

THE MARFAN FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

THE MARFAN FOUNDATION, INC.

CONTENTS

Independent Auditors' Report	1-3
---	-----

Financial Statements

Statements of Financial Position.....	4
Statements of Activities	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9

Notes to Financial Statements	10-21
--	-------

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., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Marfan Foundation, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Marfan Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Marfan Foundation, Inc.'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 Marfan Foundation, Inc.'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 Marfan Foundation, Inc.'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.

Prior Year Audited by Other Auditors

The financial statements of The Marfan Foundation, Inc. as of June 30, 2022 were audited by other auditors, whose report dated October 27, 2022, expressed an unmodified opinion on those statements.

Marcum LLP

New York, NY

October 18, 2023

THE MARFAN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 826,752	\$ 1,118,758
Investments	12,270,093	8,861,420
Contributions receivable, net	3,194,059	4,365,270
Prepaid expenses and other current assets	387,901	406,943
Property and equipment, net	606,435	632,097
Beneficial interest in charitable remainder trust	1,057,281	1,031,118
Other assets	219,091	185,317
Total Assets	<u>\$ 18,561,612</u>	<u>\$ 16,600,923</u>
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	\$ 482,564	\$ 340,647
Deferred income	216,461	214,061
Other payables	219,091	185,317
Grants payable	800,000	768,750
Total Liabilities	<u>1,718,116</u>	<u>1,508,775</u>
Net Assets		
Without donor restrictions		
General	5,744,754	3,703,349
Board designated	1,629,161	1,585,912
With donor restrictions	9,469,581	9,802,887
Total Net Assets	<u>16,843,496</u>	<u>15,092,148</u>
Total Liabilities and Net Assets	<u>\$ 18,561,612</u>	<u>\$ 16,600,923</u>

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

THE MARFAN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Revenues and Gains				
Contributions	\$ 3,118,705	\$ 1,039,071	\$ 4,157,776	\$ 6,155,626
Direct response	357,901	--	357,901	328,239
PPP loan forgiveness	--	--	--	491,000
Employee retention credit	547,701	--	547,701	--
Conferences and symposia	225,206	--	225,206	13,464
Net investment income (loss)	574,327	--	574,327	(419,545)
Special events, net of direct donor benefits of \$679,790 and \$490,775, respectively	2,593,551	--	2,593,551	2,621,187
Change in value of beneficial interest in charitable remainder trust	--	26,163	26,163	(194,087)
In-kind contributions	67,456	--	67,456	110,358
Net assets released from restrictions	<u>1,398,540</u>	<u>(1,398,540)</u>	<u>--</u>	<u>--</u>
Total Revenues and Gains	<u>8,883,387</u>	<u>(333,306)</u>	<u>8,550,081</u>	<u>9,106,242</u>
Expenses				
Program Service Expenses				
Research initiatives and grants	2,400,851	--	2,400,851	1,582,843
Education and public awareness	1,207,705	--	1,207,705	947,083
Patient services and annual conference	<u>1,900,153</u>	<u>--</u>	<u>1,900,153</u>	<u>1,183,961</u>
Total Program Service Expenses	<u>5,508,709</u>	<u>--</u>	<u>5,508,709</u>	<u>3,713,887</u>
Supporting Service Expenses				
Management and general	519,147	--	519,147	421,725
Fundraising	<u>770,877</u>	<u>--</u>	<u>770,877</u>	<u>669,533</u>
Total Supporting Service Expenses	<u>1,290,024</u>	<u>--</u>	<u>1,290,024</u>	<u>1,091,258</u>
Total Expenses	<u>6,798,733</u>	<u>--</u>	<u>6,798,733</u>	<u>4,805,145</u>
Change in Net Assets	2,084,654	(333,306)	1,751,348	4,301,097
Net Assets, Beginning of Year	<u>5,289,261</u>	<u>9,802,887</u>	<u>15,092,148</u>	<u>10,791,051</u>
Net Assets, End of Year	<u>\$ 7,373,915</u>	<u>\$ 9,469,581</u>	<u>\$ 16,843,496</u>	<u>\$ 15,092,148</u>

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

THE MARFAN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Gains			
Contributions	\$ 1,177,080	\$ 4,978,546	\$ 6,155,626
Direct response	328,239	--	328,239
PPP loan forgiveness	491,000	--	491,000
Conferences and symposia	13,464	--	13,464
Net investment loss	(419,545)	--	(419,545)
Special events, net of direct donor benefits of \$490,775	2,621,187	--	2,621,187
Change in value of beneficial interest in charitable remainder trust	--	(194,087)	(194,087)
In-kind contributions	110,358	--	110,358
Net assets released from restrictions	688,625	(688,625)	--
Total Revenues and Gains	5,010,408	4,095,834	9,106,242
Expenses			
Program Service Expenses			
Research initiatives and grants	1,582,843	--	1,582,843
Education and public awareness	947,083	--	947,083
Patient services and annual conference	1,183,961	--	1,183,961
Total Program Service Expenses	3,713,887	--	3,713,887
Supporting Service Expenses			
Management and general	421,725	--	421,725
Fundraising	669,533	--	669,533
Total Supporting Service Expenses	1,091,258	--	1,091,258
Total Expenses	4,805,145	--	4,805,145
Change in Net Assets	205,263	4,095,834	4,301,097
Net Assets, Beginning of Year	5,083,998	5,707,053	10,791,051
Net Assets, End of Year	\$ 5,289,261	\$ 9,802,887	\$ 15,092,148

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

THE MARFAN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

(With Comparative Totals for 2022)

	Program Services			Supporting Services		2023 Total Expenses	2022 Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fundraising		
Awards and fellowships	\$ 1,052,041	\$ 6,634	\$ 40,377	\$ --	\$ --	\$ 1,099,052	\$ 649,322
Payroll	714,727	627,554	865,023	306,260	334,580	2,848,144	2,528,638
Payroll taxes	43,477	39,005	54,895	24,220	19,325	180,922	173,317
Employee benefits	80,809	84,362	118,421	66,179	36,570	386,341	287,044
Professional fees	29,028	79,771	61,155	49,343	8,213	227,510	315,682
Office expenses	45,090	45,085	77,496	25,584	77,135	270,390	192,952
Occupancy	12,056	12,056	12,056	8,202	8,202	52,572	48,171
Advertising and promotions	43,389	41,890	51,360	360	41,757	178,756	111,955
Information technology	81,920	83,759	84,261	10,781	26,466	287,187	208,113
Travel and lodging	184,915	135,936	145,473	--	102,258	568,582	119,117
Conferences and other travel	95,041	34,461	358,580	211	45,670	533,963	38,286
Insurance	1,674	1,674	1,674	1,674	1,674	8,370	6,090
Fees and permits	2,142	2,079	2,079	--	--	6,300	5,179
Dues and subscriptions	3,342	2,249	2,249	5,730	6,094	19,664	17,634
Bad debts	--	--	--	--	30,000	30,000	27,500
Miscellaneous	1,443	1,433	15,297	10,846	23,176	52,195	29,290
Total Expenses Before Depreciation and Amortization	2,391,094	1,197,948	1,890,396	509,390	761,120	6,749,948	4,758,290
Depreciation and amortization	9,757	9,757	9,757	9,757	9,757	48,785	46,855
Total Expenses	\$ 2,400,851	\$ 1,207,705	\$ 1,900,153	\$ 519,147	\$ 770,877	\$ 6,798,733	\$ 4,805,145
Percent to Total Program and Supporting Service, Current	35%	18%	28%	8%	11%	100%	--
Percent to Total Program and Supporting Service, Prior	33%	20%	25%	8%	14%	--	100%

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

THE MARFAN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	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	\$ 638,200	\$ 5,561	\$ 5,561	\$ --	\$ --	\$ 649,322
Payroll	649,967	564,157	760,668	252,685	301,161	2,528,638
Payroll taxes	30,071	46,104	53,255	18,593	25,294	173,317
Employee benefits	46,894	71,690	87,384	40,294	40,782	287,044
Professional fees	36,495	108,286	90,396	55,888	24,617	315,682
Office expenses	36,898	37,546	43,827	17,729	56,952	192,952
Occupancy	11,099	11,099	11,099	7,437	7,437	48,171
Advertising and promotions	23,852	24,293	25,653	279	37,878	111,955
Information technology	71,451	54,394	58,071	7,092	17,105	208,113
Travel and lodging	21,200	8,125	11,152	2,749	75,891	119,117
Conferences and other travel	--	150	14,140	--	23,996	38,286
Insurance	1,218	1,218	1,218	1,218	1,218	6,090
Fees and permits	1,761	1,709	1,709	--	--	5,179
Dues and subscriptions	3,410	2,436	2,436	4,977	4,375	17,634
Bad debts	--	--	--	--	27,500	27,500
Miscellaneous	956	944	8,021	3,413	15,956	29,290
Total Expenses Before Depreciation and Amortization	1,573,472	937,712	1,174,590	412,354	660,162	4,758,290
Depreciation and amortization	9,371	9,371	9,371	9,371	9,371	46,855
Total Expenses	\$ 1,582,843	\$ 947,083	\$ 1,183,961	\$ 421,725	\$ 669,533	\$ 4,805,145
Percent to Total Program and Supporting Service	33%	20%	25%	8%	14%	100%

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

THE MARFAN FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ 1,751,348	\$ 4,301,097
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	48,785	46,855
Donated securities	(82,033)	--
Net realized and unrealized loss (gain) on investments	(267,611)	614,101
Bad debts	30,000	27,500
Change in unamortized discount on contributions receivable	(4,736)	86,413
Change in beneficial interest in charitable remainder trust	(26,163)	194,087
Changes in operating assets and liabilities		
(Increase) decrease in operating assets		
Contributions receivable	1,145,947	(3,924,836)
Prepaid expenses and other current assets	19,042	(97,912)
Other assets	(33,774)	972
Increase (decrease) in operating liabilities		
Accrued liabilities	141,917	(18,457)
Deferred income	2,400	(282,784)
Grants payable	31,250	137,500
Other payables	33,774	(3,972)
Net Cash Provided by Operating Activities	2,790,146	1,080,564
Cash Flows From Investing Activities		
Purchases of property and equipment	(23,123)	(13,805)
Purchases of investments	(6,017,488)	(1,247,475)
Proceeds from the sale of investments	2,958,459	345,635
Net Cash Used in Investing Activities	(3,082,152)	(915,645)
Net Change in Cash and Cash Equivalents	(292,006)	164,919
Cash and Cash Equivalents, Beginning of Year	1,118,758	953,839
Cash and Cash Equivalents, End of Year	\$ 826,752	\$ 1,118,758
Noncash Investing Activity		
Disposal of fully depreciated property and equipment	\$ 24,970	\$ --

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

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - ORGANIZATION

The Marfan Foundation, Inc. (the “Foundation”), based in Port Washington, New York, was incorporated in 1981 in the state of Maryland. It is the only global not-for-profit health organization that supports people with Marfan syndrome, Loeys Dietz Syndrome (“LDS”), Vascular Ehlers-Danlos Syndrome (“VEDS”), and other genetic aortic and vascular conditions. The Foundation provides extensive education and support to patients and family members through its websites, webinars, support groups, symposiums, conferences, and its Help and Resource Center, which is staffed by a registered nurse and a bilingual manager. In addition, it offers peer-to-peer connections both online and in-person and supports a robust research program that provides grants to scientists, convenes international symposia, and encourages young researchers in the field.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The financial statements presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958, Not-for-Profit Entities. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions. Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions, which either expire by the passage of time or when used for specified purposes.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments with maturities of three months or less.

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are recorded at their fair values.

Gains and losses on investments are reported in the statements of activities 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.

FAIR VALUE

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Under U.S. GAAP, the three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that reflect management's own assumptions.

Investments in exchange traded funds and mutual funds are valued based on quoted market prices and are classified as Level 1 investments. U.S. government securities and corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities and are classified as Level 2 investments. Mortgage pool funds are valued based on the future expected cash flows from the investment's underlying mortgages and are classified as Level 2 investments.

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ALLOWANCE FOR DOUBTFUL ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Management must make estimates of the uncollectability of all accounts and contributions receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the need for an allowance for doubtful accounts and contributions receivable. As of June 30, 2023 and 2022, no allowance for doubtful accounts and contributions receivable was necessary.

PROPERTY AND EQUIPMENT, NET

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 and amortization are computed over periods ranging from 3 to 39 years on a straight-line basis.

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 is comprised of unconditional promises to give and are payable in less than one year as of both June 30, 2023 and 2022.

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. Net assets without donor restrictions include board-designated net assets that have been designated for general reserves by the board of directors.

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS (CONTINUED)

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 as net assets released from restrictions.

CONTRIBUTIONS

Unconditional promises to give (including bequests) 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 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

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SPECIAL EVENTS REVENUE

A portion of special events revenue represents a reciprocal transaction equal to the cost of direct donor benefits with the remainder representing contributions. For the years ended June 30, 2023 and 2022, direct donor benefits were \$679,790 and \$490,775, respectively, and are netted against special events revenue. The portion of special events revenue collected in advance but not yet earned is reflected as deferred income. Deferred income as of June 30, 2023, 2022 and 2021, was \$216,461, \$214,061 and \$496,845, respectively.

DONATED SERVICES

For the years ended June 30, 2023 and 2022, the Foundation received donated legal services from a board member of approximately \$33,000 and \$93,000, 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 totaling approximately \$34,000 and \$17,000 for the years ended June 30, 2023 and 2022, respectively. Donated website and TV advertisements are valued and are reported at the estimated value in the financial statements based on broadcast airtime and the applicable rate for similar advertisements. During the year ended June 30, 2023, the Foundation also received donated food totaling approximately \$1,000. Donated food is valued and are reported at cost in the financial statements. The contributed nonfinancial assets did not have any donor-imposed restrictions and were all utilized for programmatic purposes.

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

The Foundation recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties associated with unrecognized tax positions, if any, would be classified as interest expense and additional income taxes, respectively, in the statements of activities. The Foundation did not identify any uncertain tax positions for the years ended June 30, 2023 and 2022. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior-year financial statements to conform to the current-year presentation. These reclassifications have no effect on the change in net assets as presented in the statements of activities.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2023, the date the financial statements were available to be issued. No events requiring recognition or disclosure, except as reported in Note 8 on the line of credit, have been identified.

NOTE 3 - INVESTMENTS

The following table represents the Foundation's investments measured at fair value at June 30, 2023 and 2022:

June 30, 2023	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 5,005,704	\$ --	\$ --	\$ 5,005,704
Exchange traded funds	2,109,768	--	--	2,109,768
U.S. government securities	--	1,738,347	--	1,738,347
Corporate bonds	--	277,799	--	277,799
Mortgage pool funds	--	362,296	--	362,296
Mutual funds	<u>2,776,179</u>	<u>--</u>	<u>--</u>	<u>2,776,179</u>
Total	<u>\$ 9,891,651</u>	<u>\$ 2,378,442</u>	<u>\$ --</u>	<u>\$ 12,270,093</u>

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 3 - INVESTMENTS (CONTINUED)

June 30, 2022	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 3,260,831	\$ --	\$ --	\$ 3,260,831
Exchange traded funds	761,081	--	--	761,081
Corporate bonds	--	1,114,543	--	1,114,543
Mutual funds	<u>3,724,965</u>	<u>--</u>	<u>--</u>	<u>3,724,965</u>
Total	<u>\$ 7,746,877</u>	<u>\$ 1,114,543</u>	<u>\$ --</u>	<u>\$ 8,861,420</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. U.S. government securities are valued based on quoted market prices as of the last reported sales price on the last business day of the Foundation's year-end. Mortgage pool funds are valued based on the future expected cash flows from the investment's underlying mortgages.

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net are comprised of the following as of June 30:

	2023	2022
Unconditional contributions receivable before unamortized discount	\$ 3,290,953	\$ 4,466,900
Less - unamortized discount	<u>(96,894)</u>	<u>(101,630)</u>
Net Unconditional Contributions Receivable	<u>\$ 3,194,059</u>	<u>\$ 4,365,270</u>
Amounts due in:		
One year	\$ 1,248,256	\$ 1,411,065
Two to five years	<u>1,945,803</u>	<u>2,954,205</u>
Net Unconditional Contributions Receivable	<u>\$ 3,194,059</u>	<u>\$ 4,365,270</u>

The discount rates utilized to calculate the net present value of multi-year contributions as of June 30, 2023 and 2022 ranged from 0.26% to 2.92%.

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 - PROPERTY AND EQUIPMENT, NET

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

	<u>2023</u>	<u>2022</u>
Land	\$ 107,927	\$ 107,927
Building and improvements	917,564	917,564
Office equipment, furniture and fixtures	273,827	298,802
Website	<u>253,080</u>	<u>229,952</u>
	1,552,398	1,554,245
Less - accumulated depreciation and amortization	<u>945,963</u>	<u>922,148</u>
Property and Equipment, Net	<u>\$ 606,435</u>	<u>\$ 632,097</u>

NOTE 6 - 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 \$1,629,161 and \$1,585,912 as of June 30, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Board-designated net assets, beginning of year	\$ 1,585,912	\$ 1,548,015
Net Investment income	<u>43,249</u>	<u>37,897</u>
Board-Designated Net Assets, End of Year	<u>\$ 1,629,161</u>	<u>\$ 1,585,912</u>

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

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

Program	Balance, July 1, 2022	Contributions	Change in value of beneficial interest in charitable remainder trust	Released from Restrictions	Balance June 30, 2023
Purpose Restricted					
Research	\$ 6,612,220	\$ 14,071	\$ --	\$(1,203,140)	\$ 5,423,151
Patient support services	234,726	1,025,000	--	(91,704)	1,168,022
Annual conference and scholarships	1,229,814	--	--	(88,696)	1,141,118
Loeys Dietz Syndrome	695,009	--	--	(15,000)	680,009
Time Restricted					
Charitable Remainder Trust	<u>1,031,118</u>	<u>--</u>	<u>26,163</u>	<u>--</u>	<u>1,057,281</u>
Total	<u>\$ 9,802,887</u>	<u>\$ 1,039,071</u>	<u>\$ 26,163</u>	<u>\$(1,398,540)</u>	<u>\$ 9,469,581</u>
Program	Balance, July 1, 2021	Contributions	Change in value of beneficial interest in charitable remainder trust	Released from Restrictions	Balance June 30, 2022
Purpose Restricted					
Research	\$ 2,508,828	\$ 4,785,708	\$ --	\$ (682,316)	\$ 6,612,220
Patient support services	218,035	23,000	--	(6,309)	234,726
Annual conference and scholarships	1,059,976	169,838	--	--	1,229,814
Loeys Dietz Syndrome	695,009	--	--	--	695,009
Time Restricted					
Charitable Remainder Trust	<u>1,225,205</u>	<u>--</u>	<u>(194,087)</u>	<u>--</u>	<u>1,031,118</u>
Total	<u>\$ 5,707,053</u>	<u>\$ 4,978,546</u>	<u>\$ (194,087)</u>	<u>\$ (688,625)</u>	<u>\$ 9,802,887</u>

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - LINE OF CREDIT

During the years ended June 30, 2023 and 2022, 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 had 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 fluctuated during the course of each year. There were no balances outstanding as of June 30, 2023 and 2022, and there were no borrowings against the margin account during the years then ended. The amount available to the Foundation as of June 30, 2022, was approximately \$4,700,000. During May 2023, the Foundation began the process of transferring its collateral accounts to a new financial institution. This process was completed in June 2023; however, there was no line of credit available as of June 30, 2023, as the margin account had not yet been established. A new margin account was established in August 2023, with substantially the same terms as the previous account. The margin account can be terminated by the financial institution once the Foundation no longer holds accounts with the financial institution.

NOTE 9 - PAYCHECK PROTECTION PROGRAM

On February 19, 2021, 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”). On November 9, 2021, the loan of \$491,000 was fully forgiven and included on the statement of activities for 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.

NOTE 10 - EMPLOYEE RETENTION CREDIT

As a result of COVID-19, on March 27, 2020, the CARES Act was signed into law. Two provisions of the CARES Act have assisted the Foundation’s liquidity position - the Paycheck Protection Program (see Note 9) and the employee retention credit.

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 10 - EMPLOYEE RETENTION CREDIT (CONTINUED)

The employee retention credit provides employers a refundable federal tax credit equal to 50% of the first \$10,000 for calendar year 2020 and 70% of the first \$10,000 for each quarter in calendar year 2021 of qualified wages and benefits paid to employees. Contributions to qualified medical plans also constitute creditable amounts.

The credit is available to offset all federal employment withholdings owed in a particular quarter including both the employer and employee share of social security, Medicare taxes and withholdings for federal income taxes.

To the extent that the credit exceeds employment withholdings, the employer may request a refund of prior taxes paid. The Foundation determined that the conditions to qualify for the employee retention credit have been substantially met. The Foundation has received \$547,701, which is included on the statement of activities for the year ended June 30, 2023.

NOTE 11 - 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. Pension expense for the year ended June 30, 2023, was \$70,000. There was no employer contribution to the Plan for the year ended June 30, 2022.

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 \$219,000 and \$185,000 as of June 30, 2023 and 2022, 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, 2023 and 2022.

NOTE 12 - CONCENTRATIONS

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of investments and contributions receivable.

THE MARFAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 12 - CONCENTRATIONS (CONTINUED)

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 contributions receivable are subject to various collection risks. As of June 30, 2023 and 2022, approximately 92% and 87%, respectively, of contributions receivable were from one private foundation. Management believes such contribution amounts are fully collectible.

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Foundation's financial assets available for general expenditure within one year as of June 30, 2023 and 2022. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 826,752	\$ 1,118,758
Investments	12,270,093	8,861,420
Contributions receivable, net due in one year	<u>1,248,256</u>	<u>1,411,065</u>
Total Financial Assets	14,345,101	11,391,243
Less - donor-restricted amounts	6,466,497	5,817,564
Less - board-designated amounts for other purposes	<u>1,629,161</u>	<u>1,585,912</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 6,249,443</u>	<u>\$ 3,987,767</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, 2023 and 2022 was \$1,629,161 and \$1,585,912, respectively. In addition, the Foundation maintains a margin account with a financial institution which provides access to short-term borrowing – see Note 8.