

Cystic Fibrosis Research, Inc.
(a nonprofit public benefit corporation)

Financial Statements
and
Independent Auditors' Report

For the Year Ended
December 31, 2017



Cystic Fibrosis Research, Inc.

For the Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cystic Fibrosis Research, Inc.
Palo Alto, CA

We have audited the accompanying financial statements of Cystic Fibrosis Research, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Cystic Fibrosis Research, Inc. as of December 31, 2017, 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.

Other Matters

As described in Note 8 to the financial statements, management determined that some donor restricted contributions were not recognized properly in the prior year. As a result, the 2016 financial statements have been restated to correct this misstatement.

A handwritten signature in blue ink that reads "Wheeler". The signature is written in a cursive style with a large initial "W".

September 10, 2018
San Jose, CA

CYSTIC FIBROSIS RESEARCH, INC

Statement of Financial Position

As of December 31, 2017

	<u>2017</u>
<u>ASSETS:</u>	
Current assets:	
Cash and cash equivalents	\$ 1,875,997
Investments	3,353
Pledges receivable	343,321
Prepaid expenses	3,089
Other current assets	<u>7,241</u>
Total current assets	2,233,001
Property and equipment, net	<u>20,740</u>
Total Assets	<u><u>\$ 2,253,741</u></u>
<u>LIABILITIES AND NET ASSETS:</u>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 12,920
Accrued payroll and employee benefits	13,657
Accrued vacation	23,500
Deferred rent	6,746
Deferred revenue	<u>3,335</u>
Total current liabilities	<u>60,158</u>
Net assets:	
Undesignated	1,280,660
Board designated	<u>221,279</u>
Total unrestricted	1,501,939
Temporarily restricted	<u>691,644</u>
Total net assets	<u>2,193,583</u>
Total liabilities and net assets	<u><u>\$ 2,253,741</u></u>

See independent auditor's report and notes to financial statements.

CYSTIC FIBROSIS RESEARCH, INC
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2017

	2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 765,833	\$ 600,925	\$ 1,366,758
In kind contributions	59,575	-	59,575
Special events revenue	133,454	-	-
Less: costs of direct benefits to donors	<u>(21,529)</u>	-	111,925
Miscellaneous	<u>118,003</u>	-	<u>118,003</u>
Total support and revenue	<u>1,055,336</u>	<u>600,925</u>	<u>1,656,261</u>
Adjustments:			
Release of restricted net assets	<u>558,208</u>	<u>(558,208)</u>	<u>-</u>
Total adjustments	<u>558,208</u>	<u>(558,208)</u>	<u>-</u>
Expenses:			
Program	1,053,920	-	1,053,920
Management and general	72,324	-	72,324
Fundraising	<u>130,928</u>	-	<u>130,928</u>
Total expenses	<u>1,257,172</u>	<u>-</u>	<u>1,257,172</u>
Other income and expenses			
Interest income	<u>4,210</u>	-	<u>4,210</u>
Total other income and expenses	<u>4,210</u>	<u>-</u>	<u>4,210</u>
Change in net assets	360,582	42,717	403,299
Net assets:			
Beginning of year, restated	<u>1,141,357</u>	<u>648,927</u>	<u>1,790,284</u>
End of year	<u>\$ 1,501,939</u>	<u>\$ 691,644</u>	<u>\$ 2,193,583</u>

See independent auditor's report and notes to financial statements.

CYSTIC FIBROSIS RESEARCH, INC
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Education</u>	<u>Research</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll Expenses						
Salaries	\$ 269,339	\$ 26,055	\$ 295,394	\$ 13,541	\$ 52,117	\$ 361,052
Payroll Taxes	23,227	1,385	24,612	919	4,076	29,607
Vacation Expense	1,713	-	1,713	-	2,331	4,044
Other Employee Benefits	13,548	595	14,143	366	233	14,742
Contract Labor	3,221	4,242	7,463	1,639	2,778	11,880
Total Labor Expense	<u>311,048</u>	<u>32,277</u>	<u>343,325</u>	<u>16,465</u>	<u>61,535</u>	<u>421,325</u>
Non-Labor Expenses						
Professional Fees	12,692	8,484	21,176	32,031	3,412	56,619
Supplies	1,555	858	2,413	728	341	3,482
Purchased Services	3,344	63	3,407	35	36	3,478
Rent	19,837	14,467	34,304	15,238	5,374	54,916
Insurance	2,913	1,895	4,808	811	750	6,369
Telephone	1,245	1,526	2,771	695	366	3,832
Postage, Mailing, and Printing	18,215	202	18,417	125	24,840	43,382
Education	209,397	-	209,397	-	9,887	219,284
Grants	-	330,961	330,961	-	-	330,961
Other Expenses	30,740	1,201	31,941	550	15,812	48,303
Total Non-Labor Expense	<u>299,938</u>	<u>359,657</u>	<u>659,595</u>	<u>50,213</u>	<u>60,818</u>	<u>770,626</u>
Total expenses before depreciation and amortization and in-kind expense	610,986	391,934	1,002,920	66,678	122,353	1,191,951
In-Kind Expense	42,500	8,500	51,000	-	8,575	59,575
Depreciation and amortization	-	-	-	5,646	-	5,646
Total Expenses	<u>\$ 653,486</u>	<u>\$ 400,434</u>	<u>\$ 1,053,920</u>	<u>\$ 72,324</u>	<u>\$ 130,928</u>	<u>\$ 1,257,172</u>

