BREAKTHROUGH T1D

(Formerly JDRF International**)**

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Directors
Breakthrough T1D:

Opinion

We have audited the consolidated financial statements of Breakthrough T1D (the Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated 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 for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

KPMG LLP

New York, New York
December 19, 2024

BREAKTHROUGH T1D

Consolidated Statements of Financial Position

June 30, 2024 and 2023

(In thousands)

Assets		**2024**	**2023**
Cash and cash equivalents	$	13,824	13,102
Investments (note 4):			
Operating and restricted investments		219,796	187,506
Long-term investments		89,308	83,855
Programmatic investments		60,189	63,439
Contributions receivable, net (note 5)		63,369	53,048
Programmatic notes receivable, net (note 6)		5,457	6,689
Prepaid expenses and other		11,341	10,110
Operating and finance lease right-of-use assets, net (note 14(b))		17,173	18,360
Fixed assets, net (note 7)		7,660	10,079
Total assets	$	488,117	446,188
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	17,100	13,191
Research grants payable (note 8)		113,596	96,426
Deferred revenue		4,696	6,416
Operating and finance lease liability (note 14(b))		19,225	20,582
Liabilities related to split-interest agreements		2,430	2,393
Total liabilities		157,047	139,008
Commitments (note 14)			
Net assets:			
Without donor restrictions		262,670	247,180
With donor restrictions (notes 11 and 12)		68,400	60,000
Total net assets		331,070	307,180
Total liabilities and net assets	$	488,117	446,188

See accompanying notes to consolidated financial statements.

BREAKTHROUGH T1D

Consolidated Statements of Activities

Years ended June 30, 2024 and 2023

(In thousands)

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public support and revenue:						
Public support:						
Contributions	$ 48,700	57,805	106,505	18,942	61,623	80,565
In-kind contributions (note 9)	623	—	623	608	—	608
Events revenue:						
Proceeds	75,265	55,719	130,984	128,543	—	128,543
Direct benefits to donors	(24,832)	—	(24,832)	(25,354)	—	(25,354)
Contributions from international affiliates (note 13)	5,011	897	5,908	6,283	—	6,283
Total public support	104,767	114,421	219,188	129,022	61,623	190,645
Revenue:						
Investment return, net	19,640	790	20,430	12,395	504	12,899
Change in value of split-interest agreements	207	—	207	236	—	236
Bad debt (expense) recovery	(1,228)	—	(1,228)	613	—	613
Other income	23,266	—	23,266	19,985	—	19,985
Total revenue	41,885	790	42,675	33,229	504	33,733
Net assets released from restrictions (note 11)	106,811	(106,811)	—	67,491	(67,491)	—
Total public support and revenue	253,463	8,400	261,863	229,742	(5,364)	224,378
Expenses:						
Program services:						
Research and advocacy, net	127,832	—	127,832	117,853	—	117,853
Public education and outreach	51,084	—	51,084	45,534	—	45,534
Total program services	178,916	—	178,916	163,387	—	163,387
Supporting services:						
Management and general	17,752	—	17,752	16,115	—	16,115
Fundraising	41,305	—	41,305	32,606	—	32,606
Total supporting services	59,057	—	59,057	48,721	—	48,721
Total expenses	237,973	—	237,973	212,108	—	212,108
Change in net assets	15,490	8,400	23,890	17,634	(5,364)	12,270
Net assets at beginning of year	247,180	60,000	307,180	229,546	65,364	294,910
Net assets at end of year	$ 262,670	68,400	331,070	247,180	60,000	307,180

See accompanying notes to consolidated financial statements.

