KPMG

JDRF INTERNATIONAL

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
JDRF International:

Opinion

We have audited the consolidated financial statements of JDRF International (the Organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the change in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2(n) to the consolidated financial statements, in 2023 the Organization adopted new accounting guidance, Accounting Standards Codification 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

KPMG LLP

New York, New York
December 19, 2023

JDRF INTERNATIONAL

Consolidated Statements of Financial Position

June 30, 2023 and 2022

(In thousands)

Assets		**2023**	**2022**
Cash and cash equivalents	$	13,102	38,318
Investments (note 4):			
Operating and restricted investments		187,506	132,349
Long-term investments		83,855	81,120
Programmatic investments		63,439	50,551
Contributions receivable, net (note 5)		53,048	58,975
Programmatic notes receivable, net (note 6)		6,689	2,219
Prepaid expenses and other		10,110	15,358
Operating and finance lease right-of-use assets, net (note 14(b))		18,360	—
Fixed assets, net (note 7)		10,079	10,571
Total assets	$	446,188	389,461
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 14(b))	$	13,191	17,575
Research grants payable (note 8)		96,426	69,410
Deferred revenue		6,416	5,150
Operating and finance lease liability (note 14(b))		20,582	—
Liabilities related to split-interest agreements		2,393	2,416
Total liabilities		139,008	94,551
Commitments (note 14)			
Net assets:			
Without donor restrictions		247,180	229,546
With donor restrictions (notes 11 and 12)		60,000	65,364
Total net assets		307,180	294,910
Total liabilities and net assets	$	446,188	389,461

See accompanying notes to consolidated financial statements.

JDRF INTERNATIONAL

Consolidated Statements of Activities

Years ended June 30, 2023 and 2022

(In thousands)

	2023			2022		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Public support and revenue:						
Public support:						
Contributions	$ 18,942	61,623	80,565	36,599	57,997	94,596
In-kind contributions (note 9)	608	—	608	542	—	542
Events revenue:						
Proceeds	128,543	—	128,543	117,298	—	117,298
Direct benefits to donors	(25,354)	—	(25,354)	(16,753)	—	(16,753)
Contributions from international affiliates (note 13)	6,283	—	6,283	8,621	—	8,621
Total public support	129,022	61,623	190,645	146,307	57,997	204,304
Revenue:						
Investment return (loss), net	12,395	504	12,899	(30,362)	(1,145)	(31,507)
Change in value of split-interest agreements	236	—	236	268	—	268
Bad debt recovery	613	—	613	1,774	—	1,774
Other income	19,985	—	19,985	20,890	—	20,890
Total revenue	33,229	504	33,733	(7,430)	(1,145)	(8,575)
Net assets released from restrictions (note 11)	67,491	(67,491)	—	59,041	(59,041)	—
Total public support and revenue	229,742	(5,364)	224,378	197,918	(2,189)	195,729
Expenses:						
Program services:						
Research and advocacy, net	117,853	—	117,853	84,459	—	84,459
Public education and outreach	45,534	—	45,534	36,810	—	36,810
Total program services	163,387	—	163,387	121,269	—	121,269
Supporting services:						
Management and general	16,115	—	16,115	11,681	—	11,681
Fundraising	32,606	—	32,606	28,423	—	28,423
Total supporting services	48,721	—	48,721	40,104	—	40,104
Total expenses	212,108	—	212,108	161,373	—	161,373
Change in net assets	17,634	(5,364)	12,270	36,545	(2,189)	34,356
Net assets at beginning of year	229,546	65,364	294,910	193,001	67,553	260,554
Net assets at end of year	$ 247,180	60,000	307,180	229,546	65,364	294,910

See accompanying notes to consolidated financial statements.

JDRF INTERNATIONAL

Consolidated Statements of Functional Expenses

Years ended June 30, 2023 and 2022

(In thousands)

2023

	Program services			Supporting services			
	Research and advocacy	Public education and outreach	Total	Management and general	Fundraising	Total	Total expenses
Research grants, net (note 8)	$ 98,058	58	98,116	—	—	—	98,116
Payroll and related expenses	12,568	28,300	40,868	10,609	18,863	29,472	70,340
Occupancy and other, including depreciation and amortization	3,919	7,443	11,362	3,031	5,268	8,299	19,661
Printing and promotional expenses	176	1,781	1,957	331	2,522	2,853	4,810
Meetings and conferences	871	1,357	2,228	286	1,345	1,631	3,859
Professional services	1,854	2,917	4,771	1,567	3,562	5,129	9,900
Miscellaneous	407	3,678	4,085	291	1,046	1,337	5,422
Total expenses	$ 117,853	45,534	163,387	16,115	32,606	48,721	212,108
Costs of direct benefits to donors							25,354
Total expenses and costs of direct benefits to donors							$ 237,462

