KPMG

JDRF INTERNATIONAL

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditors’ Report Thereon)

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

Independent Auditors' Report

The Board of Directors
JDRF International:

We have audited the accompanying consolidated financial statements of JDRF International, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JDRF International as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in note 2(i) to the consolidated financial statements, in 2019, JDRF International adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and applied the provisions retrospectively to 2018. Our opinion is not modified with respect to this matter.

KPMG LLP

October 16, 2019

JDRF INTERNATIONAL

Consolidated Statements of Financial Position

June 30, 2019 and 2018

(In thousands)

Assets		2019	2018
Cash and cash equivalents	$	55,693	53,902
Investments (note 3):			
Operating investments		17,604	17,151
Long-term investments		80,183	78,545
Programmatic investments		21,444	11,261
Contributions and other receivable, net (note 7)		50,792	50,674
Programmatic notes receivable (note 8)		6,720	1,500
Prepaid expenses and other assets		6,103	5,991
Fixed assets, net (note 9)		5,895	7,329
Total assets	$	244,434	226,353
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	16,774	22,351
Research grants payable (note 11)		100,066	94,920
Deferred revenue		9,233	10,052
Liabilities related to split-interest agreements		2,560	2,625
Total liabilities		128,633	129,948
Commitments and contingencies (note 12)			
Net assets:			
Without donor restrictions		76,838	57,009
With donor restrictions (notes 2(a) and 13)		38,963	39,396
Total net assets		115,801	96,405
Total liabilities and net assets	$	244,434	226,353

See accompanying notes to consolidated financial statements.

JDRF INTERNATIONAL

Consolidated Statements of Activities

Years ended June 30, 2019 and 2018

(In thousands)

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public support and revenue:						
Public support:						
Contributions	$ 57,650	20,866	78,516	61,934	21,750	83,684
Events revenue:						
Proceeds	161,175	—	161,175	157,622	—	157,622
Direct donor benefits	(29,629)	—	(29,629)	(28,454)	—	(28,454)
Contributions from international affiliates (note 10)	6,981	—	6,981	8,294	—	8,294
Total public support	196,177	20,866	217,043	199,396	21,750	221,146
Revenue:						
Investment return, net	12,292	102	12,394	3,807	269	4,076
Other	2,313	—	2,313	1,793	—	1,793
Total revenue	14,605	102	14,707	5,600	269	5,869
Net assets released from restrictions	21,401	(21,401)	—	20,405	(20,405)	—
Total public support and revenue	232,183	(433)	231,750	225,401	1,614	227,015
Expenses:						
Program services:						
Research, net (note 11)	106,123	—	106,123	103,496	—	103,496
Public education and advocacy	53,426	—	53,426	51,933	—	51,933
Total program services	159,549	—	159,549	155,429	—	155,429
Supporting services:						
Management and general	21,303	—	21,303	21,421	—	21,421
Fundraising	31,502	—	31,502	31,128	—	31,128
Total supporting services	52,805	—	52,805	52,549	—	52,549
Total expenses	212,354	—	212,354	207,978	—	207,978
Change in net assets	19,829	(433)	19,396	17,423	1,614	19,037
Net assets at beginning of year	57,009	39,396	96,405	39,586	37,782	77,368
Net assets at end of year	$ 76,838	38,963	115,801	57,009	39,396	96,405

See accompanying notes to consolidated financial statements.