BREAKTHROUGH T1D

Consolidated Statements of Functional Expenses

Years ended June 30, 2024 and 2023

(In thousands)

	2024						
	Program services			Supporting services			
	Research and advocacy	Public education and outreach	Total	Management and general	Fundraising	Total	Total expenses
Research grants, net (note 8)	$ 103,522	—	103,522	—	—	—	103,522
Payroll and related expenses	13,977	30,633	44,610	11,120	23,257	34,377	78,987
Occupancy and other, including depreciation and amortization	3,277	5,794	9,071	2,206	4,570	6,776	15,847
Printing and promotional expenses	516	4,094	4,610	457	3,857	4,314	8,924
Meetings and conferences	1,690	1,902	3,592	560	2,532	3,092	6,684
Professional services	4,214	6,601	10,815	3,350	6,276	9,626	20,441
Miscellaneous	636	2,060	2,696	59	813	872	3,568
Total expenses	$ 127,832	51,084	178,916	17,752	41,305	59,057	237,973
Costs of direct benefits to donors							24,832
Total expenses and costs of direct benefits to donors							$ 262,805

	2023						
	Program services			Supporting services			
	Research and advocacy	Public education and outreach	Total	Management and general	Fundraising	Total	Total expenses
Research grants, net (note 8)	$ 98,058	58	98,116	—	—	—	98,116
Payroll and related expenses	12,568	28,300	40,868	10,609	18,863	29,472	70,340
Occupancy and other, including depreciation and amortization	3,919	7,443	11,362	3,031	5,268	8,299	19,661
Printing and promotional expenses	176	1,781	1,957	331	2,522	2,853	4,810
Meetings and conferences	871	1,357	2,228	286	1,345	1,631	3,859
Professional services	1,854	2,917	4,771	1,567	3,562	5,129	9,900
Miscellaneous	407	3,678	4,085	291	1,046	1,337	5,422
Total expenses	$ 117,853	45,534	163,387	16,115	32,606	48,721	212,108
Costs of direct benefits to donors							25,354
Total expenses and costs of direct benefits to donors							$ 237,462

See accompanying notes to consolidated financial statements.

BREAKTHROUGH T1D

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 23,890	12,270
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,659	6,182
Amortization of operating and finance lease right-of-use assets	3,861	3,781
Net realized and unrealized gain on investments	(9,924)	(5,615)
Stock donation to split-interest agreements	(88)	(214)
Stock donation to operating investments	—	(3)
Impairment and disposal of programmatic notes	920	94
Changes in operating assets and liabilities:		
Contribution receivable, net	(10,321)	5,927
Prepaid expenses and other	(1,231)	5,248
Operating lease assets and liabilities	(3,926)	(1,478)
Noncapital accounts payable and accrued expenses	3,909	(4,384)
Research grants payable	17,170	27,016
Deferred revenue	(1,720)	1,266
Liabilities related to split-interest agreements	37	(23)
Net cash provided by operating activities	29,236	50,067
Cash flows from investing activities:		
Purchase of fixed assets	(4,240)	(5,690)
Funding of programmatic investments	(18,287)	(16,177)
Proceeds from sale of programmatic investments	22,248	7,435
Funding of programmatic notes	(2,355)	(6,164)
Conversion of programmatic notes	2,667	1,600
Purchase of operating investments	(236,837)	(146,350)
Proceeds from sale of operating investments	208,655	90,698
Purchase of long-term investments	(5,341)	(5,714)
Proceeds from sale of long-term investments	5,081	5,160
Net cash used in investing activities	(28,409)	(75,202)
Cash flows from financing activities:		
Payments on finance leases	(105)	(81)
Net cash used in financing activities	(105)	(81)
Change in cash and cash equivalents	722	(25,216)
Cash and cash equivalents at beginning of year	13,102	38,318
Cash and cash equivalents at end of year	$ 13,824	13,102

See accompanying notes to consolidated financial statements.

(1) Organization

Breakthrough T1D (the Organization), formerly JDRF International, is the leading global type 1 diabetes (T1D) research and advocacy nonprofit organization with a mission to accelerate life-changing breakthroughs to cure, prevent, and better treat T1D and its complications. Breakthrough T1D maintains an in-house team of experts who identifies the most promising strategies to fulfill its mission. Breakthrough T1D's work for the past 50+ years has resulted in significant developments in the understanding of type 1 diabetes—bringing us closer to prevention and cures, and better treatment options for people living with the disease.

The Organization's primary sources of revenue, including public contributions, fundraising events, and other income, are principally used to support T1D research, advocacy efforts, and public education. These programs are outlined below.

