Reports of Independent Auditors and Financial Statements with
Federal Awards Supplementary Information

The Salk Institute for Biological Studies

June 30, 2024 and 2023

MOSSADAMS

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Report of Independent Auditors

The Board of Trustees
The Salk Institute for Biological Studies

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Salk Institute for Biological Studies, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Salk Institute for Biological Studies 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 accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 Salk Institute for Biological Studies 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 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 Salk Institute for Biological Studies' ability to continue as a going concern for 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 GAAS and *Government 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 GAAS and *Government 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 Salk Institute for Biological Studies' 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 Salk Institute for Biological Studies' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024, on our consideration of The Salk Institute for Biological Studies' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salk Institute for Biological Studies' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salk Institute for Biological Studies' internal control over financial reporting and compliance.

Moss Adams LLP

San Diego, California
October 18, 2024

Financial Statements

The Salk Institute for Biological Studies
Statements of Financial Position
(In Thousands)
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 17,089	$ 22,906
Receivables and other assets, net	28,291	22,179
Contributions receivable, net	25,789	29,210
Right-of-use assets - operating leases	3,842	5,245
Funds held by trustee	5,581	7,024
Investments	609,442	595,284
Assigned interest in limited partnership units	28,955	28,955
Restricted to building project		
Cash and cash equivalents	27,265	9,869
Investments	-	9,844
Property, net	76,524	74,740
Total assets	$ 822,778	$ 805,256
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 47,597	$ 41,913
Unexpended advances	24,486	25,958
Lease liabilities	5,015	6,680
Retirement obligations	4,134	4,179
Debt	92,139	94,236
Total liabilities	173,371	172,966
Commitments and Contingencies (Note 12)		
Net Assets		
Without donor restrictions	119,439	112,766
With donor restrictions	529,968	519,524
Total net assets	649,407	632,290
Total liabilities and net assets	$ 822,778	$ 805,256

See accompanying notes.

The Salk Institute for Biological Studies
Statement of Activities
(In Thousands)
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	$ 108,860	$ -	$ 108,860
Contributions	3,851	25,472	29,323
Other	3,155	-	3,155
Investment return designated for current operations	9,914	15,788	25,702
Net assets released from restrictions	45,112	(45,112)	-
Total revenues, gains, and other support	170,892	(3,852)	167,040
EXPENSES			
Research	148,282		148,282
Management and general	21,175		21,175
Fundraising	6,600		6,600
Total expenses	176,057	-	176,057
DEFICIENCY OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	(5,165)	(3,852)	(9,017)
INVESTMENT GAIN IN EXCESS OF AMOUNT DESIGNATED FOR CURRENT OPERATIONS UNDER SPENDING POLICY	11,845	14,296	26,141
POST-RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC BENEFIT COST	(7)	-	(7)
CHANGE IN NET ASSETS	6,673	10,444	17,117
NET ASSETS			
Beginning of year	112,766	519,524	632,290
End of year	$ 119,439	$ 529,968	$ 649,407

See accompanying notes.

The Salk Institute for Biological Studies
Statement of Activities
(In Thousands)
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	$ 97,499	$ -	$ 97,499
Contributions	5,060	47,318	52,378
Other	3,504	-	3,504
Investment return designated for current operations	9,422	15,403	24,825
Net assets released from restrictions	45,800	(45,800)	-
Total revenues, gains, and other support	161,285	16,921	178,206
EXPENSES			
Research	139,415	-	139,415
Management and general	20,533	-	20,533
Fundraising	5,802	-	5,802
Total expenses	165,750	-	165,750
EXCESS (DEFICIENCY) OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	(4,465)	16,921	12,456
INVESTMENT GAIN IN EXCESS OF AMOUNT DESIGNATED FOR CURRENT OPERATIONS UNDER SPENDING POLICY	2,552	1,107	3,659
POST-RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC BENEFIT COST	726	-	726
CHANGE IN NET ASSETS	(1,187)	18,028	16,841
NET ASSETS			
Beginning of year	113,953	501,496	615,449
End of year	$ 112,766	$ 519,524	$ 632,290

See accompanying notes.