2022

	Program services			Supporting services			
	Research and advocacy	Public education and outreach	Total	Management and general	Fundraising	Total	Total expenses
Research grants, net (note 8)	$ 70,396	140	70,536	—	—	—	70,536
Payroll and related expenses	9,421	23,612	33,033	7,095	16,900	23,995	57,028
Occupancy and other, including depreciation and amortization	3,394	7,470	10,864	2,346	5,723	8,069	18,933
Printing and promotional expenses	59	791	850	130	2,437	2,567	3,417
Meetings and conferences	180	470	650	133	555	688	1,338
Professional services	643	961	1,604	1,177	2,285	3,462	5,066
Miscellaneous	366	3,366	3,732	800	523	1,323	5,055
Total expenses	$ 84,459	36,810	121,269	11,681	28,423	40,104	161,373
Costs of direct benefits to donors							16,753
Total expenses and costs of direct benefits to donors							$ 178,126

See accompanying notes to consolidated financial statements.

JDRF INTERNATIONAL

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	12,270	34,356
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		6,182	6,331
Amortization of operating and finance lease right-of-use assets		3,781	—
Net realized and unrealized (gain) loss on investments		(5,615)	33,842
Stock donation to split-interest agreements		(214)	—
Stock warrant donation to operating investments		(3)	—
Impairment and disposal of programmatic notes		94	1,106
Changes in operating assets and liabilities:			
Contribution receivable, net		5,927	(3,867)
Prepaid expenses and other		5,248	(8,903)
Operating lease assets and liabilities		(1,478)	—
Noncapital accounts payable and accrued expenses		(4,384)	(615)
Research grants payable		27,016	7,660
Deferred revenue		1,266	(8,087)
Liabilities related to split-interest agreements		(23)	(168)
Net cash provided by operating activities		50,067	61,655
Cash flows from investing activities:			
Purchase of fixed assets		(5,690)	(5,084)
Funding of programmatic investments		(16,177)	(11,985)
Proceeds from sale of programmatic investments		7,435	8,353
Funding of programmatic notes		(6,164)	(975)
Conversion of programmatic notes		1,600	1,100
Purchase of operating investments		(146,350)	(173,294)
Proceeds from sale of operating investments		90,698	117,553
Purchase of long-term investments		(5,714)	(6,353)
Proceeds from sale of long-term investments		5,160	5,963
Net cash used in investing activities		(75,202)	(64,722)
Cash flows from financing activities:			
Payments on finance leases		(81)	—
Payment on line of credit		—	(5,000)
Net cash used in financing activities		(81)	(5,000)
Change in cash and cash equivalents		(25,216)	(8,067)
Cash and cash equivalents at beginning of year		38,318	46,385
Cash and cash equivalents at end of year	$	13,102	38,318

See accompanying notes to consolidated financial statements.

(1) Organization

JDRF International (JDRF) is the leading global nonprofit organization funding type 1 diabetes (T1D) research with a mission to accelerate life-changing breakthroughs to cure, prevent, and treat T1D and its complications. JDRF maintains an in-house team of experts who identifies the most promising strategies to fulfill its mission. Over five decades, JDRF's work has resulted in significant developments in the understanding of the disease—bringing us closer to prevention and cures—and better treatment options for people with T1D.

JDRF's primary sources of revenue, including public contributions, fundraising events, and other income, are principally used to support T1D research and public education. These programs are outlined below.

(a) Research and Advocacy

JDRF's research program includes research grants and federal advocacy efforts.

JDRF's research has two core objectives: finding cures by restoring the body's ability to make insulin and stopping T1D before it occurs; and improving lives by keeping people with T1D as healthy as possible until cures are found by advancing new T1D resources, technologies, and therapies. JDRF's grant funding to-date totals more than $2.5 billion (unaudited) and is currently supporting more than 400+ active grants across researchers in academia, industry, and government.

Since 1997, JDRF's federal advocacy efforts have helped secure nearly $3.4 billion (unaudited) in federal funding for T1D research through the Special Diabetes Program. This program-administered by the National Institutes of Health-has produced tangible results in advancing cure therapies, including artificial pancreas technology and groundbreaking advances in vision improvement among people with diabetic eye disease. JDRF also advocates for regulatory and health policies, which enable research to proceed without delay and provide widespread access to life-changing T1D therapies.