(a) Research and Advocacy

Breakthrough T1D's research program includes research grants and federal advocacy efforts.

Breakthrough T1D's research has two core objectives: curing T1D by restoring the body's ability to make insulin and stopping T1D before it occurs; and improving lives by keeping people with T1D as healthy as possible until cures are found by advancing new T1D resources, technologies, and therapies. Breakthrough T1D's grant funding to-date totals more than $2.5 billion (unaudited) and is supporting more than 450 active grants across researchers in academia, industry, and government.

Since 1998, Breakthrough T1D's advocacy efforts have helped secure nearly $3.4 billion (unaudited) 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 T1D therapies, including automated insulin delivery systems technology and groundbreaking advances in vision improvement among people with diabetic eye disease. Breakthrough T1D also advocates for regulatory and health policies, which enable research to proceed without delay and provide widespread access to life-changing T1D therapies.

(b) Public Education and Outreach

Breakthrough T1D's public education program includes activities focused on connecting, engaging, and educating the T1D community, including the newly diagnosed, children living with T1D and their caretakers, adults living with T1D, and healthcare providers. In addition to providing resources for the community, Breakthrough T1D also educates the public about T1D early detection programs—which include screening and monitoring for T1D before onset.

In addition to the programs above, Breakthrough T1D drives early-stage commercial investment in T1D therapies and technologies through a venture philanthropy fund named T1D Fund, a Breakthrough T1D Venture, LLC (the T1D Fund).

The T1D Fund, which started in 2016, is a limited liability company whose sole member is Breakthrough T1D and is considered a disregarded entity of Breakthrough T1D. The purpose of the T1D Fund is to materially accelerate the development of drugs, devices, diagnostics, and vaccines to treat, prevent, and cure T1D. The T1D Fund provides funding to companies conducting such T1D research and development through investment capital or other commercial agreements using donations made to the T1D Fund and moneys provided by Breakthrough T1D.

Breakthrough T1D also has international affiliates located in Canada, Australia, Israel, the Netherlands, and the United Kingdom. The financial statements of these international affiliates are not included in the accompanying consolidated financial statements because Breakthrough T1D does not exercise control over their management or operations. International affiliates do, however, provide contributions to Breakthrough T1D to support funding of research grants as presented in note 13.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of Breakthrough T1D, its local chapters, and the T1D Fund. All significant balances and transactions between Breakthrough T1D and the T1D Fund have been eliminated in consolidation.

The net assets of Breakthrough T1D 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 the Organization through the passage of time or by meeting donor-imposed restrictions, and donor-restricted endowments that stipulate that the principal be maintained permanently but permit the Organization 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.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 items subject to such estimates and assumptions include investment fair value measurements, and functional expense allocations. Actual results could differ from those estimates.

(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 Breakthrough T1D's investment managers as part of their long-term investment strategy and those managed internally as part of Breakthrough T1D's operating investments portfolio. Cash equivalents also include deposits in transit in the process of being liquidated upon receipt according to Breakthrough T1D's policies.

(d) Investments

Investments include (i) Operating investments; (ii) Long-term investments made to increase earnings for support of the Organization's mission and investments, which support underlying planned giving and endowment agreements; and (iii) 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.

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 or published market prices. Investments in funds that 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 is evaluated for reasonableness by the Organization. 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, 2024 and 2023, respectively, the T1D Fund's investments in privately held companies with T1D-related projects totaled $65,646 and $70,128, of which $60,189 and $63,439 are programmatic investments (note 4) and $5,457 and $6,689 are programmatic notes receivable, net (note 6). These programmatic investments and notes receivable were made to provide equity capital to directly fund companies conducting T1D research and development; therefore, no research-related grant expense was recorded, and the functionally allocated programmatic expenses exclude these research activities.

The purpose of the operating investments is to earn an average yield above of that available from the commercial US 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 include cash and securities with varying original maturity dates, both lesser than and greater than three months. A portion of operating investments, $16,961 and $15,985, at June 30, 2024 and 2023, respectively, is considered restricted and consists of amounts required to be held separately under an agreement with a donor and are to be used for grants that are decided in cooperation with the donor.