JDRF INTERNATIONAL

Consolidated Statements of Functional Expenses

Years ended June 30, 2019 and 2018

(In thousands)

2019

	Program services: Research	Program services: Public education and advocacy	Program services: Total	Supporting services: Management and general	Supporting services: Fundraising	Supporting services: Total	Total expenses
Research grants, net (note 11)	$ 89,137	—	89,137	—	—	—	89,137
Payroll and related expenses	11,446	34,957	46,403	14,095	19,811	33,906	80,309
Printing and promotional expenses	432	2,283	2,715	312	1,937	2,249	4,964
Occupancy and other, including depreciation and amortization	1,998	6,938	8,936	4,213	5,990	10,203	19,139
Meetings and conferences	998	1,463	2,461	703	1,267	1,970	4,431
Professional services	1,771	3,454	5,225	1,292	1,414	2,706	7,931
Miscellaneous	341	4,331	4,672	688	1,083	1,771	6,443
Total expenses	$ 106,123	53,426	159,549	21,303	31,502	52,805	212,354
Costs of direct benefits to donors							29,629
Total expenses and costs of direct benefits to donors							$ 241,983

2018

	Program services: Research	Program services: Public education and advocacy	Program services: Total	Supporting services: Management and general	Supporting services: Fundraising	Supporting services: Total	Total expenses
Research grants, net (note 11)	$ 84,652	—	84,652	—	—	—	84,652
Payroll and related expenses	11,504	35,158	46,662	14,812	19,959	34,771	81,433
Printing and promotional expenses	518	2,115	2,633	297	2,186	2,483	5,116
Occupancy and other, including depreciation and amortization	2,098	6,749	8,847	3,981	5,728	9,709	18,556
Meetings and conferences	1,567	1,736	3,303	712	1,557	2,269	5,572
Professional services	2,930	2,921	5,851	904	773	1,677	7,528
Miscellaneous	227	3,254	3,481	715	925	1,640	5,121
Total expenses	$ 103,496	51,933	155,429	21,421	31,128	52,549	207,978
Costs of direct benefits to donors							28,454
Total expenses and costs of direct benefits to donors							$ 236,432

See accompanying notes to consolidated financial statements.

JDRF INTERNATIONAL

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(In thousands)

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	19,396	19,037
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net appreciation in fair value of investments		(9,946)	(3,199)
Depreciation and amortization		3,926	4,333
Deferred rent credits		(456)	(202)
Changes in operating assets and liabilities:			
Contributions and other receivables		(118)	(8,256)
Prepaid expenses and other assets		(112)	1,101
Accounts payable and accrued expenses		(5,121)	5,824
Research grants payable		5,146	860
Deferred revenue		(819)	2,117
Liabilities related to split-interest agreements		(65)	(36)
Net cash provided by operating activities		11,831	21,579
Cash flows from investing activities:			
Purchase of fixed assets		(2,492)	(1,942)
Funding of programmatic investments		(3,463)	(7,511)
Proceeds from sale of programmatic investments		3,415	—
(Disbursement) conversion of programmatic notes		(5,220)	2,000
Purchase of operating investments		(25,797)	(31,306)
Proceeds from sale of operating investments		25,344	14,155
Purchase of long-term investments		(51,650)	(4,965)
Proceeds from sale of long-term investments		49,823	7,651
Net cash used in investing activities		(10,040)	(21,918)
Change in cash and cash equivalents		1,791	(339)
Cash and cash equivalents at beginning of year		53,902	54,241
Cash and cash equivalents at end of year	$	55,693	53,902

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. Guided by a strategic plan, JDRF maintains an in-house team of experts that identifies the most promising research to fulfill its mission. Over the 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.

In addition to direct research funding, JDRF is able to leverage its influence to attract hundreds of millions of dollars more in follow-on investments by third parties to the T1D space each year. JDRF's ability to create funding partnerships and attract follow-on funding is a direct reflection of the credibility, success and influence that has been established over nearly five decades. By leveraging relationships, JDRF helps generate a greater number of innovative approaches to curing, preventing and better treating T1D.

JDRF solicits contributions from the public and engages in various fundraising activities. Funds raised are used principally to support T1D research. Furthermore, JDRF promotes public education initiatives and advocates for U.S. and foreign government funding of T1D research and raises awareness among Members of Congress of the financial, medical, and emotional costs of the disease.

Since 1997, JDRF has helped secure nearly $2.8 billion 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, prevention studies, and treatments–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.