(b) Public Education and Outreach

JDRF's public education program includes activities focused on connecting, engaging, and educating the T1D community, including the newly diagnosed, children living with T1D and their caretakers, adults living with T1D, and healthcare providers. In addition to providing resources for the community, JDRF also educates the public about screening and monitoring for T1D through the T1Detect program.

In addition to the programs above, JDRF drives early-stage commercial investment in T1D therapies and technologies through a venture philanthropy fund. JDRF T1D Fund LLC (the T1D Fund), which started in 2015, is a limited liability company whose sole member is JDRF and is considered a disregarded entity of JDRF. The purpose of the T1D Fund is to materially accelerate the development of drugs, devices, diagnostics, and vaccines to treat, prevent, and cure T1D. The T1D Fund provides funding to companies conducting such T1D research and development through investment capital or other commercial agreements using donations made to the T1D Fund and monies provided by JDRF.

JDRF also has international affiliates located in Canada, Australia, Israel, The Netherlands, and the United Kingdom. The financial statements of these international affiliates are not included in the accompanying consolidated financial statements because JDRF does not exercise control over their

(Continued)

management or operations. International affiliates do, however, provide contributions to JDRF to support funding of research grants as presented in note 13.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of JDRF, its local chapters, and the T1D Fund. All significant balances and transactions between JDRF and the T1D Fund have been eliminated in consolidation.

The net assets of JDRF are classified and reported as follows:

Without donor restrictions: Net assets that are not subject to donor-imposed restrictions.

With donor restrictions: Net assets subject to donor-imposed restrictions that will be met either by actions of JDRF through the passage of time or by meeting donor-imposed restrictions, and donor-restricted endowments that stipulate that the principal be maintained permanently but permit JDRF to expend part or all the income and gains derived therefrom.

Revenues and gains and losses on investments and other assets are reported as changes in net assets without donor restrictions unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions.

When a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

(b) Use of Estimates

The preparation of consolidated 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 disclosures of contingencies at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash equivalents consist of securities purchased with original maturities of three months or less, except for such instruments purchased by JDRF’s investment managers as part of their long-term investment strategy and those managed internally as part of JDRF’s operating investments portfolio.

(d) Investments

Investments include (i) Operating investments; (ii) Long-term investments made to increase earnings for support of JDRF’s mission and investments which support underlying planned giving and endowment agreements; and (iii) Programmatic investments made to provide equity capital to companies to materially accelerate the development of drugs, devices, diagnostics, and vaccines to treat, prevent, and cure T1D.

Long-term investments in debt and equity securities, including assets related to split-interest agreements, with readily determinable fair values are reported at fair value based upon quoted market prices. Investments in funds that report net asset value (NAV) or its equivalent (NAV funds) are reported at estimated fair value. The estimated fair value of NAV funds, as a practical expedient, is the NAV as provided by the investment managers and is evaluated for reasonableness by JDRF. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been used had a ready market existed for such investments.

Programmatic investments in equity securities are recorded at fair value. As of June 30, 2023, the T1D Fund's investments in privately held companies with T1D-related projects totaled $70,128, of which $63,439 are programmatic investments (note 4) and $6,689 are programmatic notes receivable, net (note 6). These programmatic investments and notes receivable were made to provide equity capital to directly fund companies conducting T1D research and development; therefore, no research-related grant expense was recorded, and the functionally allocated programmatic expenses exclude these research activities.

The purpose of the operating investments is to earn an average yield above of that available from the commercial U.S. government money market fund while minimizing the risk of market-related loss over a one-year horizon. Operating investments are reported at fair value and include cash and securities with varying original maturity dates, both lesser than and greater than three months. A portion of operating investments, $15,985 and $8,275, at June 30, 2023 and 2022, respectively, is considered restricted and consists of amounts required to be held separately under an agreement with a donor and are to be used for grants that are decided in cooperation with the donor.

(e) Assets Held and Liabilities Under Split-Interest Agreements

JDRF administers two types of split-interest agreements – Charitable Gift Annuities and Charitable Remainder Trusts.