(e) Assets Held and Liabilities Under Split-Interest Agreements

Breakthrough T1D 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. Contributed assets are recorded a fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as contributions revenue in the consolidated statements of activities.

(In thousands)

With Charitable Remainder Trusts administered by Breakthrough T1D, donated assets are received under an irrevocable 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 trust assets are recorded at fair value, and a related liability for future payments to be made to the beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. The distribution may be a fixed dollar amount (an annuity trust) or percentage of the fair value of the trust as determined annually (unitrust). Upon termination of the trust, the remaining liability is removed and recognized as contributions revenue in the consolidated statements of activities.

The average discount rates used were 3.66 and 3.58 percent for the years ended June 30, 2024 and 2023, respectively. Amortization of discounts and changes in actuarial assumptions are reflected in the consolidated statements of activities as a change in value of split-interest agreements.

The change in the fair value of assets related to split-interest agreements as of June 30, 2024 and 2023 is as follows:

		2024	2023
Assets related to split-interest agreements, beginning of year	$	4,210	4,085
Contributions		281	264
Investment income, net		107	100
Net appreciation		273	110
Payments and settlements		(503)	(349)
Assets related to split-interest agreements, end of year	$	4,368	4,210

(f) Financial Instruments and Credit Risk

Breakthrough T1D manages deposit concentration risk by using financial institutions believed by management to be creditworthy for its cash and money market accounts. At times, amounts on deposit may exceed insured limits. To date, Breakthrough T1D has not experienced losses in any of these accounts.

Investments are made by diversified investment managers whose performance is monitored by management and the finance and investment committee of the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the finance and investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

(g) Contributions and Contributions Receivable

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.

A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligations to the transferred assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met.

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.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

(h) Fixed Assets

Fixed assets, which consist of furniture, equipment, and leasehold improvements, are recorded at cost if purchased or fair value if contributed. 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.

(i) In-Kind Contributions

Contributed nonfinancial assets are recorded at the fair value of the goods or services received. Additionally, volunteers contribute significant amounts of time to program services; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by General U.S. GAAP.

(j) Other Income

Other income includes income received under a collaborative arrangement totaling $14,509 and $8,381 for the years ended June 30, 2024 and 2023, respectively. Under the collaborative arrangement, Breakthrough T1D provided grant funding to another company starting in 2012 for the development of certain T1D management products. Under commercialization terms in the collaboration agreement, Breakthrough T1D now receives a percentage of product sales until a set limit is reached, which occurred during the year ended June 30, 2024.

(In thousands)

(k) Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. All expenses other than research grants have been allocated based on staff time 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-related grant expense incurred on those investments; therefore, they are not included in the calculation of the total functional expenses. Research program spending includes the following for the years ended June 30, 2024 and 2023:

		2024	2023
Program services expenses: research and advocacy	$	127,832	117,853
T1D Fund equity investments: cash invested		17,839	20,552
	$	145,671	138,405

(l) Fair Value Measurements

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: Unadjusted quoted or published prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted or published prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted or published prices that are observable.

Level 3: Unobservable inputs used when little or no market data is available.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Breakthrough T1D's perceived risk of that instrument.

Assets and liabilities are disclosed within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. Breakthrough T1D's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy.

As a practical expedient, Breakthrough T1D is permitted to estimate the fair value of an investment at the measurement date using the reported net asset value (NAV). Adjustment is required if Breakthrough T1D expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. Breakthrough T1D holds investments in its portfolio that are generally valued based on the most current NAV. This amount represents fair value of these investments at June 30, 2024 and 2023. Investments reported at NAV, as a practical expedient, are not included within Levels 1, 2, or 3 in the fair value hierarchy.

(m) Income Taxes

Breakthrough T1D is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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 Breakthrough T1D's exempt purpose is subject to tax under IRC Section 511. Breakthrough T1D's unrelated business income tax liability was insignificant for the years ended June 30, 2024 and 2023.

