

The Marfan Foundation, Inc.

Financial Statements

June 30, 2022 and 2021

The Marfan Foundation, Inc.

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Independent Auditors' Report

To the Board of Directors of
The Marfan Foundation, Inc.

Opinion

We have audited the financial statements of The Marfan Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Uniondale, New York
October 27, 2022

The Marfan Foundation, Inc.

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Assets		
Cash and cash equivalents	\$ 1,118,758	\$ 953,839
Investments	8,861,420	8,573,681
Pledges receivable, net	4,365,270	554,347
Prepaid expenses and other current assets	406,943	309,031
Property and equipment, net	632,097	665,147
Beneficial interest in charitable remainder trust	1,031,118	1,225,205
Other assets	185,317	186,289
	<u>16,600,923</u>	<u>12,467,539</u>
Total assets	<u>\$ 16,600,923</u>	<u>\$ 12,467,539</u>
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	\$ 340,647	\$ 359,104
Deferred income	214,061	496,845
Other payables	185,317	189,289
Grants payable	768,750	631,250
	<u>1,508,775</u>	<u>1,676,488</u>
Total liabilities	<u>1,508,775</u>	<u>1,676,488</u>
Net Assets		
Without donor restrictions:		
General	3,703,349	3,535,983
Board-designated	1,585,912	1,548,015
With donor restrictions	9,802,887	5,707,053
	<u>15,092,148</u>	<u>10,791,051</u>
Total net assets	<u>15,092,148</u>	<u>10,791,051</u>
Total liabilities and net assets	<u>\$ 16,600,923</u>	<u>\$ 12,467,539</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Without	With	Total	
	Donor Restrictions	Donor Restrictions	2022	2021
Revenues and Gains				
Major contributions	\$ 688,400	\$ 4,939,208	\$ 5,627,608	\$ 1,158,354
Other contributions	488,680	39,338	528,018	517,828
Direct response	328,239	-	328,239	342,421
Government grant revenue	491,000	-	491,000	491,000
Community events	241,401	-	241,401	266,384
Conferences and symposia	13,464	-	13,464	32,819
Net investment (loss) income	(419,545)	-	(419,545)	756,463
Events, net of direct expenses of \$490,775 and \$187,693, respectively	2,379,786	-	2,379,786	1,923,708
Change in value of beneficial interest in charitable remainder trust	-	(194,087)	(194,087)	166,900
Contributions of nonfinancial assets	110,358	-	110,358	312,653
Net assets released from restrictions	688,625	(688,625)	-	-
Total revenues and gains	5,010,408	4,095,834	9,106,242	5,968,530
Expenses				
Program service expenses:				
Research initiatives and grants	1,582,843	-	1,582,843	1,836,644
Education and public awareness	947,083	-	947,083	908,165
Patient services and annual conference	1,183,961	-	1,183,961	1,212,699
Total program service expenses	3,713,887	-	3,713,887	3,957,508
Supporting service expenses:				
Management and general	421,725	-	421,725	484,778
Fundraising	669,533	-	669,533	752,891
Total supporting service expenses	1,091,258	-	1,091,258	1,237,669
Total expenses	4,805,145	-	4,805,145	5,195,177
Changes in net assets before Loeys Dietz Syndrome Foundation contribution	205,263	4,095,834	4,301,097	773,353
Loeys Dietz Syndrome Foundation Contribution				
	-	-	-	929,255
Changes in net assets	205,263	4,095,834	4,301,097	1,702,608
Net Assets, Beginning	5,083,998	5,707,053	10,791,051	9,088,443
Net Assets, Ending	\$ 5,289,261	\$ 9,802,887	\$ 15,092,148	\$ 10,791,051