JDRF drives early stage commercial investment in T1D therapies through an independently managed venture philanthropy fund. JDRF T1D Fund LLC (The Fund), formerly JDRF Therapeutics Fund LLC, is a limited liability company whose sole member is JDRF and was activated during the year ended June 30, 2016 and is considered a disregarded entity of JDRF. The purpose of The Fund is to materially accelerate the development of drugs, devices, diagnostics, and vaccines to treat, prevent, and cure T1D. The Fund provides funding to companies and institutions conducting such T1D research and development through investment capital or other commercial agreements using donations made to The Fund and monies provided by JDRF.

JDRF financial results are presented on a consolidated basis, including JDRF and The Fund. All significant inter-company balances and transactions have been eliminated in consolidation.

JDRF's consolidated financial statements include the accounts of The Fund and JDRF Chapters located throughout the United States. International affiliates are in Canada, Australia, the United Kingdom, and several other countries. The financial statements of these international affiliates are not included in the accompanying consolidated financial statements since JDRF does not exercise control over their management or operations. However, international affiliates do provide contributions to JDRF to support funding of research grants as presented in note 10.

(In thousands)

JDRF is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code 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 Internal Revenue Code Section 511. Unrelated business income tax liability was insignificant for the years ended June 30, 2019 and 2018.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

JDRF's consolidated financial statements are prepared on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. Accordingly, net assets and changes therein 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, by the passage of time or donor-imposed restrictions, and donor-restricted endowment 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.

The composition of net assets with donor restrictions as of June 30, 2019 and 2018 is as follows:

	2019	2018
Future periods, principally pledges receivable and split-interest agreements	$ 30,240	29,852
Other contributions/purpose restricted	835	1,976
Perpetual endowment	7,888	7,568
	$ 38,963	39,396

(b) Contributions

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.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated considering anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a treasury yield rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions expected to be received after one year are discounted at a treasury yield rate of return. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution.

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.

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. With Charitable Remainder Trusts administered by JDRF, donated assets are received under a 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 distribution to the donor or other beneficiaries may be a fixed dollar amount (an annuity trust) or percentage of the fair value of the trust as determined annually (unitrust). For both Charitable Gift Annuities and Charitable Remainder Trusts, a related liability is recorded for the actuarially determined present value of the obligation to the annuitant or annuitants. The discount rates used to calculate the liability range between 1.2% and 8.2% at June 30, 2019. For Charitable Gift Annuities, the assets received are held by JDRF as general assets and the annuity liability is a general obligation.

(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 (see note 2(d)).

During 2019, JDRF reclassified $17,151 from cash and cash equivalents to a newly created caption, operating investments, in the consolidated statement of financial position at June 30, 2018. This reclassification includes $12,870 of instruments with original maturities greater than 3 months which were previously classified as cash equivalents in error and $4,281 of instruments with original maturities less than 3 months, which were retrospectively excluded from cash equivalents according to JDRF's cash equivalent policy, which was amended in 2019 to exclude operating investments. As a result, the 2018 consolidated statement of cash flows was revised to present the purchases and sales of these instruments as investing activities rather than a change in cash and cash equivalents.

(d) Investments

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

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 includes cash and securities with varying original maturities dates, both lesser than and greater than three months.

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, which 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 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, 2019, JDRF T1D Fund invested $28,164 in privately held companies with type 1 diabetes (T1D) related projects, of which $21,444 are programmatic investments (note 3) and $6,720 are programmatic notes receivable (note 8). These programmatic investments and notes receivable were made to provide equity capital to directly fund companies conducting the T1D research and development; therefore, there was no research grant related expense recorded thereby, decreasing the functional allocation percentage on research related expenses in the total program services while increasing the activities of the T1D fund through these investments.

(e) Fixed Assets

Fixed assets, which consist of furniture, equipment, and leasehold improvements, are recorded at cost. 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.