(n) Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current-year presentation.

(In thousands)

(3) Liquidity and Availability of Resources

At June 30, 2024 and 2023, Breakthrough T1D's financial assets available within one year for general expenditures, such as program expenses and other operating expenses, are as follows:

		2024	2023
Cash and cash equivalents	$	13,824	13,102
Operating and restricted investments		219,796	187,506
Long-term investments		89,308	83,855
Contributions receivable, net		63,369	53,048
Total financial assets		386,297	337,511
Less those unavailable for general expenditure within one year:			
Operating investments subject to spending restrictions		16,961	15,985
Operating investments related to the T1D Fund		123,126	100,412
Long-term investments related to split-interest agreements		4,368	4,210
Long-term investments subject to lock-ups greater than one year		362	393
Long-term investments related to donor-restricted endowment funds		8,359	7,873
Time-restricted receivables due in greater than one year, net		28,689	22,793
Total financial assets unavailable for general expenditures within one year		181,865	151,666
Total financial assets available to meet general expenditures within one year	$	204,432	185,845

Breakthrough T1D's cash flows have seasonal variations during the year attributable to the timing of major fundraising events and a concentration of contributions received at calendar and fiscal year-end. As part of the liquidity management plan, Breakthrough T1D invests cash in excess of daily requirements in short-term investments and money market reserves with a target of maintaining six months' worth of reserves. Additionally, Breakthrough T1D maintains a line of credit to supplement liquidity when required (note 14(c)).

(4) Investments at Fair Value

Breakthrough T1D's investments are invested in accordance with investment policies as set forth by the finance and investment committee of the board of directors. The following is a summary of the investments by asset allocation as well as investment risk:

Mutual funds: Includes equity- and fixed income-based mutual funds that are generally valued based on quoted or published prices in active markets obtained from exchange or dealer markets for identical assets and are categorized as Level 1.

U.S. equity: Includes direct holdings of public securities that are generally valued based on quoted or published prices in active markets obtained from exchange or dealer markets for identical assets and are categorized as Level 1.

Fixed income: Includes U.S. Treasury bonds and direct holdings of U.S. and non-U.S. corporate bonds in managed accounts. Bonds are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2.

Stock warrant: During the year ended June 30, 2023, Breakthrough T1D was donated future rights to purchase common stock of an employee stock ownership plan that is valued at fair value and categorized as Level 3. The future rights will be exercisable on January 1, 2025.

Preferred stock: Includes equity investments made by the T1D Fund in private companies to provide capital to help materially accelerate the development of drugs, devices, diagnostics, and vaccines to treat, prevent, and cure T1D. Because these companies are private, there is no readily determinable market value. The T1D Fund managers may value the underlying investments on an appraised value, discounted cash flow, industry comparables, or other methods. The preferred stock investments are categorized as Level 3. As of June 30, 2024 and 2023, there were no unfunded contingent commitments to programmatic investments.

Hedge funds: Includes investments in close-ended private funds that are valued at NAV. These investments are in the process of liquidation. There were no unfunded commitments as of June 30, 2024 and 2023.

(Continued)

(In thousands)

A summary of investments, including operating, long-term, and programmatic investments, as of June 30, 2024, categorized in accordance with the fair value hierarchy and valued on a recurring basis, is as follows:

		Level 1	Level 2	Level 3	NAV	Total
Operating investments:						
Cash and cash equivalents	$	41,700	—	—	—	41,700
Mutual funds		16,356	—	—	—	16,356
Fixed income		—	161,321	—	—	161,321
Stock warrant		—	—	419	—	419
Total	$	58,056	161,321	419	—	219,796
Long-term investments:						
Cash and cash equivalents	$	52	—	—	—	52
Mutual funds		87,862	—	—	—	87,862
U.S. equity		62	—	—	—	62
Fixed income		—	969	—	—	969
Hedge funds		—	—	—	363	363
Total	$	87,976	969	—	363	89,308
Programmatic investments:						
U.S. equity	$	9,901	—	—	—	9,901
Preferred stock		—	—	50,288	—	50,288
Total	$	9,901	—	50,288	—	60,189

Split-interest agreement assets are included in long-term investments. The fair value of Charitable Gift Annuities and Charitable Remainder Trusts totaled $3,060 and $1,308, respectively, at June 30, 2024.

