KPMG

JDRF INTERNATIONAL

Consolidated Financial Statements

June 30, 2022 and 2021

(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, 2022 and 2021, 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, 2022 and 2021, and the changes 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.

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 15, 2022

JDRF INTERNATIONAL

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(In thousands)

Assets		**2022**	**2021**
Cash and cash equivalents	$	38,318	46,385
Investments (note 4):			
Operating and restricted investments		132,349	78,297
Long-term investments		81,120	96,463
Programmatic investments		50,551	63,339
Contributions receivable, net (note 5)		58,975	55,108
Programmatic notes receivable, net (note 6)		2,219	3,450
Prepaid expenses and other		15,358	6,455
Fixed assets, net (note 7)		10,571	11,818
Total assets	$	389,461	361,315
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 14(b))	$	17,575	18,190
Line of credit payable (note 14(c))		—	5,000
Research grants payable (note 8)		69,410	61,750
Deferred revenue		5,150	13,237
Liabilities related to split-interest agreements		2,416	2,584
Total liabilities		94,551	100,761
Commitments (note 14)			
Net assets:			
Without donor restrictions		229,546	193,001
With donor restrictions (notes 11 and 12)		65,364	67,553
Total net assets		294,910	260,554
Total liabilities and net assets	$	389,461	361,315

See accompanying notes to consolidated financial statements.

JDRF INTERNATIONAL

Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

(In thousands)

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public support and revenue:						
Public support:						
Contributions	$ 36,867	57,997	94,864	39,617	53,370	92,987
Donated services (note 9)	542	—	542	—	—	—
Events revenue:						
Proceeds	117,298	—	117,298	87,841	—	87,841
Direct benefits to donors	(16,753)	—	(16,753)	(5,516)	—	(5,516)
Contributions from international affiliates (note 13)	8,621	—	8,621	5,868	—	5,868
Total public support	146,575	57,997	204,572	127,810	53,370	181,180
Revenue:						
Investment (loss) return, net	(30,362)	(1,145)	(31,507)	46,189	1,203	47,392
Other	22,664	—	22,664	13,345	—	13,345
Total revenue	(7,698)	(1,145)	(8,843)	59,534	1,203	60,737
Net assets released from restrictions (note 11)	59,041	(59,041)	—	35,182	(35,182)	—
Total public support and revenue	197,918	(2,189)	195,729	222,526	19,391	241,917
Expenses:						
Program services:						
Research and advocacy, net	84,459	—	84,459	42,086	—	42,086
Public education and outreach	36,810	—	36,810	31,745	—	31,745
Total program services	121,269	—	121,269	73,831	—	73,831
Supporting services:						
Management and general	11,681	—	11,681	17,952	—	17,952
Fundraising	28,423	—	28,423	23,281	—	23,281
Total supporting services	40,104	—	40,104	41,233	—	41,233
Total expenses	161,373	—	161,373	115,064	—	115,064
Change in net assets	36,545	(2,189)	34,356	107,462	19,391	126,853
Net assets at beginning of year	193,001	67,553	260,554	85,539	48,162	133,701
Net assets at end of year	$ 229,546	65,364	294,910	193,001	67,553	260,554

See accompanying notes to consolidated financial statements.

JDRF INTERNATIONAL

Consolidated Statements of Functional Expenses

Years ended June 30, 2022 and 2021

(In thousands)

	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

	2021						
	Program services			Supporting services			
	Research and advocacy	Public education and outreach	Total	Management and general	Fundraising	Total	Total expenses
Research grants, net (note 8)	$ 28,823	—	28,823	—	—	—	28,823
Payroll and related expenses	8,916	20,564	29,480	9,610	14,127	23,737	53,217
Occupancy and other, including depreciation and amortization	1,917	5,721	7,638	6,974	5,946	12,920	20,558
Printing and promotional expenses	38	1,275	1,313	180	1,360	1,540	2,853
Meetings and conferences	22	68	90	17	71	88	178
Professional services	550	950	1,500	815	996	1,811	3,311
Miscellaneous	1,820	3,167	4,987	356	781	1,137	6,124
Total expenses	$ 42,086	31,745	73,831	17,952	23,281	41,233	115,064
Costs of direct benefits to donors							5,516
Total expenses and costs of direct benefits to donors							$ 120,580

See accompanying notes to consolidated financial statements.