See independent auditor's report and notes to financial statements.

CYSTIC FIBROSIS RESEARCH, INC
Statement of Cash Flow
For the Year Ended December 31, 2017

	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 403,299
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	5,646
Contributed stock	(3,353)
(Increase) decrease in assets:	
Pledges receivable	(107,268)
Prepaid expenses	5,307
Other current assets	1,329
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	11,167
Accrued payroll and employee benefits	3,394
Accrued vacation	4,044
Deferred rent	(3,096)
Deferred revenue	(41,220)
	<u>279,249</u>
Net cash provided by operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(15,389)</u>
Net cash used in investing activities	<u>(15,389)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	263,860
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,612,137</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,875,997</u>
 Non-Cash Activities	
<hr/> Contributed investments	\$ 3,353

See independent auditor's report and notes to financial statements.

Cystic Fibrosis Research, Inc.
Notes to the Financial Statements
As of December 31, 2017

1. NATURE OF ACTIVITIES

Cystic Fibrosis Research, Inc., (the Organization) is a nonprofit organization incorporated in 1975, exempt under IRS Code Section 501(c)(3). The Organization funds cystic fibrosis (CF) basic science research, and provides education, outreach, awareness and support to individuals with CF and their families. The Organization is recognized as a national and global advocate for the cystic fibrosis community.

Cystic fibrosis is a progressive genetic disease characterized by an abnormality in the glands, which produces thick sticky mucus that clogs the small airways and ducts of the respiratory, digestive and reproductive systems, trapping bacteria and leading to serious infections. This defect results in many health complications, including lung and sinus infections, liver disease, pancreatic insufficiency and CF-related diabetes, infertility - primarily in men, and a shortened life span. There is no cure for CF and the primary cause of death is respiratory failure.

Having high ratings from charity watchdog organizations such as Charity Navigator, GuideStar and Great Nonprofits, the Organization receives donations from various public, private and nonprofit organizations and individuals.

2. SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The Organization prepares its financial statements using the accrual method of accounting in accordance with GAAP, which recognizes revenue and support when earned and expenses when incurred. The Organization's fiscal year is from January 1 to December 31.

Classes of Net Assets

In accordance with GAAP, where applicable, the financial statements report amounts separately by the following classes of net assets:

- 1) Unrestricted net assets are those amounts currently available at the discretion of the Board for use in the Organization's activities and those resources invested in land, buildings and equipment.
- 2) Board-designated net assets are unrestricted net assets that are presently designated by the Board to a specific purpose. These amounts can be returned

Cystic Fibrosis Research, Inc.
Notes to the Financial Statements
As of December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- to an undesignated status by action of the same Board.
- 3) Temporarily restricted net assets are those amounts that are restricted by donors for specific operating purposes or for the acquisition of land, buildings and equipment. Temporarily restricted donations received and expended during the same fiscal year are considered unrestricted.
 - 4) Permanently restricted net assets are those amounts in which the donor has stipulated that the principal remain intact in perpetuity. Income from the principal is considered unrestricted unless further restricted by the donor. There were no permanently restricted net assets as of December 31, 2017.

Cash and Cash Equivalents

Cash and cash equivalents includes all monies in banks and all highly-liquid investments available for current use with an initial maturity of three months or less.

Pledges Receivable

Pledges receivable include donations made to the Organization at the time the promise was made. It also includes grants committed by corporations in support of the Organization's specific programs as of the statement of financial position date. These contributions are recorded at net realizable value if the Organization expects to receive payments in one year or less. Management provides for potentially uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of each commitment. Balances that are still outstanding after management has used reasonable collection efforts are written off through a change to the valuation allowance and a credit to pledges receivable. Management believes all pledges receivable as of December 31, 2017 are collectible, therefore no allowance for doubtful accounts has been recorded.

Prepaid Expenses

Prepaid expenses consist of expenses paid before they are incurred including insurance and other operating expenses. All prepaid expenses are expected to be expended within one year.