(In thousands)

A summary of investments, including operating, long-term, and programmatic investments, as of June 30, 2023, categorized in accordance with the fair value hierarchy and valued on a recurring basis, is as follows:

		Level 1	Level 2	Level 3	NAV	Total
Operating investments:						
Cash and cash equivalents	$	5,966	—	—	—	5,966
Mutual funds		41,737	—	—	—	41,737
Fixed income		—	139,439	—	—	139,439
Stock warrant		—	—	364	—	364
Total	$	47,703	139,439	364	—	187,506
Long-term investments:						
Cash and cash equivalents	$	98	—	—	—	98
Mutual funds		83,211	—	—	—	83,211
U.S. equity		46	—	—	—	46
Fixed income		—	107	—	—	107
Hedge funds		—	—	—	393	393
Total	$	83,355	107	—	393	83,855
Programmatic investments:						
US equity	$	1,573	—	—	—	1,573
Preferred stock		—	—	61,866	—	61,866
Total	$	1,573	—	61,866	—	63,439

Split-interest agreement assets are included in long-term investments. The fair value of Charitable Gift Annuities and Charitable Remainder Trusts totaled $2,759 and $1,451, respectively, at June 30, 2023.

A summary of changes in Level 3 investments during the years ended June 30, 2024 and 2023, is as follows:

Balance at June 30, 2022	$	44,853
Additions		13,679
Unrealized gain, net		4,997
Sale of investment		(1,299)
Balance at June 30, 2023		62,230
Additions		12,487
Unrealized loss, net		(9,068)
Sale of investment		(14,942)
Balance at June 30, 2024	$	50,707

(In thousands)

(5) Contributions Receivable, net

Contributions receivable, net includes pledges due in future periods and uncollected event revenues. Together, these consisted of the following at June 30, 2024 and 2023:

		2024	2023
Gross pledges receivable, due in:			
Less than one year	$	32,204	27,395
One to five years		29,252	25,656
Six to ten years		2,170	518
		63,626	53,569
Less:			
Allowance for doubtful accounts		(1,746)	(1,355)
Unamortized discount to present value, at rates ranging from 4.3% to 5.0%		(2,733)	(2,026)
Pledges receivable, net		59,147	50,188
Event revenue receivables		4,222	2,860
Contributions receivable, net	$	63,369	53,048

(6) Programmatic Notes Receivable, net

Programmatic notes receivable, net represents loans made by the T1D Fund to private 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, 2024 and 2023, the T1D Fund had seven and six convertible promissory notes, respectively, with private companies that are considered debt securities. The notes bear interest at rates ranging from four to ten percent and are convertible into shares of the company's preferred stock under certain conditions. The notes are recorded at fair value at June 30, 2024 and 2023.

(7) Fixed Assets

Fixed assets consisted of the following at June 30, 2024 and 2023:

		2024	2023
Furniture and equipment, cost	$	32,615	28,388
Leasehold improvements, cost		2,684	2,671
		35,299	31,059
Less accumulated depreciation and amortization		(27,639)	(20,980)
Fixed assets, net	$	7,660	10,079

(In thousands)

(8) Research Grants Payable

Research grants payable at June 30, 2024 and 2023 consisted of the following:

		2024	2023
Amounts expected to be paid in:			
Less than one year	$	93,786	82,006
One to five years		20,772	15,093
Subtotal		114,558	97,099
Less discount to present value, at rates ranging from 4.52% to 5.09%		(962)	(673)
Research grants payable, net	$	113,596	96,426

Research grant expense is net of any grant refunds, reductions, or terminations. These adjustments were $1,671 and $1,427 for the years ended June 30, 2024 and 2023, respectively.