With Charitable Gift Annuities, cash or marketable securities are received from a donor in exchange for an annuity to be distributed for a fixed amount over the lifetime or lifetimes of the donor or other beneficiaries. Contributed assets are recorded a fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

With Charitable Remainder Trusts administered by JDRF, donated assets are received under an irrevocable trust agreement established by the donor in exchange for an income stream to be distributed to the donor and/or other beneficiaries over a specified period. The trust assets are recorded at fair value, and a related liability for future payments to be made to the beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. The distribution may be a fixed dollar amount (an annuity trust) or percentage of the fair value of the trust as determined annually (unitrust). Upon termination of the trust, the remaining liability is removed and recognized as income.

(In thousands)

The average discount rates used were 3.58 and 3.52 percent for the years ended June 30, 2023 and 2022, respectively. Amortization of discounts and changes in actuarial assumptions are reflected in the consolidated statements of activities as a change in value of split-interest agreements.

The change in the fair value of assets related to split-interest agreements as of June 30, 2023 and 2022 is as follows:

		2023	2022
Assets related to split-interest agreements, beginning of year	$	4,085	4,871
Contributions		264	176
Investment income, net		100	103
Net appreciation (depreciation)		110	(738)
Payments and settlements		(349)	(327)
Assets related to split-interest agreements, end of year	$	4,210	4,085

(f) Financial Instruments and Credit Risk

JDRF manages deposit concentration risk by using financial institutions believed by management to be creditworthy for its cash and money market accounts. At times, amounts on deposit may exceed insured limits. To date, JDRF has not experienced losses in any of these accounts.

Credit risk associated with contributions receivable is considered limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from recurring donors who are supportive of JDRF’s mission. Investments are made by diversified investment managers whose performance is monitored by management and the finance and investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the finance and investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

(g) Contributions and Contributions Receivable

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions.

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A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligations to the transferred assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met.

Contributions received for future events, primarily walk and ride events, are recorded as deferred revenue and are recognized as revenue in the fiscal year the event takes place, which is generally within one year.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

(h) Fixed Assets

Fixed assets, which consist of furniture, equipment, and leasehold improvements, are recorded at cost if purchased or fair value if contributed. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which approximate 3 to 10 years for furniture and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of the life of the asset or the lease term.

(i) In-Kind Contributions

Contributed nonfinancial assets are recorded at the fair value of the goods or services received. Additionally, volunteers contribute significant amounts of time to program services; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

(j) Other Income

Other income includes income received under a collaborative arrangement totaling $8,381 and $15,504 for the years ended June 30, 2023 and 2022, respectively. Under the collaborative arrangement, JDRF provided grant funding to another company starting in 2012 for the development of certain T1D management products. Under commercialization terms in the collaboration agreement, JDRF now receives a percentage of product sales until a set limit is reached.

(k) Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. All expenses other than research grants have been allocated based on staff time among the programs and supporting services areas that were benefited.

(In thousands)

As discussed in note 2(d), programmatic investments provide equity capital to directly fund companies conducting T1D research and development that are completely tied to the mission. There was no research-related grant expense incurred on those investments; therefore, they are not included in the calculation of the total functional expenses. Research program spending includes the following for the years ended June 30, 2023 and 2022:

		2023	2022
Program service expenses: research and advocacy	$	117,853	84,459
T1D Fund equity investments: cash invested		20,552	12,960
	$	138,405	97,419

(l) Fair Value Measurements

Assets and liabilities reported at fair value are required to be classified within a fair value hierarchy, which gives preference to the use of observable inputs over unobservable inputs. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted or published prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted or published prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted or published prices that are observable.

Level 3: Unobservable inputs used when little or no market data is available.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to JDRF’s perceived risk of that instrument.

Assets and liabilities are disclosed within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. JDRF’s assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy.

As a practical expedient, JDRF is permitted to estimate the fair value of an investment at the measurement date using the reported net asset value (NAV). Adjustment is required if JDRF expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. JDRF holds investments in its portfolio that are generally valued based on the most current NAV. This amount represents fair value of these investments at June 30, 2023 and 2022. Investments reported at NAV, as a practical expedient, are not included within Levels 1, 2, or 3 in the fair value hierarchy.

(m) Income Taxes

JDRF is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is organized under the laws of the Commonwealth of Pennsylvania. The effect of income tax positions is recognized only if those positions are more-likely-than-not of being sustained. Income generated from activities unrelated to JDRF's exempt purpose is subject to tax under IRC Section 511. JDRF's unrelated business income tax liability was insignificant for the years ended June 30, 2023 and 2022.