The Salk Institute for Biological Studies
Statements of Cash Flows
(In Thousands)
Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING ACTIVITIES		
Change in net assets	$ 17,117	$ 16,841
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	12,023	11,693
Contributions restricted for long-term assets	(7,079)	(6,593)
Net gain on investments and funds held by trustee	(45,913)	(27,241)
Amortization of the right-of-use assets - operating leases	1,403	1,603
Changes in assets and liabilities		
Receivables and other assets	(6,112)	4,007
Contributions receivable	(83)	(16,474)
Accounts payable and accrued expenses	5,684	(847)
Unexpended advances	(1,472)	(3,307)
Lease liabilities	(1,665)	(1,370)
Retirement obligations	(45)	(787)
Net cash used in operating activities	(26,142)	(22,475)
INVESTING ACTIVITIES		
Purchases of property	(13,785)	(11,984)
Purchases of investments and funds held by trustee	(256,150)	(179,441)
Proceeds from sales of investments and funds held by trustee	299,192	175,423
Net cash provided by (used in) investing activities	29,257	(16,002)
FINANCING ACTIVITIES		
Proceeds from contributions restricted for		
Investment in perpetuity	2,174	2,872
Investment in plant	8,410	7,827
Debt proceeds	-	28,353
Scheduled principal payments on debt	(2,120)	(1,526)
Net cash provided by financing activities	8,464	37,526
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	11,579	(951)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	32,775	33,726
End of year	$ 44,354	$ 32,775
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	$ 3,096	$ 2,592
Right-of-use assets upon ASC 842 implementation - operating leases	-	4,490
Right-of-use assets obtained in exchange for new operating leases	-	1,970

See accompanying notes.

Note 1 – Nature of the Institute

The Salk Institute for Biological Studies, San Diego, California (the Institute) conducts basic biomedical research funded primarily with grants and contributions from agencies of the United States government, foundations, and the general public.

The Institute is a California not-for-profit public benefit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Income determined to be unrelated business income is taxable.

Note 2 – Significant Accounting Policies

General – The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and activities are presented based on related donor restrictions or lack of such restrictions. Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions. Net assets with donor restrictions consist of contributed funds whose use is limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of the Institute pursuant to the stipulations. Also included in this category are net assets subject to irrevocable donor restrictions requiring the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund research and other activities.

The costs of providing program services and other activities are summarized on a functional basis in the statements of activities and, accordingly, certain costs have been allocated among the activities benefited (Note 11).

Revenue Recognition:

Grants – Grant revenue includes support under agreements with governmental and private sources, which are generally considered non-exchange transactions. Grants that are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses are accounted for as conditional gifts. Grant revenue is recognized when conditions under the agreements are met, typically when qualifying expenses are incurred. Unspent grant funds received in advance of the related expenditures are reported as unexpended advances. Reimbursement for indirect expenses on certain research grants is based on specified rates applied to allowable direct expenses.

Contributions – Contributions are recorded as revenue at fair value when unconditionally pledged or when received, whichever is earlier. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as contributions with donor restrictions. When a donor restriction expires or is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions of equipment or other long-lived assets are recognized when unconditionally pledged or received, whichever is earlier, and recorded at the fair value of the contributed asset at the time of donation. If donors stipulate how long the assets must be used, the gifts are recorded as contributions with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as contributions without donor restrictions.

Note 2 – Significant Accounting Policies (continued)

Cash, cash equivalents, and restricted cash – Cash and cash equivalents are defined as cash on hand and in banks, plus highly liquid investments, which fund the daily operating activities of the Institute and have a maturity, at the date of purchase, of three months or less. Cash restricted to the building project is excluded from this definition. Cash and cash equivalents held within the investment portfolio as part of the Institute's investment strategy are included in investments on the statements of financial position.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	2024	2023
Cash and cash equivalents	$ 17,089	$ 22,906
Cash restricted to the building project	27,265	9,869
Total cash, cash equivalents, and restricted cash	$ 44,354	$ 32,775

Receivables and other assets – Receivables and other assets include amounts billed and unbilled on grants and other agreements through June 30. Estimated credit losses are recorded based on past experience. Accounts are written off against the estimate when deemed uncollectible. Management has determined that an estimate of $238 and $285 is necessary at June 30, 2024 and 2023, respectively.

Receivables and other assets include investments held under a nonqualified deferred compensation plan for certain eligible employees. The fair value of the investments totaled $7,351 and $6,287 at June 30, 2024 and 2023, respectively. The related liability is included in accounts payable and accrued expenses on the statements of financial position.

Also included in receivables and other assets is the Institute's beneficial interest in split-interest agreements which provide for the payment of distributions to the donor or other designated beneficiaries over the split-interest agreement's term (usually the beneficiary's lifetime). At the end of a split-interest agreement's term, the remaining assets are available for use by the Institute for the purpose specified by the donor. The portion of the assets attributable to the fair value of the future benefits to be received by the Institute is recorded on the statement of activities as contribution revenue with donor restrictions in the year the split-interest agreement is established. The fair value of the Institute's beneficial interest in split-interest agreements totaled $1,458 and $1,628 at June 30, 2024 and 2023, respectively.

Note 2 – Significant Accounting Policies (continued)

Contributions receivable – Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at fair value when the promise is made, based on a discounted cash flow model. The discounts on these amounts are computed using risk-free rates established at the time those promises are received. The discount rates for the contributions receivable range from 1.190 percent to 5.000 percent as of June 30, 2024 and 2023. Amortization of the discounts is included in contributions. Conditional promises to give are not recorded as revenue until the conditions are met. An allowance for estimated uncollectible contributions receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Accounts are written off against the allowance when deemed uncollectible. Management has determined that an allowance for uncollectible contributions receivable of $100 and $200 is necessary as of June 30, 2024 and 2023, respectively.

Investments – Investments in marketable securities are carried at their fair values based on quoted prices in an active market. Alternative investments for which quoted market prices are not available are valued at fair value by third-party fund managers or the general partners of the related investment partnerships, based on factors deemed relevant by the third-party fund managers or the general partners including, but not limited to, market conditions, purchase price, estimated liquidation value, restrictions on transfer, and meaningful third-party transactions in the private market. The Institute's Finance Department, under the supervision of the Chief Financial Officer, determines the investment fair value measurement policies and procedures in consultation with the Institute's independent professional investment manager. These policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information. The Institute reviews and evaluates the values provided by third-party fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of alternative investments. For these investments, the Institute uses the net asset value (NAV) provided by the investment fund managers to evaluate the fair value of the investments (see Notes 5 and 10). The NAV may be adjusted based on liquidity factors or other information about the investments that management considers significant to the valuation of the investments.

Realized and unrealized gains and losses are included in investment return in the change in net assets on the accompanying statements of activities by donor restriction or without donor restriction.

Funds held by trustee – Funds held by trustee include $5,581 and $7,024 at June 30, 2024 and 2023, respectively, held primarily in mutual funds in a rabbi trust to pay the benefits provided by the Institute's retiree health plan (Note 9). Funds held by trustee held in fixed income, global equity, and large cap equity mutual funds are carried at their fair value based on quoted prices in an active market.

Note 2 – Significant Accounting Policies (continued)

Assigned interest in limited partnership units – During the year ended June 30, 2020, the Institute received a bequest in the form of an assigned interest in limited partnership units which was recorded at fair value at the date of receipt. Distributions from the partnership are available for general operations. The limited partnership units subject to the Institute's assigned interest represent less than a 20 percent ownership in the partnership. The asset is evaluated for impairment annually. In the absence of a readily determinable fair value, the Institute uses the measurement alternative of cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar assets of the partnership.

Property – Property, including land, buildings, and equipment, is carried at cost. The Institute capitalizes acquisitions of property of $5 or more. Depreciation and amortization are recorded using the straight-line method over estimated useful lives of the assets ranging from 3 to 50 years.

Leases – The Institute has entered into a variety of operating leases for building space. The obligations associated with these leases have been recognized as a liability in the statement of financial position based on future lease payments, discounted by the risk-free rate.

Lease terms may include options to extend or terminate certain leases. The terms of a lease are reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

Impairment of long-lived assets – The Institute evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Endowments – The Institute's endowment consists of over 130 individual funds established to support research and operations. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees (the "Board") to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 2 – Significant Accounting Policies (continued)

Endowments (continued) – The Institute classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. In accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), the Institute 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 Institute 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 Institute; and
7. The investment policies of the Institute.

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Institute's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is a total return, over rolling ten-year periods, which exceeds biomedical research inflation by an average of 5 percent per year. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Institute 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). The Institute targets a diversified asset allocation with a bias toward equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Institute has a policy of appropriating for distribution each year a percentage of its endowment funds' average fair value over the prior 12 quarters. The percentage distribution is determined annually by the Board in the budget approval process and was 4.8 percent and 4.9 percent for the years ended June 30, 2024 and 2023, respectively. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long-term, the Institute expects the current spending policy to allow its endowment to grow at an average of the biomedical research inflation rate annually. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets with the goal of meeting current and future cash flow requirements, as well as to provide additional real growth through new gifts.

Note 2 – Significant Accounting Policies (continued)

Use of estimates – The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and uncertainties – The Institute invests in various types of securities which are exposed to various risks such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the statement of financial position.

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

The Institute has evaluated subsequent events through October 18, 2024, which is the date the financial statements were available to be issued.

Recent accounting pronouncements – During 2024, the Institute evaluated Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU did not have a material impact to the financial statements or disclosures.

Note 3 – Liquidity and Availability of Financial Assets

As of June 30, 2024 and 2023, the financial assets and liquidity resources available within one year for general expenditure were as follows:

	2024	2023
Financial assets		
Cash and cash equivalents	$ 17,089	$ 22,906
Receivables and other assets, net	14,871	8,457
Short-term investments	11,527	18,561
Board-designated endowments	14,361	10,914
Investment income appropriations without donor-imposed restrictions	16,393	16,052
Total financial assets available within one year	74,241	76,890
Liquidity resources		
Bank line of credit	10,000	10,000
Total financial assets and liquidity resources available within one year	$ 84,241	$ 86,890

The Institute's cash flows have seasonal variations during the year attributable to a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the Institute invests excess cash in short-term investments including U.S. Treasury securities, U.S. Government agency notes and bonds, and/or corporate bonds. In the event of an unanticipated liquidity need, the Institute has a committed line of credit in the amount of $10,000 (also see Note 12).

As discussed in Note 2, the Institute's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. Although the Institute does not intend to spend funds functioning as endowments other than amounts appropriated for general expenditure, amounts from its Board-designated endowments could be made available if necessary.

Note 4 – Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2024	2023
Contributions receivable to be paid in		
Less than one year	$ 11,461	$ 11,740
One to five years	16,041	19,366
	27,502	31,106
Less		
Unamortized discount	(1,613)	(1,696)
Reserve for uncollectible pledges	(100)	(200)
Total contributions receivable, net	$ 25,789	$ 29,210

At June 30, 2024 and 2023, net contributions receivable of $11,429 and $10,019, respectively, are from members of the Board.

At June 30, 2024, the Institute has received $302,050 of promises to give that are generally conditional upon incurring qualifying expenses. These amounts will primarily be recognized as grants revenue in the periods in which the conditions are fulfilled.

Note 5 – Investments

Investments consist of the endowment portfolio, which includes general funds of the Institute, and short-term investments. The Institute's endowment portfolio is managed by an independent professional investment manager subject to direction and oversight by a committee of the Board. The manager is authorized to invest in alternative investments to increase portfolio diversification and return and to reduce volatility. Investment return is presented net of investment advisory fees.

The Board has designated a portion of the Institute's cumulative investment return on general funds to be used for support of current operations. Under the Institute's spending policy, the Board determines annually a percentage of the average of the fair value of the Institute's general fund investment balances for the previous 12 quarters for appropriation to support current operations. The spending rate was 4.8 percent and 4.9 percent in 2024 and 2023, respectively.

The Institute uses short-term investments to manage liquidity surrounding large gifts received that are expected to be spent in the next six months to two years.