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Gains			
Major contributions	\$ 941,524	\$ 216,830	\$ 1,158,354
Other contributions	517,828	-	517,828
Direct response	342,421	-	342,421
Government grant revenue	491,000	-	491,000
Community events	266,384	-	266,384
Conferences and symposia	32,819	-	32,819
Net investment income	756,463	-	756,463
Events, net of direct expenses of \$187,693	1,923,708	-	1,923,708
Change in value of beneficial interest in charitable remainder trust	-	166,900	166,900
Contributions of nonfinancial assets	312,653	-	312,653
Net assets released from restrictions	1,038,867	(1,038,867)	-
	<u>6,623,667</u>	<u>(655,137)</u>	<u>5,968,530</u>
Expenses			
Program service expenses:			
Research initiatives and grants	1,836,644	-	1,836,644
Education and public awareness	908,165	-	908,165
Patient services and annual conference	1,212,699	-	1,212,699
	<u>3,957,508</u>	<u>-</u>	<u>3,957,508</u>
Supporting service expenses:			
Management and general	484,778	-	484,778
Fundraising	752,891	-	752,891
	<u>1,237,669</u>	<u>-</u>	<u>1,237,669</u>
Total expenses	<u>5,195,177</u>	<u>-</u>	<u>5,195,177</u>
Changes in net assets before Loeys Dietz Syndrome Foundation contribution	1,428,490	(655,137)	773,353
Loeys Dietz Syndrome Foundation Contribution	<u>-</u>	<u>929,255</u>	<u>929,255</u>
Changes in net assets	1,428,490	274,118	1,702,608
Net Assets, Beginning	<u>3,655,508</u>	<u>5,432,935</u>	<u>9,088,443</u>
Net Assets, Ending	<u>\$ 5,083,998</u>	<u>\$ 5,707,053</u>	<u>\$ 10,791,051</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Program Services			Supporting Services		2022	2021
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fundraising	Total Expenses	Total Expenses
Awards and fellowships	\$ 638,200	\$ 5,561	\$ 5,561	\$ -	\$ -	\$ 649,322	\$ 950,118
Payroll	649,967	564,157	760,668	252,685	301,161	2,528,638	2,439,444
Payroll taxes	30,071	46,104	53,255	18,593	25,294	173,317	165,652
Employee benefits	46,894	71,690	87,384	40,294	40,782	287,044	296,356
Professional fees	36,495	108,286	90,396	55,888	24,617	315,682	388,161
Office expenses	36,898	37,546	43,827	17,729	56,952	192,952	194,400
Occupancy	11,099	11,099	11,099	7,437	7,437	48,171	52,290
Advertising and promotions	23,852	24,293	25,653	279	37,878	111,955	227,195
Information technology	71,451	54,394	58,071	7,092	17,105	208,113	153,168
Travel and lodging	21,200	8,125	11,152	2,749	75,891	119,117	24,103
Conferences and other travel	-	150	14,140	-	23,996	38,286	51,225
Insurance	1,218	1,218	1,218	1,218	1,218	6,090	5,660
Fees and permits	1,761	1,709	1,709	-	-	5,179	7,100
Dues and subscriptions	3,410	2,436	2,436	4,977	4,375	17,634	24,312
Uncollectible account expenses	-	-	-	-	27,500	27,500	156,500
Miscellaneous	956	944	8,021	3,413	15,956	29,290	22,468
Total expenses before depreciation	1,573,472	937,712	1,174,590	412,354	660,162	4,758,290	5,158,152
Depreciation	9,371	9,371	9,371	9,371	9,371	46,855	37,025
Total expenses	<u>\$ 1,582,843</u>	<u>\$ 947,083</u>	<u>\$ 1,183,961</u>	<u>\$ 421,725</u>	<u>\$ 669,533</u>	<u>\$ 4,805,145</u>	<u>\$ 5,195,177</u>
Percent to total program and supporting service, current	<u>33%</u>	<u>20%</u>	<u>25%</u>	<u>8%</u>	<u>14%</u>	<u>100%</u>	
Percent to total program and supporting service, prior	<u>35%</u>	<u>18%</u>	<u>23%</u>	<u>9%</u>	<u>15%</u>		<u>100%</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Supporting Services		Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fundraising	
Awards and fellowships	\$ 949,904	\$ 107	\$ 107	\$ -	\$ -	\$ 950,118
Payroll	574,364	530,700	738,383	299,673	296,324	2,439,444
Payroll taxes	35,200	35,278	52,918	23,076	19,180	165,652
Employee benefits	59,115	65,424	113,338	32,761	25,718	296,356
Professional fees	66,360	108,762	71,515	70,862	70,662	388,161
Office expenses	32,394	32,987	38,897	25,820	64,302	194,400
Occupancy	12,310	12,310	12,310	7,680	7,680	52,290
Advertising and promotions	50,538	54,031	50,348	808	71,470	227,195
Information technology	37,824	50,251	39,282	4,785	21,026	153,168
Travel and lodging	2,970	1,385	3,542	363	15,843	24,103
Conferences and other travel	-	1,950	12,749	-	36,526	51,225
Insurance	1,132	1,132	1,132	1,132	1,132	5,660
Fees and permits	2,414	2,343	2,343	-	-	7,100
Dues and subscriptions	3,191	2,102	2,102	8,687	8,230	24,312
Uncollectible account expenses	-	-	62,500	-	94,000	156,500
Miscellaneous	1,523	1,998	3,828	1,726	13,393	22,468
Total expenses before depreciation	1,829,239	900,760	1,205,294	477,373	745,486	5,158,152
Depreciation	7,405	7,405	7,405	7,405	7,405	37,025
Total expenses	<u>\$ 1,836,644</u>	<u>\$ 908,165</u>	<u>\$ 1,212,699</u>	<u>\$ 484,778</u>	<u>\$ 752,891</u>	<u>\$ 5,195,177</u>
Percent to total program and supporting service	<u>35%</u>	<u>18%</u>	<u>23%</u>	<u>9%</u>	<u>15%</u>	<u>100%</u>