(n) Recently Adopted Authoritative Pronouncements

Periodically, the Financial Accounting Standards Board (FASB) issues updates to the Accounting Standards Codification (ASC) that impact JDRF's financial reporting and related disclosures.

Leases

In February 2016, the FASB issued ASC 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

JDRF adopted the standard effective July 1, 2022, and recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative-effect adjustment with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

JDRF elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, as of July 1, 2022, JDRF recognized (a) an operating lease liability of $23,794, which represents the present value of the remaining lease payments of approximately $26,339, discounted using a weighted-average risk-free rate of 2.91 percent and (b) an operating right-of-use asset of $21,319, net of deferred rent credit. JDRF also recognized (a) a finance lease liability of $108, which represents the present value of the remaining lease payments of $111, discounted using risk-free rates that averaged 3.6 percent, and (b) a financing right-of-use asset of $108.

The standard had a material impact on the consolidated statements of financial position but did not have a material impact on the consolidated statements of activities, functional expense, or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating and finance leases.

(Continued)

(In thousands)

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The guidance was effective for JDRF's fiscal year ended June 30, 2023. The implementation of this provision did not materially impact JDRF's consolidated financial statements.

(o) Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current-year presentation.

(3) Liquidity and Availability of Resources

At June 30, 2023 and 2022, JDRF's financial assets available within one year for general expenditures, such as program expenses and other operating expenses, are as follows:

		2023	2022
Cash and cash equivalents	$	13,102	38,318
Operating and restricted investments		187,506	132,349
Long-term investments		83,855	81,120
Contributions receivable, net		53,048	58,975
Total financial assets		337,511	310,762
Less those unavailable for general expenditure within one year:			
Operating investments subject to spending restrictions		15,985	8,275
Operating investments related to the T1D Fund		100,412	81,005
Long-term investments related to split-interest agreements		4,210	4,085
Long-term investments subject to lock-ups greater than one year		393	533
Long-term investments related to donor-restricted endowment funds		7,873	7,584
Time-restricted receivables due in greater than one year, net		22,793	24,424
Total financial assets unavailable for general expenditures within one year		151,666	125,906
Total financial assets available to meet general expenditures within one year	$	185,845	184,856

JDRF's cash flows have seasonal variations during the year attributable to the timing of major fundraising events and a concentration of contributions received at calendar and fiscal year-end. As part of the liquidity management plan, JDRF invests cash in excess of daily requirements in short-term investments and money market reserves with a target of maintaining six months' worth of reserves. Additionally, JDRF maintains a line of credit to supplement liquidity when required (note 14(c)).

(4) Investments at Fair Value

JDRF's investments are invested in accordance with investment policies as set forth by the finance and investment committee of the Board of Directors. The following is a summary of the investments by asset allocation as well as investment risk:

Short-term investments: Includes fixed income investments with maturities of less than one year. Corporate bonds are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2.

Fixed income investments: Includes direct holdings of corporate bonds in managed accounts as well as mutual funds with maturities of more than one year. Corporate bonds are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2.

Equity investments: Includes direct holdings of public securities in managed accounts as well as mutual funds that are generally valued based on quoted or published prices in active markets obtained from exchange or dealer markets for identical assets and are categorized as Level 1.

Hedge funds: Includes investments in close-ended private funds that are valued at NAV. These investments are in the process of liquidation. JDRF's ability to redeem or sell hedge fund investments is based upon the terms and conditions in effect, and they generally can be redeemed or sold annually. There were no unfunded commitments as of June 30, 2023 and 2022.

Preferred stock: Includes equity investments made by the T1D Fund in private companies to provide capital to help materially accelerate the development of drugs, devices, diagnostics, and vaccines to treat, prevent, and cure T1D. Because these companies are private, there is no readily determinable market value. The T1D Fund managers may value the underlying investments on an appraised value, discounted cash flow, industry comparables, or other methods. The preferred stock investments are categorized as Level 3. As of June 30, 2023, there are no unfunded contingent commitments to programmatic investments.

Stock warrant: During the year ended June 30, 2023, JDRF was donated future rights to purchase common stock of an employee stock ownership plan that is valued at fair value. The future rights will be exercisable on January 1, 2025.