(Continued)

(f) Fair Value

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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs used when little or no market data is available.

JDRF follows Accounting Standards Update (ASU) (Topic 820), *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient.

(g) Functional Allocation of Expenses

The costs of providing the various programs and other activities are allocated based on time and have been summarized on a functional basis. Accordingly, certain costs (depreciation and amortization and operation and maintenance of plant) have been allocated among the programs and supporting services areas that were benefited. 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 grant related expense recorded on those investments; therefore, they are not included in the calculation of the total functional expenses.

(h) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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. Significant estimates made in the preparation of the consolidated financial statements include fair value of investments, net realizable value of contributions receivable, and functional expense allocation. Actual results could differ from those estimates.

(i) Recently Adopted Accounting Standard

During 2019, JDRF adopted ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets of $57,009, and net assets with donor restrictions of $39,396, previously reported as temporarily restricted net assets of $31,828 and permanently restricted net assets of $7,568. Additionally, it expands the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. JDRF applied the changes retrospectively to 2018.

(In thousands)

(j) Upcoming Authoritative Accounting Pronouncements

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which introduced a five-step model and related application guidance, replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of this standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. JDRF is in the process of evaluating the impact of this ASU. JDRF plans to adopt ASU No. 2014-09 for the year ended June 30, 2020.

The FASB issued ASU No. 2018-08, Not-for-Profit Entities: *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The ASU also clarifies that a contribution is conditional, if the agreement includes both a barrier that must be overcome and a right of return for the transferred assets or a right of release of a promisor’s obligation to transfer assets, which may delay recognition of contribution revenue (recipient) or expense (resource provided). JDRF is in the process of evaluating the impact of this ASU. JDRF plans to adopt the provisions of ASU No. 2018-08 for the year ended June 30, 2020.

(3) Investments

Investments (including operating, long-term, and programmatic investments) at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Investments measured at fair value (Level 1):		
Cash and cash equivalents	$ 135	4,229
Mutual funds:		
Equity	49,219	21,263
Fixed income	44,220	39,541
Programmatic investments measured at fair value:		
Preferred stock (Level 1)	8,470	—
Preferred stock (Level 3)	12,974	11,261
Investments measured at NAV:		
Global equity funds	—	7,958
Real assets funds	—	3,495
Hedge funds	4,213	19,210
Total investments	$ 119,231	106,957

(In thousands)

Included in investments are amounts related to Charitable Gift Annuities and Charitable Remainder Trusts totaling $2,728 and $1,539, respectively, at June 30, 2019 and $2,591 and $1,573, respectively, at June 30, 2018.

Investments are exposed to various risks, such as market and credit risks. Because of such risks, it is possible that change in investment values could occur and that such changes could materially affect JDRF's consolidated financial statements.

Information with respect to the strategies of investments is as follows:

Preferred stock – The Fund made investments in private and public companies for which it holds Series of Preferred Stocks to provide equity capital to help materially accelerate the development of drugs, devices, diagnostics, and vaccines to treat, prevent and cure T1D. As of June 30, 2019, there are no unfunded contingent commitments to programmatic investments.

Global equity funds – Investments in one fund that seeks to benefit from the compounding effect of accumulated earnings, assets, and dividends of the portfolio's underlying companies. Investments are in long positions, predominately in developed and emerging markets outside of the United States.

Real assets funds – Investments in one fund that invests in liquid energy, real estate, and natural resources equities, as well as commodities and TIPS.

Hedge funds – Investments in one fund that employ "alternative" strategies, primarily involving marketable securities. In addition to stocks and bonds, financial instruments traded by these funds may include derivatives contracts (e.g., futures, forwards, swaps, and options related to stocks, bonds, commodities, interest rates, or currencies), or less liquid assets such as private placements, structured products, bank loans, real estate, and special-purpose vehicles. These funds often employ the use of leverage and short selling.