(9) In-Kind Contributions

Breakthrough T1D received the following contributions of nonfinancial assets for the years ended June 30, 2024 and 2023:

		2024	2023
Rent	$	553	508
Peer review services		70	100
	$	623	608

Donated rent is valued using current market rates provided by the landlord and is allocated across functional areas using staff time. Donated peer review services are valued using current rates at which paid peer reviewers are compensated and are used in program activities.

(10) Retirement Plan

Breakthrough T1D maintains a 403(b) tax-deferred annuity plan that allows employees to defer a portion of their wages for saving for retirement. The plan provides an annual employer matching contribution. Employer contribution expense for the years ended June 30, 2024 and 2023 was $2,030 and $1,774, respectively.

(In thousands)

(11) Net Assets with Donor Restrictions

The composition of net assets with donor restrictions as of June 30, 2024 and 2023 is as follows:

		2024	2023
Subject to the passage of time:			
Assets held under split-interest agreements	$	621	708
Promises to give that are not restricted by donors, but which are unavailable for expenditure until received		32,283	34,658
Total time restrictions		32,904	35,366
Subject to expenditure for specified purpose:			
Center of excellence		3,112	4,978
Specific research grants		21,587	6,322
Programs		1,029	2,037
T1D Fund		1,409	3,424
Total purpose restrictions		27,137	16,761
Endowments:			
Available for appropriation and expenditure		1,827	1,574
Perpetual in nature		6,532	6,299
Total endowments		8,359	7,873
Total net assets with donor restrictions	$	68,400	60,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors for the years ended June 30, 2024 and 2023 as follows:

		2024	2023
Expiration of time restrictions	$	25,474	28,106
Distribution from assets held under split-interest agreements		287	107
Satisfaction of purpose restrictions		80,747	39,063
Endowment appropriations		303	215
Total releases from net assets with donor restrictions	$	106,811	67,491

(Continued)

(12) Endowment

Breakthrough T1D’s endowment consists of seven individual endowment funds for which donors established permanent balances, with some for specific purposes. Net assets associated with each of these funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Breakthrough T1D has adopted FASB guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enhanced version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization’s endowment funds. Although the Commonwealth of Pennsylvania has not adopted UPMIFA to date, certain disclosures are made as required under the FASB guidance.

Based on its interpretation of Pennsylvania law and relevant accounting literature, the board of directors of Breakthrough T1D considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Breakthrough T1D has interpreted Pennsylvania law to permit spending from underwater funds in accordance with prudent measures required under the law and considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a) The duration and preservation of the fund

b) The purposes of the organization and the donor-restricted endowment fund

c) General economic conditions

d) The possible effect of inflation and deflation

e) The expected total return from income and the appreciation of investment

f) Other resources of the organization

g) The investment policies of Breakthrough T1D.

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.

(In thousands)

A summary of endowment net asset composition by type of fund as of June 30, 2024 and 2023 is as follows:

	2024	2023
Original donor-restricted amounts required to be maintained in perpetuity by donor	$ 6,532	6,299
Accumulated investment gains	1,827	1,574
	$ 8,359	7,873

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Breakthrough T1D to retain as a fund of perpetual duration. As of June 30, 2023, deficiencies of this nature existed in three donor-restricted endowment funds with an original gift value of $2,575; these funds had a fair value of $2,405 and a deficiency of $170. These deficiencies resulted from unfavorable market fluctuations that occurred during the year ended June 30, 2023. There were no such deficiencies as of the year ended June 30, 2024.

(b) Return Objectives and Risk Parameters

Breakthrough T1D has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and operations supported by the endowment. Endowment assets are invested in a manner to provide that sufficient assets are available as a source of liquidity for the intended use of the funds, achieve the optimal return possible within the specified risk parameters, prudently invest assets in a high-quality diversified manner, and adhere to the established guidelines.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Breakthrough T1D relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Breakthrough T1D targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

Breakthrough T1D has a policy of appropriating for distribution each year the capital appreciation and current yield of each individual endowment fund, unless otherwise precluded by donor intent. If the fund is underwater, spending is permitted depending on the degree to which the fund is underwater. During the year ended June 30, 2023, there was no spending from underwater endowment funds.