See notes to financial statements

The Marfan Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ 4,301,097	\$ 1,702,608
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	46,855	37,025
Net realized and unrealized loss (gain) on investments	614,101	(679,927)
Uncollectible account expenses	27,500	156,500
Change in unamortized discount on pledges receivable	86,413	(81,334)
Change in beneficial interest in charitable remainder trust	194,087	(166,900)
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Pledges receivable	(3,924,836)	1,077,190
Prepaid expenses and other current assets	(97,912)	(100,340)
Other assets	972	(55,890)
Increase (decrease) in operating liabilities:		
Accrued liabilities	(18,457)	104,653
Deferred income	(282,784)	(12,582)
Grants payable	137,500	(31,250)
Other payables	(3,972)	57,339
Net cash flows from operating activities	<u>1,080,564</u>	<u>2,007,092</u>
Cash Flows From Investing Activities		
Fixed asset purchases	(13,805)	(33,271)
Purchases of investments	(1,247,475)	(3,474,675)
Proceeds from the sale of investments	345,635	1,717,120
Net cash flows from investing activities	<u>(915,645)</u>	<u>(1,790,826)</u>
Cash Flows From Financing Activities		
Repayments on line of credit	-	(500,000)
Net cash flows from financing activities	<u>-</u>	<u>(500,000)</u>
Net change in cash and cash equivalents	164,919	(283,734)
Cash and Cash Equivalents, Beginning	<u>953,839</u>	<u>1,237,573</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,118,758</u>	<u>\$ 953,839</u>

See notes to financial statements

The Marfan Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

1. Description of Organization and Summary of Significant Accounting Policies

Nature of Operations

The Marfan Foundation, Inc. (the Foundation), based in Port Washington, New York, was incorporated in 1981 in Maryland. It is the only national not-for-profit health organization that supports people with Marfan syndrome, Loeys Dietz Syndrome (LDS), Vascular Ehlers Danlos Syndrome (VEDS) and related genetic aortic and vascular conditions. The Foundation provides extensive education and support to patients and family members through its website, webinars, support groups, symposiums, conference and its Help and Resource Center. In addition, it offers peer-to-peer connections both on-line and in-person and supports a robust research program that provides grants to scientists, convenes international symposia and encourages young researchers in the field.

On July 1, 2020, the Loeys Dietz Syndrome Foundation Inc. (LDSF) contributed \$929,255 to the Foundation under an agreement by which the Foundation will provide patient education, support and research and establish an international presence for LDS.

Basis of Accounting

The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Contributions

Unconditional promises to give that are expected to be collected within one year are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give contain donor-imposed conditions that represent a barrier that must be overcome as well as a right of release from obligation and are recognized when they become unconditional, that is, when the conditions on which they depend are substantially met.

The Foundation reports gifts of cash or other assets as without donor restrictions, unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions that originate in a given year and are released from restrictions in the same year by meeting the donor's restricted purposes are reflected in net assets without donor restrictions.

The Foundation reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Marfan Foundation, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

Events Revenue

A portion of events revenue represents a reciprocal transaction equal to the cost of direct expenses with the remainder representing contributions. For the years ended June 30, 2022 and 2021, direct expenses were \$490,775 and \$187,693, respectively, and are netted against events revenue.

Donated Services

For the years ended June 30, 2022 and 2021, the Foundation received donated legal services from a Board member of approximately \$93,000 and \$167,000, respectively. Donated legal services are valued and are reported at fair value in the financial statements based on the hours incurred and the hourly rate applicable for similar legal services. The Foundation also received donated website and TV advertisements of approximately \$17,000 and \$146,000 for the years ended June 30, 2022 and 2021, respectively. Donated website and TV advertisements are valued and are reported at the estimated value in the financial statements based on broadcast air time and the applicable rate for similar advertisements. The contributed nonfinancial assets did not have any donor-imposed restrictions and were all utilized for programmatic purposes.

Net Assets

The net assets of the Foundation are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Foundation. Included in net assets without donor restrictions are:

Board-Designated Without Donor Restrictions - Net assets without donor restrictions that have been designated for general reserves by the Board of Directors.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Foundation and/or the passage of time. As the restrictions are satisfied, donor-restricted net assets are reclassified to net assets without donor restrictions and are reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions also includes net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but permit the Foundation to utilize earnings from such donor-restricted funds for operations.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and highly liquid investments with maturities of three months or less, except that cash and cash equivalents held by investment managers is included in investments, as the Foundation considers these balances to be invested for long-term purposes.

Allowance for Doubtful Accounts and Pledges

Management must make estimates of the uncollectability of all accounts and pledges receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the need for an allowance for doubtful accounts and pledges. As of June 30, 2022 and 2021, no allowance for doubtful accounts and pledges was necessary.

The Marfan Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Property, Equipment and Depreciation

Property and equipment are capitalized at cost when acquired. Individual equipment purchases with an acquisition cost of \$2,000 or more and a useful life of more than three years and group equipment purchases with an acquisition cost of \$5,000 or more and a useful life of more than three years are capitalized. Donated fixed assets are recorded at fair value at the date of donation. Depreciation is computed over periods ranging from 3 to 39 years on a straight-line basis.

Fair Value

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Foundation must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

Investments

Investments are recorded at their estimated fair values.

Gains and losses on investments are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Investment return is presented net of investment fees. Investments donated to the Foundation are recorded at fair value as of the date of the contribution.

Beneficial Interest in Charitable Remainder Trust

The Foundation's beneficial interest in charitable remainder trust (the Trust) is valued at the fair value of the underlying investments held within the Trust as reported by the third party trustee and is classified as Level 3 in the fair value hierarchy.

Grants Payable

Grants payable are comprised of unconditional promises to give and are payable in less than one year as of both June 30, 2022 and 2021.

Tax-Exempt Status

The Foundation qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required.

Uncertain Tax Positions

Management has evaluated the Foundation's tax positions and concluded that the Foundation has not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740.

The Marfan Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Payroll and benefits are allocated based on time and effort. Occupancy costs are allocated based on square footage. Information technology, postage and shipping are allocated based on staff usage. Other costs are directly charged based on the nature of the expense.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adopted Accounting Pronouncement

During 2022, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Foundation has adjusted the presentation of these financial statements accordingly. ASU 2020-07 has been applied retrospectively to all periods presented.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Foundation for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of ASU 2016-02 on the Foundation's financial statements.