JDRF INTERNATIONAL

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	34,356	126,853
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net realized and unrealized loss (gain) on investments		33,842	(45,428)
Depreciation and amortization		6,331	5,231
Impairment of programmatic notes		1,106	—
Changes in operating assets and liabilities:			
Contribution receivable, net		(3,867)	(10,968)
Prepaid expenses and other		(8,903)	(567)
Noncapital accounts payable and accrued expenses		(615)	(934)
Research grants payable		7,660	(37,489)
Deferred revenue		(8,087)	5,506
Liabilities related to split-interest agreements		(168)	77
Net cash provided by operating activities		61,655	42,281
Cash flows from investing activities:			
Purchase of fixed assets		(5,084)	(5,644)
Change in accounts payable and accrued expenses related to fixed asset acquisitions		—	413
Funding of programmatic investments		(11,985)	(15,824)
Proceeds from sale of programmatic investments		8,353	29,388
Conversion of programmatic notes		1,100	420
Purchase of operating investments		(173,294)	(116,467)
Proceeds from sale of operating investments		117,553	64,459
Purchase of long-term investments		(6,353)	(8,320)
Funding of programmatic notes		(975)	—
Proceeds from sale of long-term investments		5,963	7,918
Net cash used in investing activities		(64,722)	(43,657)
Cash flows from financing activities:			
Payment on line of credit		(5,000)	—
Net cash used in financing activities		(5,000)	—
Change in cash and cash equivalents		(8,067)	(1,376)
Cash and cash equivalents at beginning of year		46,385	47,761
Cash and cash equivalents at end of year	$	38,318	46,385
Supplemental schedule of noncash investing activities:			
Purchases of fixed assets in accrued expenses	$	—	308

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 a cure–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 a cure 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 approximately $2.5 billion (unaudited) and is currently supporting more than 300+ active grants across researchers in academia, industry, and government.

Since 1997, JDRF's federal advocacy efforts have helped secure nearly $3 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

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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, 2022, the T1D Fund's investments in privately held companies with T1D-related projects totaled $52,770, of which $50,551 are programmatic investments (note 4) and $2,219 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 ($8,275) at June 30, 2022 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 discount rates used were 3.6 percent to 4.5 percent for the years ended June 30, 2022 and 2021. The change in the fair value of assets related to split-interest agreements as of June 30, 2022 and 2021 is as follows:

		2022	2021
Assets related to split-interest agreements, beginning of year	$	4,871	4,154
Contributions		176	94
Investment income, net		103	55
Net (depreciation) appreciation		(738)	889
Payments and settlements		(327)	(321)
Assets related to split-interest agreements, end of year	$	4,085	4,871

(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 primarily includes income received under a collaborative arrangement with another company. Under the agreement, JDRF provided grant funding to the 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.

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(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, 2022 and 2021:

		2022	2021
Program service expenses: research and advocacy	$	84,459	42,086
T1D Fund equity investments: cash invested		12,960	15,824
	$	97,419	57,910

(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 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 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, 2022 and 2021. 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, 2022 and 2021.

(n) Recent 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.

In February 2016, the FASB issued ASU 2016-02 that requires lessees to recognize assets and liabilities for the rights and obligations created by leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily depends on its classification as a finance or operating lease. JDRF plans to adopt this standard upon its effective date for the year ending June 30, 2023 on a modified retrospective basis and is currently assessing the impact of this ASU on its consolidated financial statements.