(In thousands)

The changes in net assets related to donor-restricted endowment funds for the years ended June 30, 2024 and 2023 consisted of the following:

		2024	2023
Endowment net assets, beginning of year	$	7,873	7,584
Investment income		227	196
Net appreciation		562	308
Appropriation for expenditure		(303)	(215)
Endowment net assets, end of year	$	8,359	7,873

(13) Related-Party Transactions

In April 2018, Breakthrough T1D entered into agreements with five affiliates that expire in 2026. The affiliates include Australia, Canada, Israel, the Netherlands, and the United Kingdom. The agreements outline the appropriate use of the Breakthrough T1D logo and the method by which research grants will be funded in the various locations.

During the years ended June 30, 2024 and 2023, Breakthrough T1D received contributions for research grants from these affiliates as follows:

		2024	2023
JDRF – Canada	$	2,185	2,793
JDRF – United Kingdom		1,816	1,504
JDRF – Australia		1,907	1,986
	$	5,908	6,283

(14) Commitments

(a) Research Grants

As of June 30, 2024, Breakthrough T1D's conditional research grant commitments will be recognized in the consolidated financial statements when the conditions are met and are currently estimated to be payable as follows:

2025	$	71,211
2026		25,855
2027		7,516
2028		2,024
2029		147
	$	106,753

(In thousands)

(b) Leases

Breakthrough T1D maintains operating leases for office spaces occupied by certain chapters and the headquarters in New York and finance leases for equipment. As of June 30, 2024 and 2023, the right-of-use asset and corresponding liability associated with future lease payments are as follows:

		2024		
		Operating	**Finance**	**Total**
Right-of-use assets	$	22,570	492	23,062
Accumulated amortization		5,779	110	5,889
Lease liability		18,825	400	19,225
Weighted average:				
Discount rate		3.11%	4.25%	
Lease term		6 years	3 years	

		2023		
		Operating	**Finance**	**Total**
Right-of-use assets	$	21,836	305	22,141
Accumulated amortization		3,698	83	3,781
Lease liability		20,358	224	20,582
Weighted average:				
Discount rate		2.90%	3.60%	
Lease term		6 years	4 years	

The components of lease expense as reported in the consolidated statements of activities for the years ended June 30, 2024 and 2023 were as follows:

		2024	**2023**
Operating lease cost	$	4,329	4,339
Short-term lease cost		—	33
Impairment cost		—	35
Finance lease cost:			
Amortization of right-of-use assets		120	83
Interest on lease liabilities		14	4
	$	4,463	4,494

(In thousands)

Future minimum lease payments under non-cancelable leases as of June 30, 2024 were as follows:

		Operating	Finance	Total
2025	$	4,068	132	4,200
2026		3,672	129	3,801
2027		3,398	96	3,494
2028		3,219	57	3,276
2029		3,206	15	3,221
2030 and beyond		2,904	—	2,904
		20,467	429	20,896
Less present value discount		(1,642)	(29)	(1,671)
Lease liability, net	$	18,825	400	19,225

(c) Line of Credit

Breakthrough T1D maintains an agreement with a financial institution for an unsecured line of credit in the aggregate amount of $10 million, and it was renewed in June 2024 and 2023. The line matures in June 2025, and there were no draws on the line during the years ended June 30, 2024 and 2023.

(15) Joint Costs

Breakthrough T1D incurs expenses to conduct direct mail campaigns that have both fundraising appeals as well as public education and outreach components (joint activities). During the years ended June 30, 2024 and 2023, in addition to fundraising, these campaigns were used for education and included a call to action for the public to become an advocate for insulin access. The direct mail expenses were allocated as follows for the year ended June 30:

		2024	2023
Fundraising	$	4,332	3,239
Public education and outreach		1,286	1,080
	$	5,618	4,319

(16) Subsequent Events

Breakthrough T1D evaluated subsequent events after the consolidated statements of financial position date of June 30, 2024, through December 19, 2024, the date the consolidated financial statements were available for issuance. No subsequent events were noted for disclosure.