAV	Total
Cash and cash equivalents	\$ 56,665	\$ -	\$ -	\$ -	\$ 56,665
Certificate of deposit	174,096	-	-	-	174,096
Mutual funds:					
Equities	8,825,533	-	-	-	8,825,533
Fixed income	10,130,984	-	-	-	10,130,984
Equities	54,727	-	-	-	54,727
Marketable alternative assets	-	-	99,980	441,251	541,231
	<u>\$ 19,242,005</u>	<u>\$ -</u>	<u>\$ 99,980</u>	<u>\$ 441,251</u>	<u>\$ 19,783,236</u>
Total	\$ 19,242,005	\$ -	\$ 99,980	\$ 441,251	\$ 19,783,236

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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

	2021				
	Level I	Level II	Level III	Investments at NAV	Total
Cash and cash equivalents	\$ 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	<u>\$26,926,062</u>	<u>\$ -</u>	<u>\$ 80,379</u>	<u>\$ 507,535</u>	<u>\$ 27,513,976</u>

The following tables includes information related to investments valued at NAV as of December 31, 2022 and 2021:

Alternative Investment Strategy	2022			
	Fair Value Determined Using NAV in Funds	Unfunded Commitments	Redemption Terms	Redemption Restrictions
TIAA Access Account	\$ 441,251	None	Daily	\$1,000 minimum for transfers

Alternative Investment Strategy	2021			
	Fair Value Determined Using NAV in Funds	Unfunded Commitments	Redemption Terms	Redemption Restrictions
TIAA Access Account	\$ 507,535	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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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, 2022 and 2021:

	2022	2021
Balance at January 1,	\$ 80,379	\$ 76,092
Purchases	15,602	-
Sales	-	-
Distributions and annuity settlement options	(2,374)	(1,630)
Appreciation in fair value	6,373	5,917
Balance at December 31,	<u>\$ 99,980</u>	<u>\$ 80,379</u>

NOTE 5 - FIXED ASSETS, NET

Fixed assets, net, consisted of the following at December 31, 2022 and 2021:

	2022	2021
Furniture and fixtures	\$ 535,267	\$ 601,030
Office equipment	494,212	469,624
Computer equipment	1,406,130	1,905,533
Software license	302,549	302,549
Website development costs	3,831,002	3,831,000
Leasehold improvements	515,305	506,460
Projects in progress	2,593,257	110,000
	9,677,722	7,726,196
Accumulated depreciation and amortization	<u>(6,032,409)</u>	<u>(6,029,454)</u>
Fixed asset, net	<u>\$ 3,645,313</u>	<u>\$ 1,696,742</u>

NOTE 6 - LOAN PAYABLE

On April 22, 2020, the Foundation was granted a loan totaling \$5,721,600, pursuant to the Small Business Administration Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act. The loan was set to mature on April 22, 2022 and bore interest at a rate of one percent per annum. Under the terms of the PPP, the loan may be forgiven if the funds were 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, and PPP loan forgiveness revenue totaling \$5,787,908 has been reported in the accompanying statement of activities for the year ended December 31, 2021.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

On February 6, 2021, the Foundation was granted a second PPP loan totaling \$2,000,000. The loan was set to mature on February 6, 2026 and bore interest at a rate of one percent per annum. Under the terms of the PPP, the loan may be forgiven if the funds were 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, and PPP loan forgiveness revenue totaling \$2,019,342 has been reported in the accompanying statement of activities for the year ended December 31, 2022.

NOTE 7 – COMMITMENTS

Lines of Credit

The Foundation signed an agreement for a \$3,000,000 secured line of credit with the Custodian of its long-term investments. The line of credit's rate is the federal fund rate plus 225 basis points (6.5% as of December 31, 2022). The line is secured by the securities in its long-term investment account. The outstanding balance was \$0 as of December 31, 2022 and 2021. Subsequent to year end, the Foundation increased the available credit on this line to \$8,100,000 at the same borrowing terms. During April 2023 the Foundation has accessed \$6,000,000 on this line.

The Foundation signed a one-year unsecured \$3,000,000 line of credit with its primary banking institution available at 300 basis points above the Secured Overnight Financing Rate 'SOFR' through January 21, 2023. The Foundation did not have any borrowing under this line during the fiscal year. During January 2023 the Foundation signed an extension agreement to extend the availability of the line through January 27, 2024 under the same terms.

Operating Leases

On January 1, 2022, the Foundation implemented the transfer to the new accounting standard based on ASU 2016-02 Leases. The Foundation assesses contracts at inception to determine whether an arrangement includes a lease, which conveys the Foundation's right to control the use of an identified asset for a period of time in exchange for consideration.