(o) Reclassifications

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

(In thousands)

(3) Liquidity and Availability of Resources

At June 30, 2022 and 2021, JDRF's financial assets available within one year for general expenditures, such as program expenses and other operating expenses, are as follows:

		2022	2021
Cash and cash equivalents	$	38,318	46,385
Operating and restricted investments		132,349	78,297
Long-term investments		81,120	96,463
Contribution receivable, net		58,975	55,108
Total financial assets		310,762	276,253
Less those unavailable for general expenditure within one year:			
Operating investments subject to spending restrictions		8,275	—
Operating investments related to the T1D Fund		81,005	53,940
Long-term investments related to split-interest agreements		4,085	4,871
Long-term investments subject to lock-ups greater than one year		533	749
Long-term investments related to donor-restricted endowment funds		7,584	8,912
Time-restricted receivables due in greater than one year, net		24,424	20,955
Total financial assets unavailable for general expenditures within one year		125,906	89,427
Total financial assets available to meet general expenditures within one year	$	184,856	186,826

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.

(In thousands)

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, 2022 and 2021.

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, 2022, there are no unfunded contingent commitments to programmatic investments.

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

(In thousands)

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 investments, including operating, long-term, and programmatic investments, as of June 30, 2021, 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	$ 18	—	—	—	18
U.S. fixed income	—	55,510	—	—	55,510
Non-U.S. fixed income	—	8,932	—	—	8,932
U.S. equity	5,732	—	—	—	5,732
Non-U.S. equity	8,105	—	—	—	8,105
Total	$ 13,855	64,442	—	—	78,297
Long-term investments:					
Cash and cash equivalents	$ 137	—	—	—	137
Mutual funds – fixed income	33,427	—	—	—	33,427
Mutual funds – equities	62,150	—	—	—	62,150
Hedge funds	—	—	—	749	749
Total	$ 95,714	—	—	749	96,463
Programmatic investments:					
U.S. equity	$ 13,673	—	—	—	13,673
Preferred stock	—	—	49,666	—	49,666
Total	$ 13,673	—	49,666	—	63,339

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 $3,181 and $1,690, respectively, at June 30, 2021.

(In thousands)

A summary of changes in Level 3 investments during the years ended June 30, 2022 and 2021, is as follows:

Balance at July 1, 2020	$	42,634
Additions		15,667
Transfer out		(8,635)
Balance at June 30, 2021		49,666
Additions		12,031
Transfer out		(16,844)
Balance at June 30, 2022	$	44,853

(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, 2022 and 2021:

		2022	2021
Gross pledges receivable, due in:			
Less than one year	$	32,127	32,108
One to five years		27,346	26,278
Six to ten years		400	—
		59,873	58,386
Less:			
Allowance for doubtful accounts		(2,002)	(4,081)
Unamortized discount to present value, at rates ranging from 2.8% to 3.04%		(1,320)	(1,242)
Pledges receivable, net		56,551	53,063
Event revenue receivables		2,424	2,045
Contributions receivable, net	$	58,975	55,108

At June 30, 2022 and 2021, ten donors represented 25 percent and 33 percent of the total outstanding contributions receivable, net, respectively.

(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, 2022 and 2021, the T1D Fund had three convertible promissory notes 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, 2022 and 2021. During the year ended June 30, 2022, an other-than-temporary impairment of $1,106 was recorded on one of the notes. 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.

(In thousands)

(7) Fixed Assets

Fixed assets consisted of the following at June 30, 2022 and 2021:

		2022	2021
Furniture and equipment, cost	$	24,359	19,439
Leasehold improvements, cost		1,010	5,592
		25,369	25,031
Less accumulated depreciation and amortization		(14,798)	(13,213)
Fixed assets, net	$	10,571	11,818

(8) Research Grants Payable

Research grants payable at June 30, 2022 and 2021 consisted of the following:

		2022	2021
Amounts expected to be paid in:			
Less than one year	$	62,144	51,536
One to five years		7,502	10,265
Subtotal		69,646	61,801
Less discount to present value, at rates ranging from 0.46% to 2.99%		(236)	(51)
Research grants payable, net	$	69,410	61,750

Research grant expense is net of any grant refunds, reductions, or terminations. These adjustments were $5,823 and $24,888 for the years ended June 30, 2022 and 2021, respectively.

(9) In-Kind Contributions

For the year ended June 30, 2022, JDRF received donated services without donor restrictions totaling $542, which includes $428 for donated rent related to a chapter office and $114 for peer review services associated with research grants. The donated rent was valued using current market rates provided by the landlord, and the peer review services were valued using current rates at which paid peer reviewers are compensated. The donated rent was allocated across functional areas using staff time, and the peer review services were used in program activities.

(In thousands)

(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, 2022 and 2021 was $1,340 and $1,080, respectively.

(11) Net Assets with Donor Restrictions

The composition of net assets with donor restrictions as of June 30, 2022 and 2021 is as follows:

		2022	2021
Subject to the passage of time:			
Assets held under split-interest agreements	$	700	834
Promises to give that are not restricted by donors, but which are unavailable for expenditure until received		40,744	54,232
Total time restrictions		41,444	55,066
Subject to expenditure for specified purpose:			
Center of Excellence		5,692	3,575
Specific research grants		3,565	—
Programs		2,573	—
T1D Fund		4,506	—
Total purpose restrictions		16,336	3,575
Endowments:			
Available for appropriation and expenditure		1,446	2,358
Perpetual in nature		6,138	6,554
Total endowments		7,584	8,912
Total net assets with donor restrictions	$	65,364	67,553

(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, 2022 and 2021 as follows:

		2022	2021
Expiration of time restrictions	$	37,649	33,772
Distributions from assets held under split-interest agreements		119	103
Satisfaction of purpose restrictions		21,065	200
Endowment appropriations		208	1,107
Total releases from net assets with donor restrictions	$	59,041	35,182

(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, 2022 and 2021 is as follows:

		2022	2021
Original donor-restricted amounts required to be maintained in perpetuity by donor	$	6,138	6,554
Accumulated investment gains		1,446	2,358
	$	7,584	8,912

(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, a current fair value of $2,253, and deficiency of $322 as of June 30, 2022. 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, 2022, 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, 2022 and 2021 consisted of the following:

		2022	2021
Endowment net assets, beginning of year	$	8,912	7,709
Contributions		25	—
Investment income		172	173
Net (depreciation) appreciation		(1,317)	2,037
Appropriation for expenditure		(208)	(1,007)
Endowment net assets, end of year	$	7,584	8,912

(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, 2022 and 2021, JDRF received contributions for research grants from these affiliates as follows:

		2022	2021
JDRF – Canada	$	3,110	1,012
JDRF – United Kingdom		1,552	2,276
JDRF – Australia		3,959	2,580
	$	8,621	5,868

(In thousands)

(14) Commitments

(a) Research Grants

As of June 30, 2022, 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:

2023	$	53,666
2024		24,492
2025		8,000
2026		900
	$	87,058

(b) Leases

JDRF is obligated under various leases for space occupied by certain chapters and the headquarters in New York. Rent expense, including maintenance costs for the chapters, was $5,307 and $7,614 for the years ended June 30, 2022 and 2021, respectively.

The total rental commitment for all leases is as follows:

2023	$	4,737
2024		4,195
2025		3,341
2026		3,069
2027		2,866
2028 and beyond		8,342
	$	26,550

Rental expense is recognized on a straight-line basis, and accordingly, a deferred rent credit has been recorded. At June 30, 2022 and 2021, a deferred rent credit of approximately $2,449 and $2,546, respectively, is 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. The outstanding balance at June 30, 2021 was $5 million, which was repaid in July 2021. In January 2022, JDRF amended the agreement to increase the line of credit to $10 million. The line matures in March 2023, and there were no draws on the line during the year ended June 30, 2022.

(15) Subsequent Events

JDRF evaluated subsequent events after the consolidated statements of financial position date of June 30, 2022 through December 15, 2022, the date the consolidated financial statements were available for issuance. No subsequent events were noted for disclosure.