Evaluation of Subsequent Events

Management has evaluated subsequent events through October 27, 2022, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

2. Investments

The composition of investments is as follows as of June 30:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 3,260,831	\$ 3,260,831	\$ 2,819,610	\$ 2,819,610
Corporate bonds	1,158,837	1,114,543	1,158,476	1,162,366
Exchange traded funds	650,534	761,081	650,534	852,426
Mutual funds	3,591,271	3,724,965	3,130,940	3,739,279
Total investments	<u>\$ 8,661,473</u>	<u>\$ 8,861,420</u>	<u>\$ 7,759,560</u>	<u>\$ 8,573,681</u>

The Marfan Foundation, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

The above assets requiring classification within the fair value hierarchy were classified as follows as of June 30, 2022:

	2022	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Exchange traded funds	\$ 761,081	\$ -
Corporate bonds	-	1,114,543
Mutual funds	3,724,965	-
Total	<u>\$ 4,486,046</u>	<u>\$ 1,114,543</u>

The above assets requiring classification within the fair value hierarchy were classified as follows as of June 30, 2021:

	2021	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Exchange traded funds	\$ 852,426	\$ -
Corporate bonds	-	1,162,366
Mutual funds	3,739,279	-
Total	<u>\$ 4,591,705</u>	<u>\$ 1,162,366</u>

Exchange traded funds and mutual funds are valued based on quoted market prices. Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

3. Pledges Receivable, Net

Pledges receivable are comprised of the following as of June 30:

	2022	2021
Unconditional promises to give before unamortized discount	\$ 4,466,900	\$ 569,564
Less unamortized discount	(101,630)	(15,217)
Net unconditional promises to give	<u>\$ 4,365,270</u>	<u>\$ 554,347</u>
Amounts due in:		
One year	\$ 1,411,065	\$ 426,346
Two to five years	2,954,205	128,001
Net unconditional promises to give	<u>\$ 4,365,270</u>	<u>\$ 554,347</u>

The discount rates utilized to calculate the net present value of multi-year pledges as of June 30, 2022 and 2021 ranged from 2.92% to 0.26%.

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4. Property and Equipment, Net

Property and equipment, net, consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 107,927	\$ 107,927
Building and improvements	917,564	917,564
Office equipment, furniture and fixtures	298,802	298,802
Website	<u>229,952</u>	<u>216,147</u>
	1,554,245	1,540,440
Less accumulated depreciation	<u>922,148</u>	<u>875,293</u>
Property and equipment, net	<u>\$ 632,097</u>	<u>\$ 665,147</u>

5. Board-Designated Net Assets

The Foundation has restricted cash and cash equivalents and certificates of deposit included in the investment portfolio which represent Board-designated net assets, consisting of general reserve funds.

Board-designated net assets consist of Board-designated cash reserve funds of \$1,585,912 and \$1,548,015 as of June 30, 2022 and 2021, respectively.

The changes in Board-designated net assets were as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Board-designated net assets, beginning	\$ 1,548,015	\$ 1,128,897
Net investment (loss) income	(167,887)	220,263
Purchases	205,784	518,855
Sales	<u>-</u>	<u>(320,000)</u>
Board-designated net assets, ending	<u>\$ 1,585,912</u>	<u>\$ 1,548,015</u>

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6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts restricted for the following as of June 30:

	<u>2022</u>	<u>2021</u>
Purpose restricted:		
Scholarships	\$ 1,034,314	\$ 994,976
Research, valve sparing	2,700	2,700
Support services	234,726	218,035
General research	6,006,168	1,717,836
Research, VEDS	-	25,000
Research, LDS	111,256	214,246
General, LDS	695,009	695,009
Clinical trials	492,045	548,995
Thoracic Aortic Disease (TAD) Coalition	51	51
Conference	145,500	15,000
Conference, LDS	50,000	50,000
Time restricted:		
Charitable Remainder Trust	1,031,118	1,225,205
Total net assets with donor restrictions	<u>\$ 9,802,887</u>	<u>\$ 5,707,053</u>

During 2022 and 2021, net assets were released from restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors, as follows, for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Scholarships	\$ -	\$ 10,399
Support services	6,309	7,696
Education	-	17,708
General research, VEDS research and LDS research	625,366	974,129
Clinical trials	56,950	8,935
Conference	-	20,000
Total net assets released from restrictions	<u>\$ 688,625</u>	<u>\$ 1,038,867</u>