The Foundation has non-cancelable leases for office space and equipment for its National Office and Chapter offices throughout the country for which right-of-use assets and liabilities are recorded in the accompanying December 31, 2022, statement of financial position. The discount rate applied to measure the right-of-use assets and lease liabilities is based on the risk-free discount rate determined using a period comparable with that of the lease term. Certain lease agreements contain termination rights, rent abatements, and/or escalation clauses. The leases expire between 2023 and 2034, which represent the non-cancelable periods of the leases. The Foundation excludes extension and termination options that are not reasonably certain to be exercised from its lease terms. Lease payments consist primarily of fixed rental payments for the right to use the underlying leased assets over the leased terms. The Foundation's leases do not contain any residual value guarantees or material restrictive covenants.

The National Office lease is secured by an irrevocable letter of credit for \$174,096; 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.

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The related cost of the right-of-use assets and accumulated amortization at December 31, 2022 is as follows:

Right-of-use assets	\$ 10,535,342
Accumulated amortization	<u>(911,620)</u>
	<u>\$ 9,623,722</u>
Weighted-average remaining lease term (operating leases):	2.2 years
Weighted-average discount rate:	1.12%

The component of lease costs for the year ended December 31, 2022 are as follows:

Operating lease costs	\$ 1,437,443
Short term lease costs	21,312
Amortization of right of use assets	71,111
Interest on lease liabilities	<u>152,553</u>
Total lease costs	1,682,419
Other occupancy costs	<u>141,400</u>
Total occupancy expenses	<u>\$ 1,823,819</u>

Future minimum lease payments on the Foundation's operating lease agreements as of December 31, 2022 were as follows:

<u>Year Ending December 31,</u>	
2023	\$ 1,336,952
2024	1,250,735
2025	1,064,090
2026	980,007
2027	902,222
Thereafter	<u>5,007,407</u>
Total	<u>\$ 10,541,413</u>
Less: amount representing interest (rates from 0.08% to 2.85%)	\$ (808,570)
Less: Chapters lease obligation overpayment	<u>(5,367)</u>
Total lease liability	<u>\$ 9,727,476</u>

Rent expense totaled \$1,367,327 and \$1,435,968 for years ended December 31, 2022 and 2021, respectively.

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 8 - 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. Effective July 1, 2022 the Foundation modified the participant threshold in the Plan to begin accruing employer contributions at six months of service. The service time to achieve the 6% level was lowered from six years to five years, and a new 7% of compensation level was added for employees who achieve ten years of service.

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 \$1,190,000 and \$1,251,000 for the years ended December 31, 2022 and 2021, respectively, and are included in investments and accounts payable and accrued expenses in the accompanying statements of financial position. The Foundation's contribution to its plans was approximately \$1,194,000 and \$1,074,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 - NET ASSETS

As of December 31, 2022 and 2021, net assets with donor restrictions consisted of the following restrictions:

	2022	2021
Purpose restricted:		
Research programs	\$ 6,736,275	\$ 4,817,502
Education programs	2,383,185	2,738,840
Time restricted	327,250	266,976
	<u>\$ 9,446,710</u>	<u>\$ 7,823,318</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

For the years ended December 31, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or the passage of time as follows:

	2022	2021
Purpose restricted:		
Research programs	\$ 13,317,949	\$ 12,754,993
Education programs	3,904,835	2,655,326
Time restricted	367,468	209,678
	<u>\$ 17,590,252</u>	<u>\$ 15,619,997</u>

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 11 - 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 \$27 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 \$2,930,750 and \$718,297 as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, 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:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 6,835,551	\$ 17,511,439
Pledges receivable, net	10,122,054	6,887,461
Bequests receivable	-	190,939
Other receivables*	4,764,145	997,741
Investments	19,783,236	27,513,976
Total financial assets at year end	41,504,986	53,101,556
Less: amounts not available to be used within one year:		
Pledges receivable, net	(2,023,571)	(279,435)
Bequests receivable	-	(190,939)
Financial assets not available to be used within one year	(2,023,571)	(470,374)
Financial assets available to meet general expenditures within one year	\$ 39,481,415	\$ 52,631,182

* 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.

NOTE 12 - RELATED-PARTY TRANSACTIONS

The Foundation receives contributions from members of its Board of Trustees. For the years ended December 31, 2022 and 2021, members of the Board of Trustees contributed financial gifts of \$1,270,439 and \$224,744, respectively.

Included in pledges receivable are \$100,500 and \$83,000 due from related parties as of December 31, 2022 and 2021, respectively.

Crohn's & Colitis Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 13 - 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 their application sufficiently met the criteria to receive the credit from the Internal Revenue Service (the "IRS") and, therefore, the full amount of the credit totaling \$3,581,000 has been reported as other revenue in the accompanying statement of activities for the year ended December 31, 2022, and payment is expected to be received in 2023.