Investments are summarized as follows at June 30:

	2024			
	Short-term Investments	Endowment Portfolio	Total	2023
Marketable securities				
Cash and cash equivalents	$ -	$ 18,100	$ 18,100	$ 18,662
U.S. Treasury securities	28,028	59,991	88,019	92,210
Commodities – allocated gold	-	16,777	16,777	13,764
Bonds	-	-	-	3,899
Total marketable securities	28,028	94,868	122,896	128,535
Alternative investments				
Global equity funds	-	186,681	186,681	143,548
Private equity funds	-	165,690	165,690	148,829
Real assets funds	-	51,475	51,475	47,735
Global multi-strategy funds	-	23,213	23,213	56,543
Fixed income funds	-	23,178	23,178	22,224
Long/short equity funds	-	19,407	19,407	19,663
Emerging markets funds	-	5,189	5,189	11,690
Distressed securities funds	-	4,556	4,556	6,453
Long only equity funds	-	4,067	4,067	8,989
Other funds	-	3,090	3,090	1,075
Total alternative investments	-	486,546	486,546	466,749
Total investments	$ 28,028	$ 581,414	$ 609,442	$ 595,284

Note 5 – Investments (continued)

Alternative investments – Alternative investments are generally less liquid than the Institute's other investments and invest primarily in the following:

Global equity funds – Shares of companies listed on stock exchanges worldwide.

Private equity funds – Pooled investment vehicles which purchase minority or majority interests in operating businesses in a wide range of sectors including software, technology, media, telecom, financial services, consumer, healthcare, biotechnology, pharmaceutical, medical devices, insurance, and industrials.

Real assets funds – Investments in global agriculture and timber, North American oil and gas, digital infrastructure, and a broad range of real estate in the U.S., Europe, and Asia.

Global multi-strategy funds – Pooled investment vehicles that invest in performing debt, distressed debt, hedge/arbitrage positions, merger arbitrage, equity-oriented positions, basis trading, portfolio volatility protection positions, commodities, and real estate.

Fixed income funds – Investment-grade debt and fixed income securities and fixed- and floating-rate debt securities.

Long/short equity funds – Global investments in equities and derivatives on both the long and short side.

Emerging markets funds – Pooled investment vehicles that invest in equity of companies located in developing countries.

Distressed securities funds – Investments in distressed debt and securities.

Long only equity funds – Long only investments in publicly traded equity securities and derivatives.

Other funds – Pooled investment vehicle investing in digital assets.

The fair values of the alternative investments have been estimated using the NAV of the Institute's ownership interest in the funds or the Institute's share of partners' capital.

Note 5 – Investments (continued)

The nature and risks of the alternative investments as of June 30, 2024, are summarized as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if eligible)	Redemption Notice Period	Additional Redemption Terms and Restrictions (if any)
Global equity funds	$ 186,681	$ 3,393	weekly, monthly, quarterly, semi-annually	3–120 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund. Redemptions subject to redemption fees, early redemption penalties, anti-dilution levies, up to a 3-year rolling lock up, up to a 25% fund level gate, and/or a 50% share class gate.
Private equity funds					
Active	165,592	55,369	n/a	n/a	Not eligible for redemption. $11,103 in funds for which there is no limit on the remaining life. $154,489 in funds with remaining lives of 3 to 20 years.
Liquidating	98	116	n/a	n/a	Not eligible for redemption.
Real assets funds					
Active	10,822	-	monthly	2 days	Fund subject to a fund level gate of 2% monthly and 5% quarterly.
Non-redeemable	40,653	12,592	n/a	n/a	Not eligible for redemption. $2,963 funds for which there is no limit on the remaining life. $37,690 in funds with remaining lives of 1 to 12 years.
Global multi-strategy funds	23,213	-	quarterly	60 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund. Redemptions subject to a 10% fund level gate and a 25% investor level gate per quarter.
Fixed income funds	23,178	10,825	n/a	n/a	Not eligible for redemption. Remaining lives of the funds 2 to 11 years.
Long/short equity funds	19,407	-	quarterly, semi-annually	60–90 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund. $8,275 in a fund subject to a 5% audit holdback and a 25% investor level gate.
Emerging markets funds	5,189	-	quarterly	45 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund, a redemption minimum of $1M and maximum of 17% of the shareholding per 6 month period.
Distressed securities funds					
Non-redeemable	4,498	3,712	n/a	n/a	Not eligible for redemption. Remaining lives of funds 1 to 4 years.
Liquidating	58	-	n/a	n/a	Distributions to be completed on or before February 1, 2026.
Long only equity funds	4,067	-	quarterly	45 days	Generally subject to the suspension of redemption rights if in the best interest of the fund and redemptions subject to a 25% fund level gate.
Other funds	3,090	-	semi-annually	120 days	n/a
	$ 486,546	$ 86,007			