Property and Equipment

Property and equipment are stated at cost. Purchased or donated assets in excess of \$500 are capitalized and depreciation is computed using the straight-line method over the estimated useful lives ranging from 3 to 8 years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset. Repair and maintenance costs are expensed as incurred.

Fair Value of Financial Instruments

Financial instruments included in the Organization's Statement of Financial Position as of December 31, 2017 include cash, investment, accounts receivable, accounts payable and accrued expenses. The carrying amounts of these financial instruments represent a reasonable estimate of the corresponding fair values.

Cystic Fibrosis Research, Inc.
Notes to the Financial Statements
As of December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of Contribution Income

The Organization's revenue recognition policy requires that contributions received, including unconditional promises to give, be recognized as revenue at their fair value in the period the contribution or pledge is received. Contributed support restricted by the donor, is reported as an increase in temporarily restricted net assets and released from restrictions if the restriction expires in the reporting period in which the support is recognized, except for those restrictions fulfilled in the same year in which the contribution is received. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction. All other contributed support is recognized as unrestricted revenue when received or un-conditionally promised.

Contributions-in-kind consist of significant donated property and equipment, which are recorded at the estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which the Organization would have paid for if not contributed, are recorded at their estimated fair market value. In addition, a substantial number of volunteers have contributed significant amounts of time in promoting the Organization's programs. For the year ended December 31, 2017, the value of in-kind supplies and other services contributed to the Organization is \$59,575. The value of contributed volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not require specialized skills.

Other Income Allocations - Unrestricted and Temporarily Restricted

All gains and losses arising from the sale, collection or other disposition of investments and fixed assets are accounted for in the fund that owned such assets according to restrictions placed on the original gift. Ordinary income derived from temporarily restricted investments is accounted for in the temporarily restricted fund.

Functional Allocation of Expenses

Functional classification allocates expenses according to the purpose for which the costs are incurred. Examples of functional classifications are program services (expenses directly related to the purpose for which the organization exists) and supporting activities (those indirectly related to the purposes for which the organization exists but necessary for its operations, i.e., management and general, and fundraising).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimate.

Cystic Fibrosis Research, Inc.
Notes to the Financial Statements
As of December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Exemption Status

The Organization is exempt from federal and state income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and 23701(d) of the California Revenue and Taxation Code. The Organization does pay unrelated business income tax on rental activities that are not related to its exempt purpose.

In accordance with GAAP, an organization must recognize the tax benefit associated with any tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions. For the year ended December 31, 2017, there were no tax related interest or penalties recorded or included in the financial statements.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction are December 31, 2014 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years December 31, 2013 forward.

Changing Standards

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the statement of financial position for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The new standard will be effective for the Organization on January 1, 2019. Early adoption is permitted. The Organization is currently evaluating the effect that this ASU will have on its financial statements.

Presentation of Financial Statements of Not-for-Profit Organizations

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"), which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. This issuance of ASU 2016-14 is the first phase of a FASB project with the broad objective of re-examining the standards for financial statement presentation by nonprofit organizations. Some of the more significant changes are (a) only two classes of net assets are reported in the statement of financial position, (b) accumulated losses of donor-restricted endowment funds are no longer classified in unrestricted net assets and additional disclosures about endowment funds are required, (c) all nonprofit organizations are required to present an analysis of expenses by both nature and function either on the face of the statement of activities, as a separate statement, or in the notes to the financial statements, (d) nonprofit organizations are required to describe the methods used to allocate costs among the program and support functions, (e) while nonprofit organizations continue to be permitted to report cash flows from operating activities using either the direct or indirect

Cystic Fibrosis Research, Inc.
Notes to the Financial Statements
As of December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

method, a reconciliation to the indirect method is no longer required when the direct method is used, (f) investment return is reported net of external and direct internal investment expenses, (g) the release of restrictions on donor-restricted capital gifts is recognized when the assets are placed in service, (i) nonprofit organizations are required to provide qualitative and quantitative information about the organization's liquidity and the availability of its resources to fund general expenditures, and (j) enhanced disclosures about net assets with donor restrictions and designations of net assets made by the governing board are required. The guidance in ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. ASU 2016-14 is to be applied to the financial statements using a retrospective application. The nature of any reclassifications or restatements and their effects, if any, on the changes in net asset classes for each period that is presented is required to be disclosed.

3. CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, and receivables. The Organization maintains cash with commercial banks and other major financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance ("FDIC") limits of \$250,000.

The credit risk associated with receivables is mitigated by the fact that the receivables are due from Organization members, local donors and governments.