The limitations and restrictions on JDRF's ability to redeem or sell its investments in NAV funds vary by investment. Based upon the terms and conditions in effect at June 30, 2019, these investments in NAV funds can be redeemed or sold as follows:

		Amounts
Quarterly	$	3,872
Annually (calendar basis and investment anniversary)		341
	$	4,213

There were no unfunded commitments as of June 30, 2019 and 2018.

(In thousands)

The following table represents a reconciliation for all level 3 assets measured at fair value:

		Amounts
Balance at July 1, 2018	$	11,261
Additions		4,213
Transfer out		(2,500)
Balance at June 30, 2019	$	12,974

(4) Liquidity and Availability of Resources

At June 30, 2019, the Foundation's financial assets available within one year for general expenditures, such as program expenses and other operating expenses, are as follows:

Cash and cash equivalents	$	55,693
Operating investments		17,604
Long-term investments		80,183
Programmatic investments		21,444
Contribution and other receivables, net		50,792
Total financial assets		225,716
Less those unavailable for general expenditure within one year:		
Time restricted pledges due in greater than one year, net		12,784
Other contribution receivable, net		14,767
Donor-restricted endowment		7,888
Investments related to split interest agreements		4,267
Programmatic Investments (Level 3)		12,974
Investment subject to lock-ups greater than one year		341
Total financial assets unavailable for general expenditures within one year		53,021
Total financial assets available to meet general expenditures within one year	$	172,695

In addition, JDRF has other resources available to meet general expenditures within one year, see note 12(c).

(5) Retirement Plans

JDRF maintains a Tax Deferred Annuity Plan (403B) which allows employees to defer a portion of their wages for saving for retirement. This Plan was amended effective July 1, 2015 to provide an annual

(Continued)

(In thousands)

employer matching contribution equal to 100% of an employee’s own contributions for the first 3% of annual eligible wages and 50% of the next 3% for a maximum possible contribution match of 4.5% of annual eligible earnings. To receive employer matching contributions, an eligible employee must be employed by JDRF on the last day of the Plan year. Related contribution expense for the years ended June 30, 2019 and 2018 was $1,836 and $1,628, respectively.

(6) Allocation of Joint Costs

JDRF allocates joint costs between fund-raising and program services or management and general in accordance with Accounting Standards Codification Subtopic (ASC) No. 958-720, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising.* In 2019 and 2018, JDRF conducted activities, principally direct mail, that included fundraising appeals as well as program components. The joint costs incurred were allocated as follows:

		2019	2018
Public education and advocacy	$	526	526
Fundraising		1,526	1,501
Total	$	2,052	2,027

(7) Contributions Receivable

Contributions receivable include pledges due in future periods, uncollected events revenues, and affiliate contributions receivable.

(Continued)

(In thousands)

Contributions and other receivables at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Gross pledges receivable, due in:		
Less than one year	$ 17,482	15,932
One to five years	14,408	15,177
Thereafter	—	20
	31,890	31,129
Less:		
Allowance for doubtful accounts	(1,210)	(1,473)
Unamortized discount to present value, at rates ranging from 0.28% to 5.1%	(414)	(513)
Pledges receivable, net	30,266	29,143
Other contributions receivable, net	14,767	15,136
Events revenues receivables	5,759	6,395
	$ 50,792	50,674

At June 30, 2019 and 2018, ten donors represented 35% and 40% of the total outstanding contributions and other receivables, respectively.

(8) Programmatic Notes Receivable

Programmatic notes receivable 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, 2019, the Fund has four convertible promissory notes with private companies. The promissory notes bear interest and are convertible into shares of the company's preferred stock under certain conditions. The notes receivable are recorded at net realizable value at June 30, 2019 and 2018. The programmatic notes receivables have interest rate ranging from 0.56%–8%.