Note 5 – Investments (continued)

The composition of investment return includes the following for the years ended June 30:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 4,054	$ 4,089	$ 8,143
Net gain	17,705	25,995	43,700
Investment return	21,759	30,084	51,843
Investment return designated for current operations	9,914	15,788	25,702
Investment gain in excess of amounts designated for current operations	$ 11,845	$ 14,296	$ 26,141

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 2,073	$ 1,935	$ 4,008
Net gain	9,901	14,575	24,476
Investment return	11,974	16,510	28,484
Investment return designated for current operations	9,422	15,403	24,825
Investment gain in excess of amounts designated for current operations	$ 2,552	$ 1,107	$ 3,659

Note 6 – Property

Property is summarized as follows at June 30:

	2024	2023
Land	$ 1,154	$ 1,154
Buildings and improvements	164,310	166,820
Laboratory equipment	84,015	89,999
Other equipment	21,408	18,754
Construction in progress	16,039	16,246
	286,926	292,973
Less accumulated depreciation and amortization	(210,402)	(218,233)
Total property, net	$ 76,524	$ 74,740

Included in total expenses is depreciation expense of $12,001 and $11,671 for the years ended June 30, 2024 and 2023, respectively.

Note 7 – Debt

In March 2021, the Institute and a bank completed a $98,000 state tax-exempt direct placement loan through the California Statewide Communities Development Authority (2021 Loan) to be used for the refinancing of the 2014, 2018, and 2019 loans, for the renovation, restoration, and equipping of the Institute's campus facilities, and for other general purposes. The 2014, 2018, and 2019 loans were issued primarily to fund the research buildings expansion project, a new research facility, and the renewal and expansion of the central plant and electrical distribution infrastructure. The 2021 Loan provides for level debt service at a fixed interest rate of 3.25 percent with a final maturity of March 1, 2051. The outstanding balance of the 2021 Loan was $92,717 and $94,836 at June 30, 2024 and 2023, respectively.

Issuance costs related to the Institute's debt are being amortized over the life of the loan. Unamortized costs of issuance were $578 and $600 at June 30, 2024 and 2023, respectively. Amortization expense related to the issuance costs was $22 for the years ended June 30, 2024 and 2023.

The future annual principal payments under the 2021 Loan are as follows:

Years Ending June 30,		
2025	$	2,199
2026		2,272
2027		2,348
2028		2,419
2029		2,508
Thereafter		80,971
Total	$	92,717

The Institute's debt is collateralized by the revenue of the Institute and further secured by a deed of trust on the Institute's main campus. Under the terms of the Institute's debt, the Institute is subject to compliance with certain covenants, including restrictions on additional indebtedness.

Interest expense related to the Institute's debt was $2,877 and $2,522 for the years ended June 30, 2024 and 2023, respectively.

Note 8 – Net Assets

Net assets at June 30 are summarized as follows:

	2024	2023
Without Donor Restrictions	$ 119,439	$ 112,766
With Donor Restrictions		
Subject to expenditure for specified purpose		
Research	166,978	171,501
Building project	43,972	36,053
Appreciation on general use endowments	32,302	27,415
Assigned interest in limited partnership units (Note 2)	28,955	28,955
Subject to the Institute's spending policy and appropriation		
Investment in perpetuity		
Research	155,605	153,446
General use	102,156	102,154
Total with donor restrictions	529,968	519,524
Total net assets	$ 649,407	$ 632,290

Net assets were released from restrictions by satisfying donor restrictions for the following purposes during the years ended June 30:

	2024	2023
Research	$ 38,689	$ 39,631
General use	6,423	6,169
Total releases from restriction	$ 45,112	$ 45,800

Note 8 – Net Assets (continued)