7. Line of Credit

During 2022 and 2021, the Foundation maintained a margin account, which is a securities based line of credit that bears interest at a base rate adjusted by a factor determined by the size of the debit balance during the interest period as specified in the margin agreement. The Foundation has access, at the discretion of the financial institution, to borrow certain percentages of the value of the Foundation's collateral accounts held by the financial institution. As such, the value of the securities based line of credit fluctuates during the course of the year. The amount available to the Foundation as of June 30, 2022 and 2021 was approximately \$4,700,000 and \$5,400,000, respectively. There were no borrowings against the margin account as of June 30, 2022 and 2021. The margin account can be terminated by the financial institution once the Foundation no longer holds accounts with the financial institution.

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8. Paycheck Protection Program

On May 8, 2020, the Foundation received proceeds in the amount of \$491,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA).

The Foundation initially recorded the funds as deferred income, with forgiveness to be recorded in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions were explicitly waived. On January 5, 2021, the Foundation received full forgiveness from the SBA and recorded the PPP loan as government grant revenue during the year ended June 30, 2021.

On February 19, 2021, the Foundation received additional proceeds in the amount of \$491,000 under the Second Draw PPP (PPP2). PPP2 is also administered by the SBA. The Foundation recorded the proceeds as deferred income, with forgiveness to be recorded in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions were explicitly waived. On November 9, 2021, the Foundation received full forgiveness from the SBA and recorded the PPP2 as government grant revenue during the year ended June 30, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is forgiven or repaid in full and to provide that documentation to the SBA upon request. The Foundation does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

9. Pension Plan

A defined contribution plan, as defined by IRC Section 403(b), is offered to all employees of the Foundation. The Foundation may provide a discretionary employer contribution provided an employee has reached 21 years of age, has completed at least one year of service, worked a minimum of 1,000 hours in the plan's fiscal year and is actively employed on the last day of the plan's fiscal year. Employer contributions are allocated on the basis of the ratio that each eligible participant's compensation bears to the total compensation of all eligible participants for the plan's fiscal year. There was no employer contribution to the plan for the years ended June 30, 2022 and 2021.

The Foundation maintains a 457(b) deferred compensation plan (the Plan) for two current employees. Pursuant to the Plan agreement, the Plan's assets are considered general assets of the Foundation until the assets are distributed to the beneficiary. As a result, the Plan's net assets available for benefits of approximately \$185,000 and \$186,000 as of June 30, 2022 and 2021, respectively, are included in other assets and other payables on the Foundation's statements of financial position. The Foundation expensed employer contributions for the Plan totaling \$20,000 for each of the years ended June 30, 2022 and 2021.

10. Concentrations

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of investments and pledges receivable. The Foundation maintains its cash, cash equivalents and temporary cash investments in various financial institutions which, at times, may exceed the Federal Deposit Insurance Corporation insurance limit. The Foundation's pledges receivable are subject to various collection risks. As of June 30, 2022 and 2021, approximately 87% and 14%, respectively, of pledges receivable were from one private foundation. Management believes such pledge amounts are fully collectible.

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11. Liquidity and Availability of Resources

The following table reflects the Foundation's financial assets available for general expenditures within one year as of June 30, 2022 and 2021. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,118,758	\$ 953,839
Investments	8,861,420	8,573,681
Pledges receivable, net	<u>1,411,065</u>	<u>426,346</u>
Total financial assets	11,391,243	9,953,866
Less donor-restricted amounts	5,817,564	4,353,847
Less Board-designated amounts for other purposes	<u>1,585,912</u>	<u>1,548,015</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,987,767</u>	<u>\$ 4,052,004</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, there is a fund established by the governing board that may be drawn upon in the event of financial distress resulting from events outside the typical life cycle or for short-term borrowing. The balance of the fund as of June 30, 2022 and 2021 was \$1,585,912 and \$1,548,015, respectively. Additionally, the Foundation maintains a margin account which is a securities based line of credit. The Foundation has access, at the discretion of the financial institution, to borrow certain percentages of the value of the Foundation's collateral accounts held by the financial institution. The amount available to the Foundation as of June 30, 2022 and 2021 was approximately \$4,700,000 and \$5,400,000, respectively.