(Continued)

(In thousands)

A summary of investments, including operating, long-term, and programmatic investments, as of June 30, 2023, categorized in accordance with the fair value hierarchy and valued on a recurring basis, is as follows:

	Level 1	Level 2	Level 3	NAV	Total
Operating investments:					
Cash and cash equivalents	$ 5,966	—	—	—	5,966
Short-term investments	—	36,747	—	—	36,747
U.S. fixed income	—	141,011	—	—	141,011
Non-U.S. fixed income	—	3,418	—	—	3,418
Stock warrant	—	—	364	—	364
Total	$ 5,966	181,176	364	—	187,506
Long-term investments:					
Cash and cash equivalents	$ 98	—	—	—	98
Mutual funds – fixed income	29,126	—	—	—	29,126
Mutual funds – equities	54,238	—	—	—	54,238
Hedge funds	—	—	—	393	393
Total	$ 83,462	—	—	393	83,855
Programmatic investments:					
U.S. equity	$ 1,573	—	—	—	1,573
Preferred stock	—	—	61,866	—	61,866
Total	$ 1,573	—	61,866	—	63,439

Split-interest agreement assets are included in long-term investments and are categorized as Level 1 and Level 2 investments depending on the underlying assets. The fair value of Charitable Gift Annuities and Charitable Remainder Trusts totaled $2,759 and $1,451, respectively, at June 30, 2023.

(In thousands)

A summary of investments, including operating, long-term, and programmatic investments, as of June 30, 2022, categorized in accordance with the fair value hierarchy and valued on a recurring basis, is as follows:

	Level 1	Level 2	Level 3	NAV	Total
Operating investments:					
Cash and cash equivalents	$ 8,303	—	—	—	8,303
Short-term investments	—	33,730	—	—	33,730
U.S. fixed income	—	86,884	—	—	86,884
Non-U.S. fixed income	—	3,432	—	—	3,432
Total	$ 8,303	124,046	—	—	132,349
Long-term investments:					
Cash and cash equivalents	$ 105	—	—	—	105
Mutual funds – fixed income	28,802	—	—	—	28,802
Mutual funds – equities	51,680	—	—	—	51,680
Hedge funds	—	—	—	533	533
Total	$ 80,587	—	—	533	81,120
Programmatic investments:					
U.S. equity	$ 5,698	—	—	—	5,698
Preferred stock	—	—	44,853	—	44,853
Total	$ 5,698	—	44,853	—	50,551

Split-interest agreement assets are included in long-term investments and are categorized as Level 1 and Level 2 investments depending on the underlying assets. The fair value of Charitable Gift Annuities and Charitable Remainder Trusts totaled $2,604 and $1,481, respectively, at June 30, 2022.

A summary of changes in Level 3 investments during the years ended June 30, 2023 and 2022, is as follows:

Balance at June 30, 2021	$ 49,666
Additions	12,031
Transfer out	(16,844)
Balance at June 30, 2022	44,853
Additions	13,679
Unrealized gain, net	4,997
Sale of investment	(1,299)
Balance at June 30, 2023	$ 62,230

(In thousands)

(5) Contributions Receivable, net

Contributions receivable, net includes pledges due in future periods and uncollected event revenues. Together, these consisted of the following at June 30, 2023 and 2022:

		2023	2022
Gross pledges receivable, due in:			
Less than one year	$	27,395	32,127
One to five years		25,656	27,346
Six to ten years		518	400
		53,569	59,873
Less:			
Allowance for doubtful accounts		(1,355)	(2,002)
Unamortized discount to present value, at rates ranging from 3.8% to 5.4%		(2,026)	(1,320)
Pledges receivable, net		50,188	56,551
Event revenue receivables		2,860	2,424
Contributions receivable, net	$	53,048	58,975

(6) Programmatic Notes Receivable, net

Programmatic notes receivable, net represents loans made to companies to provide capital to materially accelerate the development of drugs, devices, diagnostics, and vaccines to treat, prevent, and cure T1D. As of June 30, 2023 and 2022, the T1D Fund had six and three convertible promissory notes, respectively, with private companies that are considered debt securities. The notes bear interest at rates ranging from five to eight percent and are convertible into shares of the company's preferred stock under certain conditions. The notes are recorded at fair value at June 30, 2023 and 2022.

During the year ended June 30, 2022, an other-than-temporary impairment of $1,106 was recorded on one note. The T1D Fund received notification that the company began a wind-down process prior to June 30, 2022, and the fair value at year-end represents the estimated cash that the T1D Fund will receive after all senior debts are paid. During the year ended June 30, 2023, the company closed, and the T1D Fund disposed of the note.