4. INVESTMENTS

The Organization received a gift of stock which was sold on the open market. The investments are shown at fair market value as of December 31, 2017:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Securities	\$ 3,353	\$ 3,353	\$ -	\$ -
Total	\$ 3,353	\$ 3,353	\$ -	\$ -

The basis for the carrying value of investments is from information provided by broker managed accounts. Fair value measurements of investment instruments are based on open actively traded securities markets as reported by investment account broker statements.

The three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs

Cystic Fibrosis Research, Inc.
Notes to the Financial Statements
As of December 31, 2017

4. INVESTMENTS (continued)

that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little to no market activity and that are significant to the fair value of the assets or liabilities.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

5. PROPERTY AND EQUIPMENT

The Organization owned the following property and equipment as of December 31, 2017:

Furniture and equipment	\$ 22,949
Website development	32,500
Software	44,347
	<u>99,796</u>
Less accumulated depreciation	<u>(79,056)</u>
Net property and equipment	<u><u>\$ 20,740</u></u>

Depreciation and amortization expense for the year ended December 31, 2017 was \$5,646.

6. NET ASSETS

Temporarily restricted net assets are restricted to the following purposes:

	(Restated) December 31, 2016	Contributions	Releases	December 31, 2017
Research	\$ 70,000	\$ -	\$ 70,000	\$ -
Education programs	578,927	600,925	488,208	691,644
	<u>\$ 648,927</u>	<u>\$ 600,925</u>	<u>\$ 558,208</u>	<u>\$ 691,644</u>

Cystic Fibrosis Research, Inc.
Notes to the Financial Statements
As of December 31, 2017

7. LEASES

On May 9, 2014, the Organization entered into a five-year lease agreement to rent office space in Palo Alto, California. This lease provides the first three months rent free, requiring the Organization to pay only for the operating expenses for this three-month abated base rent period. Thereafter, monthly rent is approximately \$3,800 per month, with an annual increase of 3.0% until the expiration date of May 9, 2019.

The accompanying financial statements include a liability for deferred rent, which represents the recognition of the "free" rent expense over the term of the lease using the straight-line method in accordance with generally accepted accounting principles. Under this accounting principle, the deferred rent liability results in an average monthly rent of \$3,859 over the term of the lease. Deferred rent balances through the end of the lease term are as follows: \$6,746 at December 31, 2017; \$2,168 at December 31, 2018; and zero at May 31, 2019. Future minimum lease payments are as follows:

2018	\$	51,000
2019		21,500
2020		-
2021		-
2022		-
	\$	<u>72,500</u>

The lease also promises the Organization one option to extend the lease for a period of five years. Rent during the option period would be at the market rate.

The lease requires the Organization to pay its share of certain operating expenses. Total occupancy costs under this lease was \$54,916 for 2017.

Cystic Fibrosis Research, Inc.
Notes to the Financial Statements
As of December 31, 2017

8. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2017, management determined that some donor restricted contributions were not recognized properly in the prior year. As a result, the Organization has restated the temporarily restricted net assets for the year ended December 31, 2016 to reflect the correct net balance for that year. Adjustments related to net assets are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets - December 31, 2016	\$ 1,141,357	\$ 619,482	\$ 1,760,839
Add: Understatement of Donor Restricted Contribution	-	29,445	29,445
Net Assets - December 31, 2016, as Restated	<u>1,141,357</u>	<u>648,927</u>	<u>1,790,284</u>
Change in Net Assets for the Year Ended December 31, 2016, before Adjustment	346,815	251,595	598,410
Add: Understatement of Donor Restricted Contribution	-	29,445	29,445
Change in Net Assets for the Year Ended December 31, 2016, as Restated	<u>346,815</u>	<u>281,040</u>	<u>627,855</u>
Net Assets - December 31, 2015,	<u>794,542</u>	<u>367,887</u>	<u>1,162,429</u>
Net Assets - December 31, 2016, as Restated	<u>\$ 1,141,357</u>	<u>\$ 648,927</u>	<u>\$ 1,790,284</u>

The following illustrates the adjustment in the balance sheet:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Deferred revenue	\$ 74,000	\$ (29,445)	\$ 44,555
Total Current Liabilities	<u>\$ 105,472</u>	<u>\$ (29,445)</u>	<u>\$ 76,027</u>
Net assets:			
Unrestricted	\$ 1,141,357	\$ -	\$ 1,141,357
Temporarily restricted	<u>\$ 619,482</u>	<u>\$ 29,445</u>	<u>\$ 648,927</u>
Total net assets	<u>\$ 1,760,839</u>	<u>\$ 29,445</u>	<u>\$ 1,790,284</u>

Cystic Fibrosis Research, Inc.
Notes to the Financial Statements
As of December 31, 2017

9. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued.

Management evaluates events occurring subsequent to September 10, 2018 in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued.