

# RESEARCH!AMERICA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2023

(With Summarized Comparative Information for the Year Ended December 31, 2022)

**RESEARCH!AMERICA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Research!America

### Opinion

We have audited the accompanying financial statements of Research!America (the Organization), which comprise the statement of financial position as of December 31, 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 financial statements referred to above present fairly, in all material respects, the financial position of Research!America as of December 31, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

#### **Report on Summarized Comparative Information**

We have previously audited Research!America's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**HAN GROUP LLC**  
Washington, DC  
May 14, 2024

**RESEARCH!AMERICA**

## Statement of Financial Position

December 31, 2023

(With Summarized Comparative Information for 2022)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,094,591	\$ 2,919,629
Contributions and grants receivable, net	1,889,060	2,988,044
Investments	6,124,623	5,389,936
Deferred compensation investments	796,211	613,783
Prepaid expenses and deposits	59,729	57,653
Property and equipment, net	240,750	294,540
Right-of-use asset— operating lease	741,203	936,021
Total assets	<u>\$ 11,946,167</u>	<u>\$ 13,199,606</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 252,563	\$ 160,114
Accrued expenses	358,020	362,003
Refundable advances	225,579	1,334,786
Deferred compensation	796,211	613,783
Operating lease liability	1,117,059	1,396,672
Finance lease liability	11,630	14,939
Total liabilities	<u>2,761,062</u>	<u>3,882,297</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	73,253	823,977
Board designated – general reserve	970,000	100,000
Board designated – Rogers Fund	399,472	399,472
Total net assets without donor restrictions	<u>1,442,725</u>	<u>1,323,449</u>
With donor restrictions:		
Restricted for time	987,743	1,869,150
Restricted for purpose	764,274	148,627
Restricted in perpetuity	5,990,363	5,976,083
Total net assets with donor restrictions	<u>7,742,380</u>	<u>7,993,860</u>
Total net assets	<u>9,185,105</u>	<u>9,317,309</u>
Total liabilities and net assets	<u>\$ 11,946,167</u>	<u>\$ 13,199,606</u>

See accompanying notes.

**RESEARCH!AMERICA**  
Statement of Activities  
Year Ended December 31, 2023  
(With Summarized Comparative Information for 2022)

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue and Support</b>				
Grants of cash and other financial assets	\$ 2,067,248	\$ 1,204,280	\$ 3,271,528	\$ 2,378,188
Contributions of cash and other financial assets	221,426	-	221,426	533,728
Dues	1,329,250	-	1,329,250	1,316,800
Advocacy awards event	583,830	341,712	925,542	1,042,521
National forum	624,150	-	624,150	812,600
Partner programs	420,000	-	420,000	1,455,500
Interest and dividends, net of fees	111,378	-	111,378	20,515
Contributed nonfinancial assets	47,047	-	47,047	75,950
Other Income	43,436	-	43,436	42,375
Net assets released from restrictions:				
Release from Endowment	250,000	(250,000)	-	-
Expiration of time restrictions	1,253,119	(1,253,119)	-	-
Satisfaction of purpose restrictions	937,803	(937,803)	-	-
<b>Total revenue and support</b>	<b>7,888,687</b>	<b>(894,930)</b>	<b>6,993,757</b>	<b>7,678,177</b>
<b>Expenses</b>				
Program services	6,178,167	-	6,178,167	4,926,093
Supporting services:				
Operating	978,442	-	978,442	719,581
Fundraising	735,152	-	735,152	586,980
<b>Total supporting services</b>	<b>1,713,594</b>	<b>-</b>	<b>1,713,594</b>	<b>1,306,561</b>
<b>Total expenses</b>	<b>7,891,761</b>	<b>-</b>	<b>7,891,761</b>	<b>6,232,654</b>
<b>Change in Net Assets Before Nonoperating Activity</b>	<b>(3,074)</b>	<b>(894,930)</b>	<b>(898,004)</b>	<b>1,445,523</b>
<b>Nonoperating Activity:</b>				
Realized and unrealized gains (losses) on investments	122,350	555,890	678,240	(1,251,535)
Interest income on endowments	-	87,560	87,560	48,971
<b>Change in Net Assets</b>	<b>119,276</b>	<b>(251,480)</b>	<b>(132,204)</b>	<b>242,959</b>
<b>Net Assets, beginning of year</b>	<b>1,323,449</b>	<b>7,993,860</b>	<b>9,317,309</b>	<b>9,074,350</b>
<b>Net Assets, end of year</b>	<b>\$ 1,442,725</b>	<b>\$ 7,742,380</b>	<b>\$ 9,185,105</b>	<b>\$ 9,317,309</b>

See accompanying notes.

**RESEARCH!AMERICA**

## Statement of Functional Expenses

Year Ended December 31, 2023

(With Summarized Comparative Information for 2022)

	2023				2022	
	Program Services	Supporting Services		Total Supporting Services	Total	Total
		Operating	Fundraising			
Salaries and related expenses	\$ 3,228,629	\$ 657,992	\$ 646,586	\$ 1,304,578	\$ 4,533,207	\$ 3,736,649
Professional fees	1,334,606	139,426	8,333	147,759	1,482,365	895,580
Travel, events, and meetings	343,940	49,576	11,489	61,065	405,005	328,707
Lobbying	314,609	-	-	-	314,609	316,055
Occupancy	180,766	35,738	36,332	72,070	252,836	243,656
Innovation prize	230,000	-	-	-	230,000	-
Advertising	242,921	-	-	-	242,921	326,862
Equipment and maintenance	90,506	17,870	18,167	36,037	126,543	121,783
Depreciation and amortization	51,309	10,143	10,313	20,456	71,765	63,559
Dues and subscriptions	51,819	2,251	1,196	3,447	55,266	37,507
Civic engagement microgrants	43,796	-	-	-	43,796	37,843
Office expenses	15,766	23,741	2,736	26,477	42,243	39,933
Other expenses	49,500	41,705	-	41,705	91,205	84,520
<b>Total Expenses</b>	<u>\$ 6,178,167</u>	<u>\$ 978,442</u>	<u>\$ 735,152</u>	<u>\$ 1,713,594</u>	<u>\$ 7,891,761</u>	<u>\$ 6,232,654</u>

See accompanying notes.

**RESEARCH!AMERICA**  
Statement of Cash Flows  
Year Ended December 31, 2023  
(With Summarized Comparative Information for 2022)

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (132,204)	\$ 242,959
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	68,397	63,559
Amortization of finance lease	3,368	-
Noncash lease expenses	(84,795)	-
Donated marketable securities	(25,621)	(27,033)
Proceeds from sales of donated marketable securities	25,471	26,487
Realized and unrealized (gains) losses on investments	(678,240)	1,251,535
Change in value of deferred compensation investments	(182,428)	123,186
Change in discount on contributions and grants receivable	30,992	8,771
Change in the measurement of operating leases	-	(78,173)
Change in the measurement of finance leases	-	2,116
Contributions restricted for endowment	(200,000)	(200,000)
Change in operating assets and liabilities:		
Contributions and grants receivable, net	1,067,992	(1,271,701)
Prepaid expenses and deposits	(2,076)	(20,746)
Accounts payable	92,449	90,923
Accrued expenses	(3,983)	91,153
Refundable advances	(1,109,207)	129,312
Deferred compensation	182,428	(123,186)
Net cash (used in) provided by operating activities	<u>(947,457)</u>	<u>309,162</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(255,485)	(261,374)
Proceeds from sales of investments	199,188	200,812
Purchases of property and equipment	(17,975)	(68,939)
Net cash used in investing activities	<u>(74,272)</u>	<u>(129,501)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from endowment contributions	200,000	200,000
Payments on finance lease liability	(3,309)	-
Net cash provided by financing activities	<u>196,691</u>	<u>200,000</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(825,038)	379,661
<b>Cash and Cash Equivalents, beginning of year</b>	<u>2,919,629</u>	<u>2,539,968</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 2,094,591</u>	<u>\$ 2,919,629</u>
<b>Supplemental Information:</b>		
Donated Stock	<u>\$ 25,621</u>	<u>\$ 27,033</u>

See accompanying notes.



**1. Nature of Operations**

Research!America (the Organization) is incorporated in the District of Columbia as a nonprofit organization. Its mission is to achieve better health for all through education and support for medical research as a national priority; to increase resources available for medical research; to make medical research a highly visible; urgent and understandable priority on the national agenda; to increase public awareness of the importance of research and research careers and to enhance the nation's scientific leadership in biology and medicine. The Organization is mainly supported by contributions and grants.

**2. Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized as obligations are incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments, which are to be utilized for current operations and which have an original maturity of three months or less, to be cash and cash equivalents. Certain highly liquid instruments that are part of the Organization's investment portfolio are classified as investments.

Contributions and Grants Receivable

Unconditional contributions and grants expected to be collected within one year are recorded at net realizable value. Unconditional contributions and grants 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 a rate commensurate with the risk identified. Amortization of the discount is included in grants and contributions of cash and other financial assets. Balances are reviewed individually for collectability. All contributions and grants receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. If an amount becomes uncollectible, it is expensed when the determination is made.

Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. Until that point, any amounts received are reported as refundable advances.

Investments

Investments are measured at fair value and are composed of equity funds, fixed income mutual funds, and money market funds and cash equivalents. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. Investment interest and dividends are presented net of investment advisory and management fees on the accompanying statement of activities. Net realized and unrealized gains or losses on investments are included in non-operating activity on the accompanying statement of activities.

## **2. Summary of Significant Accounting Policies (continued)**

### Property and equipment

Property and equipment with a cost over \$500 with a projected useful life exceeding one year are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to twelve years. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reported on the statement of activities, as appropriate.

### Leases

The Organization accounts for leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 842, Leases*. The Organization determines if an arrangement is or contains a lease at contract inception. The Organization recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

An ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, an ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, an ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the Organization or the Organization is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

Variable lease payments associated with the Organization's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented in the same line item as expenses arising from fixed lease payments (operating leases) or amortization of ROU assets (finance leases) on the accompanying statement of functional expenses.

## 2. Summary of Significant Accounting Policies (continued)

### Leases (continued)

ROU assets for operating and finance leases may periodically be reduced by impairment losses. The Organization uses the long-lived assets impairment guidance in ASC *Subtopic 360-10, Property, Plant, and Equipment – Overall*, issued by FASB, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. The Organization monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded as a gain or loss.

The operating lease ROU asset is presented as right-of-use assets – operating lease on the accompanying statement of financial position. Finance lease ROU assets are included in property and equipment, net on the accompanying statement of financial position.

The Organization elects not to recognize ROU asset and lease liability for short-term leases that have a lease term of 12 months or less. The Organization recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases.

The Organization made an accounting policy election by class of underlying asset, for office equipment and furniture, to account for each separate lease component of a contract and its associated non-lease components (lessor-provided maintenance) as a single lease component.

### Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's general operations. Net assets without donor restrictions include Board designated general reserve and Board designated Rogers Fund.
- *Net Assets With Donor Restrictions* represent funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The balance of donor-imposed restrictions which are perpetual in nature is \$5,990,363 at December 31, 2023.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

## **2. Summary of Significant Accounting Policies (continued)**

### Revenue Recognition

#### *Grants and Contributions of Cash and Other Financial Assets, Dues, Advocacy Awards Event, National Forum and Partner Programs*

Amounts received for dues, the advocacy awards event, the national forum and partner programs are accounted for as contributions in the year received unless they are conditional, that is they contain both a barrier and right of return. Unconditional grants and contributions are recognized upon notification of the award and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Grants and contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met, only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and for the expiration of donor-imposed time restrictions. These reclassifications are reported on the accompanying statement of activities as net assets released from restrictions. Amounts received for partner programs, dues, the advocacy awards event, and the national forum are accounted for as grants and contributions of cash and other financial assets in the year received unless such contributions are conditional, in which case they would be accounted for as described below.

Contributions considered to be conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recognized as revenue once the conditions on which they depend have been met. The Organization adopted the simultaneous release option for donor-restricted conditional contributions that are recognized and used within the same reporting period, accordingly, such amounts are reported as without donor restrictions. Amounts recognized as contribution revenue which have not been received, are reflected as contributions and grants receivable on the accompanying statement of financial position. Conversely, amounts received in advance of conditions being met are recorded as refundable advances on the accompanying statement of financial position. The Organization had approximately \$713,000 in unrecognized conditional awards including \$212,663 in refundable advances which are included in refundable advance on the accompanying statement of financial position at December 31, 2023.

#### *Contributions of Nonfinancial Assets*

Contributions of nonfinancial assets are recognized as revenue and expenses on the accompanying statement of activities at their estimated fair value at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

### Advertising Costs

The costs of advertising are expensed as incurred. The Organization incurred \$242,921 in advertising expenses during the year ended December 31, 2023 which are presented on the accompanying statement of functional expenses.

## **2. Summary of Significant Accounting Policies (continued)**

### Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on the distribution of labor. Expenses allocated include salaries and related expenses, occupancy, equipment and maintenance, depreciation and amortization, and office expenses.

### Summarized Comparative Information

The accompanying financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022 from which the summarized information was derived.

### Reclassification

Certain 2022 amounts have been reclassified to conform to the 2023 financial statement presentations.

## **3. Concentrations**

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash deposits and investments. The Organization maintains cash deposits and investments with various financial institutions that exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). Amounts in excess of insured limits are subject to potential loss. The Organization has not experienced any losses on its cash deposits and investments to date. Management periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

The Organization invests funds in a professionally managed portfolio of marketable securities. Such investments are exposed to market and credit risks. Therefore, the Organization's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported on the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Revenue from two sources accounted for approximately 26% of the Organization's revenue and support excluding contributions of nonfinancial assets for the year ended December 31, 2023. In addition, receivables due from five sources comprised 70% of the total receivables due at December 31, 2023.

**4. Contributions and Grants Receivable**

At December 31, 2023, contributions and grants receivable consist of general contributions as well as contributions and grants promised to fund specific programs. These amounts are expected to be received as follows:

Contributions and grants receivable in less than one year	\$ 920,953
Contributions and grants receivable in one to five years	<u>1,028,713</u>
Total contributions and grants receivable	1,949,666
Less: unamortized discount	<u>(60,606)</u>
Contributions and grants receivable, net	<u>\$ 1,889,060</u>

Multi-year contributions receivable are discounted to their present value with discount rates ranging from 2.5% to 4% over the period of the contributions using an estimate of expected cash flows.

**5. Investments**

Investments consist of the following at December 31, 2023:

Equity funds	\$ 3,102,971
Fixed income mutual funds	2,362,797
Cash equivalents and money market funds	<u>658,855</u>
Total investments	<u>\$ 6,124,623</u>

**6. Fair Value Measurements**

The three levels of the fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and (4) 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: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a summary of input levels used to determine fair values, measured on a recurring basis, of investments and the obligations under the deferred compensation plan at December 31, 2023:

	<u>Level 1</u>	<u>Total</u>
Investments:		
Equity funds	\$ 3,102,971	\$ 3,102,971
Fixed income mutual funds	2,362,797	2,362,797
Cash equivalents and money market funds	<u>658,855</u>	<u>658,855</u>
Total investments at fair value	<u>\$ 6,124,623</u>	<u>\$ 6,124,623</u>
Investments in deferred compensation plan:		
Large blend equity index	<u>\$ 796,211</u>	<u>\$ 796,211</u>
Deferred compensation liability	<u>\$ 796,211</u>	<u>\$ 796,211</u>

**7. Property and Equipment**

The Organization held the following property and equipment at December 31, 2023:

Leasehold improvements	\$ 524,438
Furniture and equipment	100,212
Website development	46,151
Finance capital leases	<u>28,714</u>
	699,515
Less: accumulated depreciation	<u>(458,765)</u>
Property and equipment, net	<u>\$ 240,750</u>

**8. Contributions of Nonfinancial Assets**

All contributions of nonfinancial assets were used for the Organization's program services and are included under program services on the accompanying statements of activities and functional expenses. No contributed nonfinancial assets were monetized. The following table summarizes the Organization's contributed nonfinancial assets by major category for the year ended December 31, 2023:

Contribution	Amount	Usage in Programs/ Activities	Donor Imposed Restrictions	Fair Value Techniques and Inputs
Professional services	\$ 44,167	Programs	None	Standard rates of the donating firm from services.
Beverages	2,880	Programs	To be used at the 2023 Awards Reception	Fair market value on a public website.
<b>Total contributed nonfinancial assets</b>	<b>\$ 47,047</b>			

**9. Liquidity and Availability of Resources**

The following schedule reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general use within one year.

Financial Assets:	
Cash and cash equivalents	\$ 2,094,591
Investments	6,124,623
Contributions and grants receivable within one year	<u>920,953</u>
Total financial assets	9,140,167
Less those unavailable for general expenditures within one year:	
Refundable advances	(12,916)
Board-designated – general reserve	(970,000)
Board-designated – Rogers Fund	(399,472)
Donor-imposed restrictions on the financial assets	<u>(6,278,626)</u>
Total unavailable for general expenditures within one year	<u>(7,661,014)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,479,153</u>



**9. Liquidity and Availability of Resources (continued)**

Contributions and grants without donor restrictions and with donor restrictions for use in current activities and programs are considered available to meet cash needs for general expenditures. General expenditures include operating expenses, fundraising expenses and program expenditures that are expected to be paid in the subsequent year. Annual operations are defined as activities occurring during, and included in the budget for a calendar year.

The Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization operates with a balanced budget and without any short or long term non-operating debt. Should the need arise, the Board may approve releases of the reserves. In addition, as of December 31, 2023, the Organization has \$250,000 available on a line of credit that may be drawn upon.

**10. Net Assets With Donor Restrictions**

Net assets with donor restrictions include donor-restricted funds, which are available for program services or restricted for time or to be held in perpetuity. Net assets with donor restrictions were released from restrictions during the years ended December 31, 2023 due to the time restriction ending or the purpose restriction being accomplished.

**10. Net Assets With Donor Restrictions (continued)**

Changes in net assets with donor restrictions during the year ended December 31, 2023, are as follows:

	December 31, 2022	Additions	Releases	December 31, 2023
Time-restricted:				
Advocacy Awards Event	\$ 633,513	\$ 341,712	\$ (258,119)	\$ 717,106
Board Leadership Campaign	125,637	-	-	125,637
Early Career Summit	300,000	-	(175,000)	125,000
Baltimore Multiyear Pledge	-	30,000	(10,000)	20,000
National Forum	150,000	-	(150,000)	-
Innovation Prize	660,000	-	(660,000)	-
Total time restricted	<u>\$ 1,869,150</u>	<u>\$ 371,712</u>	<u>\$ (1,253,119)</u>	<u>\$ 987,743</u>
Purpose-restricted:				
Science and Technology Action Committee	131,255	500,000	(333,139)	298,116
Dr. Leroy Hood Science Policy Fellowship	336,731	-	(61,541)	275,190
Dr. Louis Sullivan Fellow	336,933	-	(64,305)	272,628
Science CEO Roundtable	-	360,000	(120,000)	240,000
Civic Engagement Microgrants	125,000	225,000	(156,876)	193,124
Internship Program	89,169	75,000	(76,942)	87,227
Partner Programs	25,000	-	(25,000)	-
Congressional Freshman Project	100,000	-	(100,000)	-
Earnings (losses) from endowment restricted for awards	(795,461)	643,450	-	(152,011)
Release from endowment	(200,000)	-	(250,000)	(450,000)
Total purpose restricted	<u>148,627</u>	<u>1,803,450</u>	<u>(1,187,803)</u>	<u>764,274</u>
Perpetuity:				
Promises to give for Gordan and Llura Gund				
Gund Leadership Award endowment	976,083	14,280	-	990,363
Public Health Awards supported by Johnson & Johnson	5,000,000	-	-	5,000,000
Total held in perpetuity	<u>5,976,083</u>	<u>14,280</u>	<u>-</u>	<u>5,990,363</u>
Total net assets with donor restrictions	<u>\$ 7,993,860</u>	<u>\$ 2,189,442</u>	<u>\$ (2,440,922)</u>	<u>\$ 7,742,380</u>

**11. Endowments**

The Organization's endowments include the following two donor-restricted endowment funds which have been classified within net assets with donor restrictions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Net Assets with donor restrictions that are perpetual in nature were comprised of the following at December 31, 2023:

- Gordon and Llura Gund Endowment Fund (The Gund Fund): Established in February 2020 to support the Gordon and Llura Gund Leadership Award presented by the Organization annually at its Advocacy Awards Event with an initial multi-year gift totaling \$1,000,000 from the Gordon and Llura Gund 1993 Foundation (Gund). Gund or any interested individual, corporation or foundation may make additional gifts to the Gund Fund at any time.
- Public Health Awards Endowment Fund supported by Johnson & Johnson (The Public Health Awards Fund): Established in September 2021 to the public health awards program with an initial gift totaling \$5,000,000 from Johnson & Johnson. Johnson & Johnson or any interested individual, corporation or foundation may make additional gifts to the Public Health Awards Fund at any time.

**Interpretation of relevant law**

The Organization has interpreted the Virginia enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which regulates the net asset classification of donor-restricted endowment funds as requiring the preservation of the real (inflation-adjusted) purchasing power of the original endowment. As a result of this interpretation, the Organization classifies as endowment net assets (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment and (3) accumulations to the endowment such as investment income.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

***Duration of the Fund***

The donor intends for the funds, including all realized and unrealized capital appreciation and depreciation generated by the funds, to exist in perpetuity with the exception of an annual release of investment earnings being made available to support the purpose of the fund as described above.

**11. Endowments (continued)**

Interpretation of relevant law (continued)

*Return objectives and risk parameters*

The Organization adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The investment objectives for the funds will be for the asset values to grow over the long run and earn through a combination of investment income and capital appreciation. The fund's investment policy and asset allocation shall be the same as the Organization's approved investment policy.

*Spending policy*

Beginning in 2023, the earnings generated by the Gund Fund are distributed annually at 5% of the initial principal balance or no less than \$50,000 to support the named Advocacy Award.

The Public Health Awards donor agreement states that the payout will be distributed annually at 5% of the initial principal balance, or no less than \$200,000 to support the named Advocacy Award. The agreement also states that this policy should still be followed in the event that from time to time the spend exceeds the net income generated by the fund.

*Contingent use of the Funds*

Should it become clear in future years that the above-stated purpose for a fund is no longer necessary, practical, desirable or possible to perform, the Organization shall, after consultation with the donors, if the donors are still in existence, designate the funds for a substitute purpose that is reasonably consistent with and similar to the original intention of the donor at the time this agreement was executed. In any such alternate application of the payout the funding source shall be clearly identified as the provider of the funds.

*Underwater Endowments*

The Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the original value of initial and subsequent gift amounts donated to the fund.

The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law and in accordance with the donors' instructions.

At December 31, 2023, the Gund Fund with an original gift value of \$1,000,000 (consisting of contributions receivable of \$400,000, invested contributions of \$550,000, and releases of \$50,000) and a fair value of \$1,026,289 (consisting of contributions receivable of \$400,000 and investments of \$576,289, and releases of \$50,000) was reported in net assets with donor restrictions. There were not deficiencies at December 31, 2023.

**11. Endowments (continued)**

*Underwater Endowments (continued)*

At December 31, 2023, the Public Health Awards Fund, established with an original gift value of \$5,000,000, a fair value of \$4,421,700, a deficiency of \$178,300, and accumulated releases of \$400,000 was reported in net assets with donor restrictions. The deficiency of \$178,300 is resulted from market fluctuations during the year ended December 31, 2023. The \$400,000 of accumulated releases were resulted from the required annual spend for 2022 and 2023 in support of the named award as required by the donor, even in years when the fund is underwater.

As noted above, both the Gund Fund and the Public Health Awards Fund require a stated minimum spend annually and both donors specify that this is still required when the fund is underwater. The organization is currently conducting an analysis of the endowment asset allocation policy to determine an appropriate asset allocation that targets return above its spend 5% policy.

Endowment funds consisted of the following at December 31, 2023:

Endowment funds:	With Donor Restrictions		Total
	Accumulated Loss	Held in Perpetuity	
Public Health Awards Fund	\$ (178,300)	\$ 4,600,000	\$ 4,421,700
Gordan and Llura Gund leadership award	26,289	550,000	576,289
Total endowment funds	<u>\$ (152,011)</u>	<u>\$ 5,150,000</u>	<u>\$ 4,997,989</u>

Endowment net assets and related activity consist of the following at December 31, 2023:

	With Donor Restrictions		Total
	Accumulated Income/(Loss)	Held in Perpetuity	
Endowment net assets, December 31, 2022	\$ (795,461)	\$ 5,200,000	\$ 4,404,539
Contributions	-	200,000	200,000
Withdrawals	-	(250,000)	(250,000)
Investment earnings	643,450	-	643,450
Endowment net assets, December 31, 2023	<u>\$ (152,012)</u>	<u>\$ 5,150,000</u>	<u>\$ 4,997,989</u>

The Gund Fund includes gross promises to give at December 31, 2023 of \$400,000 with a net present value of \$390,363. However, these amounts are not subject to UPMIFA nor to reporting in the above table of net assets and related activity until collected by the Organization.

**12. Related-Party Transactions**

During the year ended December 31, 2023, the Organization received \$79,598 in contributions from members of the Board.

**13. Line of Credit**

The Organization has a line of credit with a financial institution for up to \$250,000 with a variable interest rate of the portfolio loan account interest rate plus 3.5%, which was 8.96% at December 31, 2023. The line of credit is for a term of one year, subject to renewal annually and is secured by the Organization's investments. At December 31, 2023, there was no outstanding balance on the line.

**14. Employment Agreement**

The Organization has an employment contract with its President through January 31, 2026. The contract contains a noncancelable commitment in the event of termination under certain circumstances of approximately \$550,000 plus any performance bonus due.

**15. Finance Leases**

In April 2022, the Organization entered into two finance lease obligations for equipment due to expire by 2027. In connection with these leases, the Organization recorded ROU assets and corresponding finance lease liabilities in the amount of \$17,394 using an interest rate of 1.27%. The ROU assets and finance lease liabilities are being amortized over the life of the lease agreements. At December 31, 2023, the unamortized balance of the ROU assets is \$11,630, which is included in property and equipment on the accompanying statement of financial position.

Future minimum lease payments at December 31, 2023 are as follows:

Years ending December 31:	
2024	3,480
2025	3,480
2026	3,480
2027	1,450
	<hr/>
Total future minimum lease payments	11,890
Less: amount of lease payments representing interest	<u>(260)</u>
	<hr/>
Present value of future minimum lease payments	11,630
Less: current obligations under leases	<u>(3,352)</u>
	<hr/>
Long-term lease obligations	<u><u>\$ 8,278</u></u>

Interest expense for the year ended December 31, 2023 was \$171.

**16. Operating Lease**

In December 2015, the Organization entered into a lease agreement for its office space in Arlington, Virginia, beginning on July 1, 2016 and expiring on August 31, 2027. This lease agreement provides an option to renew for an additional five years. An operating lease with lease terms greater than one year is reported as right-of-use asset – operating lease and operating lease liability on the accompanying statement of financial position. Rent expense is recognized on a straight-line basis over the term of the lease. Rent expense, including parking, was \$252,836 for the year ended December 31, 2023 and is included in occupancy on the accompanying statement of functional expenses.

The table below presents a maturity analysis of the operating lease liability in the statement of financial position as of December 31, 2023:

Years ending December 31:	
2024	\$ 301,668
2025	309,210
2026	316,941
2027	<u>215,239</u>
Total future minimum lease payments	1,143,058
Less: discount for present value	<u>(25,999)</u>
Present value of future minimum lease payments	1,117,059
Less: current obligations under leases	<u>(289,470)</u>
Long-term lease obligations	<u>\$ 827,589</u>

Lease costs and other related information for the year ended December 31, 2023 were as follows:

Lease costs:	
Operating lease costs	<u>\$ 252,836</u>
Total lease costs	<u>\$ 252,836</u>

Other information:

Cash paid for amounts included in measurement of lease liability:	
Operating cash flows for operating lease	\$ 84,795
Weighted average remaining lease term – operating lease (years)	3.7
Weighted average discount rate – operating lease	1.27%

**17. Retirement Plans**

The Organization has a defined contribution plan (the Plan) that currently covers all full-time employees after one year of service. Contributions to the Plan are based on 8% of participants' salaries. For the year ended December 31, 2023, retirement plan expense was \$249,294 and is included in salaries and related expenses on the accompanying statement of functional expenses.

The Organization has a funded, non-qualified deferred compensation plan established under Section 457(b) of the Internal Revenue Code to provide deferred compensation for selected key employees. Increases to the plan for contributions and investment income activity were \$182,428 for the year ended December 31, 2023. The balance of deferred compensation is \$796,211 at December 31, 2023, as shown on the accompanying statement of financial position.

**18. Income Taxes**

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2023, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2023 and determined that there were no matters that would require recognition on the financial statements or that may have any effect on its tax-exempt status. The statute of limitations generally remains open for three tax years with the U. S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns.

**19. Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 14, 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.