(In thousands)

(9) Fixed Assets

Fixed assets at June 30, 2019 and 2018 consisted of the following:

		2019	2018
Furniture and equipment	$	23,388	21,046
Leasehold improvements		4,936	4,786
		28,324	25,832
Less accumulated depreciation and amortization		(22,429)	(18,503)
Fixed assets, net	$	5,895	7,329

(10) Contributions from International Affiliates

During the years ended June 30, 2019 and 2018, JDRF received contributions from affiliates as follows:

		2019	2018
JDRF – Canada	$	3,674	3,173
JDRF – United Kingdom		2,185	2,320
JDRF – Australia		1,122	2,728
JDRF – Netherlands		—	50
JDRF – Denmark		—	10
JDRF – Israel		—	13
	$	6,981	8,294

In April 2018, JDRF and the Affiliates reached an agreement on a renewed five-year Affiliate Agreement, except for Denmark, with an option for a five-year renewal, with all agreements to expire in 2023. The Agreement remains much the same as the previous agreement but with the addition of a provision for termination with and termination without cause.

(In thousands)

(11) Research Grants Payable

Research grants payable at June 30, 2019 and 2018 consisted of the following:

		2019	2018
Amounts expected to be paid in:			
Less than one year	$	80,561	76,316
One to five years		20,013	19,294
Subtotal		100,574	95,610
Less discount to present value, at rates ranging from 0.28% to 2.33%		(508)	(690)
Total	$	100,066	94,920

Research grant expense is net of any grant refunds, reductions, or terminations. These adjustments were $8,454 and $8,146 for the years ended June 30, 2019 and 2018, respectively.

(12) Commitments and Contingencies

(a) Research Grants

As of June 30, 2019, JDRF's conditional research grants commitments, including milestone contracts, of $90,101, which will be recognized in the consolidated financial statements when the conditions have been substantially met, are currently estimated to be payable as follows:

2020	$	59,077
2021		20,000
2022		7,544
2023		3,480
	$	90,101

(b) Leases

JDRF is obligated under various leases for space occupied by certain chapters and headquarters in New York. Rent expense, including maintenance costs for the chapters, was $4,165 and $4,608 for the years ended June 30, 2019 and 2018, respectively.

(In thousands)

Rental commitments for all leases are as follows:

2020	$	5,801
2021		5,940
2022		5,390
2023		5,061
2024		4,557
2025 and beyond		17,675
	$	44,424

Rent expense is recognized on a straight-line basis, and accordingly, a deferred rent credit has been recorded. At June 30, 2019 and 2018, a credit of approximately $714 and $1,170, respectively, is included in accounts payable and accrued expenses.

(c) Line of Credit

On January 23, 2013, JDRF entered into an agreement with a financial institution for an unsecured line of credit in the aggregate amount of $5 million. The line of credit expires December 31, 2019. The line was not used in fiscal year 2019 and 2018 and no amounts were outstanding at June 30, 2019 or 2018.

(13) Endowment

JDRF's endowment consists of seven individual donor-restricted endowment funds established for a variety of purposes. The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), or a version of the Uniform Management of Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. § 5548, *Investment of Trust Funds*. JDRF has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, 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. The endowment funds are invested in SEC registered, institutional quality mutual funds across a range of diversified asset classes including domestic and international large and small cap stocks, emerging markets equities, domestic and international REITs, domestic and foreign bonds, and investment grade and high yield bonds.

(In thousands)

The following tables present the changes in donor-restricted endowment funds:

		With donor restrictions	
		2019	**2018**
Endowment net assets at beginning of year	$	7,568	7,341
Contribution		221	—
Investment income		3	11
Net appreciation		99	258
Appropriation for expenditure		(3)	(42)
Endowment net assets at end of year	$	7,888	7,568

(14) Subsequent Events

In connection with the preparation of the consolidated financial statements, JDRF evaluated subsequent events after the consolidated statement of financial position date of June 30, 2019 through October 16, 2019, the date the consolidated financial statements were available for issuance. JDRF entered into a new lease agreement commencing on July 15, 2019 for a period of 11 years. No other additional disclosures are noted.