(In thousands)

(7) Fixed Assets

Fixed assets consisted of the following at June 30, 2023 and 2022:

		2023	2022
Furniture and equipment, cost	$	28,388	24,359
Leasehold improvements, cost		2,671	1,010
		31,059	25,369
Less accumulated depreciation and amortization		(20,980)	(14,798)
Fixed assets, net	$	10,079	10,571

(8) Research Grants Payable

Research grants payable at June 30, 2023 and 2022 consisted of the following:

		2023	2022
Amounts expected to be paid in:			
Less than one year	$	82,006	62,144
One to five years		15,093	7,502
Subtotal		97,099	69,646
Less discount to present value, at rates ranging from 4.49% to 5.4%		(673)	(236)
Research grants payable, net	$	96,426	69,410

Research grant expense is net of any grant refunds, reductions, or terminations. These adjustments were $1,427 and $5,823 for the years ended June 30, 2023 and 2022, respectively.

(9) In-Kind Contributions

JDRF received the following contributions of nonfinancial assets for the years ended June 30, 2023 and 2022:

		2023	2022
Rent	$	508	114
Peer review services		100	428
	$	608	542

(Continued)

(In thousands)

Donated rent is valued using current market rates provided by the landlord and is allocated across functional areas using staff time. Donated peer review services are valued using current rates at which paid peer reviewers are compensated and are used in program activities.

(10) Retirement Plan

JDRF maintains a 403(b) tax-deferred annuity plan that allows employees to defer a portion of their wages for saving for retirement. The plan provides an annual employer matching contribution. To receive employer matching contributions, an eligible employee must be employed by JDRF on the last day of the plan year. Employer contribution expense for the years ended June 30, 2023 and 2022 was $1,774 and $1,340, respectively.

(11) Net Assets with Donor Restrictions

The composition of net assets with donor restrictions as of June 30, 2023 and 2022 is as follows:

		2023	2022
Subject to the passage of time:			
Assets held under split-interest agreements	$	708	700
Promises to give that are not restricted by donors, but which are unavailable for expenditure until received		34,658	40,744
Total time restrictions		35,366	41,444
Subject to expenditure for specified purpose:			
Center of excellence		4,978	5,692
Specific research grants		6,322	3,565
Programs		2,037	2,573
T1D Fund		3,424	4,506
Total purpose restrictions		16,761	16,336
Endowments:			
Available for appropriation and expenditure		1,574	1,446
Perpetual in nature		6,299	6,138
Total endowments		7,873	7,584
Total net assets with donor restrictions	$	60,000	65,364

(In thousands)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors for the years ended June 30, 2023 and 2022 as follows:

		2023	2022
Expiration of time restrictions	$	28,106	37,649
Distributions from assets held under split-interest agreements		107	119
Satisfaction of purpose restrictions		39,063	21,065
Endowment appropriations		215	208
Total releases from net assets with donor restrictions	$	67,491	59,041

(12) Endowment

JDRF's endowment consists of seven individual endowment funds for which donors established permanent balances, with some for specific purposes. Net assets associated with each of these funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

JDRF has adopted FASB guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enhanced version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. Although the Commonwealth of Pennsylvania has not adopted UPMIFA to date, certain disclosures are made as required under the FASB guidance.

Based on its interpretation of Pennsylvania law and relevant accounting literature, the Board of Directors of JDRF considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. JDRF has interpreted Pennsylvania law to permit spending from underwater funds in accordance with prudent measures required under the law and considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a) The duration and preservation of the fund

b) The purposes of the organization and the donor-restricted endowment fund

c) General economic conditions

d) The possible effect of inflation and deflation

e) The expected total return from income and the appreciation of investment

f) Other resources of the organization

(In thousands)

g) The investment policies of JDRF.

Net assets with donor restrictions of a perpetual nature include (a) the original value of gifts to the donor-imposed endowment and (b) accumulations of investment returns to the donor-imposed endowment made in accordance with the direction of the applicable donor gift instrument, when applicable until appropriated for expenditure.

A summary of endowment net asset composition by type of fund as of June 30, 2023 and 2022 is as follows:

	2023	2022
Original donor-restricted amounts required to be maintained in perpetuity by donor	$ 6,299	6,138
Accumulated investment gains	1,574	1,446
	$ 7,873	7,584

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires JDRF to retain as a fund of perpetual duration. Deficiencies of this nature exist in three donor-restricted endowment funds, which together have an original gift value of $2,575. As of June 30, 2023 and 2022, these funds have a current fair value of $2,405 and $2,253, respectively, and a deficiency of $170 and $322, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during the year ended June 30, 2022.

(b) Return Objectives and Risk Parameters

JDRF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and operations supported by the endowment. Endowment assets are invested in a manner to provide that sufficient assets are available as a source of liquidity for the intended use of the funds, achieve the optimal return possible within the specified risk parameters, prudently invest assets in a high-quality diversified manner, and adhere to the established guidelines.

(c) Strategies Employed for Achieving Objectives

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

(Continued)

(In thousands)

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

JDRF has a policy of appropriating for distribution each year the capital appreciation and current yield of each individual endowment fund, unless otherwise precluded by donor intent. If the fund is underwater, spending is permitted depending on the degree to which the fund is underwater. During the year ended June 30, 2023, there was no spending from underwater endowment funds.

The changes in net assets related to donor-restricted endowment funds for the years ended June 30, 2023 and 2022 consisted of the following:

		2023	2022
Endowment net assets, beginning of year	$	7,584	8,912
Contributions		—	25
Investment income		196	172
Net appreciation (depreciation)		308	(1,317)
Appropriation for expenditure		(215)	(208)
Endowment net assets, end of year	$	7,873	7,584

(13) Related-Party Transactions

In April 2018, JDRF entered into agreements with five affiliates that expire in 2023 with an option for an automatic renewal of an additional five years. The affiliates include JDRF Australia, Canada, Israel, The Netherlands, and the United Kingdom. The agreements outline the appropriate use of the JDRF logo and the method by which research grants will be funded in the various locations.

During the years ended June 30, 2023 and 2022, JDRF received contributions for research grants from these affiliates as follows:

		2023	2022
JDRF – Canada	$	2,793	3,110
JDRF – United Kingdom		1,504	1,552
JDRF – Australia		1,986	3,959
	$	6,283	8,621

(Continued)

(In thousands)

(14) Commitments

(a) Research Grants

As of June 30, 2023, JDRF's conditional research grant commitments will be recognized in the consolidated financial statements when the conditions are met and are currently estimated to be payable as follows:

2024	$	68,232
2025		39,631
2026		3,384
2027		2,021
	$	113,268

(b) Leases

JDRF maintains operating leases for office spaces occupied by certain chapters and the headquarters in New York and finance leases for equipment. As of June 30, 2023, the right-of-use asset and corresponding liability associated with future lease payments is as follows:

		Operating	Finance	Total
Right-of-use assets	$	21,836	305	22,141
Accumulated amortization		3,698	83	3,781
Lease liability		20,358	224	20,582
Weighted average:				
Discount rate		2.90%	3.60%	
Lease term		6 years	4 years	

The components of lease expense as reported in the consolidated statements of activities for the year ended June 30, 2023 were as follows:

Operating lease cost	$	4,339
Short-term lease cost		33
Impairment cost		35
Finance lease cost:		
Amortization of right-of-use assets		83
Interest on lease liabilities		4
	$	4,494

(In thousands)

Future minimum lease payments under non-cancellable leases as of June 30, 2023 were as follows:

		Operating	Finance	Total
2024	$	4,362	75	4,437
2025		3,452	48	3,500
2026		3,181	45	3,226
2027		2,930	42	2,972
2028		2,795	31	2,826
2029 and beyond		5,561	—	5,561
		22,281	241	22,522
Less present value discount		(1,923)	(17)	(1,940)
Lease liability, net	$	20,358	224	20,582

For the year ended June 30, 2022, rental expense totaled $5,307 and a deferred rent credit of $2,449 was included in accounts payable and accrued expenses.

(c) Line of Credit

In 2013, JDRF entered into an agreement with a financial institution for an unsecured line of credit in the aggregate amount of $5 million. In January 2022, JDRF amended the agreement to increase the line of credit to $10 million, and it was renewed in June 2023. The line matures in June 2024, and there were no draws on the line during the years ended June 30, 2023 and 2022.

(15) Joint Costs

JDRF incurs expenses to conduct direct mail campaigns that have both fundraising appeals as well as public education and outreach components (joint activities). During the year ended June 30, 2023, in addition to fundraising, these campaigns were used for education and included a call to action for the public to become an advocate for insulin access. The direct mail expenses were allocated as follows for the year ended June 30, 2023:

Fundraising	$	3,239
Public education and outreach		1,080
	$	4,319

(16) Subsequent Events

JDRF evaluated subsequent events after the consolidated statements of financial position date of June 30, 2023 through December 19, 2023, the date the consolidated financial statements were available for issuance. No subsequent events were noted for disclosure.