The Institute's Board has designated, from net assets without donor restrictions, net assets for the following purposes:

	2024	2023
Board-designated endowment net assets		
Research	$ 2,134	$ 2,058
General use	12,227	8,856
Total board-designated endowment net assets	$ 14,361	$ 10,914

The changes in the Institute's Board-designated and donor-restricted endowment net assets are as follows for the years ended June 30, 2024 and 2023:

		With Donor Restrictions			
	Without Donor Restrictions	Accumulated Endowment Earnings	Original Gift Amount	Total With Donor Restrictions	Total
Endowment net assets at July 1, 2022	$ 6,608	$ 83,420	$ 255,184	$ 338,604	$ 345,212
Investment return					
Interest and dividends	46	1,646	-	1,646	1,692
Net gains	370	14,315	-	14,315	14,685
Total investment return	416	15,961	-	15,961	16,377
Contributions	-	-	416	416	416
Amounts appropriated for expenditure	(280)	(14,793)	-	(14,793)	(15,073)
Board designations of net assets	4,170	-	-	-	4,170
Endowment net assets at June 30, 2023	10,914	84,588	255,600	340,188	351,102
Investment return					
Interest and dividends	125	3,666	-	3,666	3,791
Net gains	967	25,346	-	25,346	26,313
Total investment return	1,092	29,012	-	29,012	30,104
Contributions	-	-	2,161	2,161	2,161
Amounts appropriated for expenditure	(313)	(14,903)	-	(14,903)	(15,216)
Board designations of net assets	2,668	-	-	-	2,668
Endowment net assets at June 30, 2024	$ 14,361	$ 98,697	$ 257,761	$ 356,458	$ 370,819

Note 8 – Net Assets (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies at June 30, 2024. As of June 30, 2023, funds with an original gift value of $445 had a deficiency of $22.

Note 9 – Employee Benefit Plans

Retirement plan – The Institute has an employee retirement plan (the Retirement Plan) for certain of its employees. The Retirement Plan is a defined-contribution plan under which the Institute contributes a percentage of the participant's annual compensation. The Institute's contributions are made in accordance with Section 403(b) of the Internal Revenue Code. Total contributions expense related to the Retirement Plan was $4,875 and $4,659 for the years ended June 30, 2024 and 2023, respectively.

Retiree health benefits plan – The Institute sponsors a defined-benefit plan (the Health Benefits Plan) that provides for retirees' health and related benefits. Employees hired prior to June 30, 1993, may become eligible for these post-retirement benefits upon attainment of age 60 with 10 years of service. The Health Benefits Plan includes cost-sharing features such as deductibles, coinsurance, and contributions, which can be adjusted annually, and the Institute's policy is to pay these benefits through a rabbi trust. The Institute uses a June 30 measurement date for the Health Benefits Plan.

The changes in the accumulated post-retirement benefit obligation at June 30 for the Health Benefits Plan are as follows:

	2024	2023
Benefit obligation, beginning of year	$ 4,179	$ 4,966
Service cost	18	20
Interest cost	197	188
Actuarial gain	(155)	(876)
Benefits paid	(105)	(119)
Benefit obligation, end of year	$ 4,134	$ 4,179
Funded status of plan, end of year	$ (4,134)	$ (4,179)
Rabbi trust investments, end of year	$ 5,581	$ 7,024

Note 9 – Employee Benefit Plans (continued)

For the years ended June 30, the components of the net periodic post-retirement benefit cost are:

	2024	2023
Service cost	$ 18	$ 20
Interest cost	197	188
Amortization of net gain	(162)	(150)
Net periodic post-retirement benefit cost	$ 53	$ 58

The deferred actuarial gains are not reflected in net periodic post-retirement benefit cost and are included in net assets without donor restrictions at June 30. The changes in the deferred actuarial gains are as follows:

	2024	2023
Balance, beginning of year	$ 3,170	$ 2,444
Actuarial gain	155	876
Amortization	(162)	(150)
Balance, end of year	$ 3,163	$ 3,170

The net actuarial gains included in net assets without donor restrictions at June 30, 2024, that are expected to be recognized in net periodic post-retirement benefit cost during the year ending June 30, 2025, are $156.

Note 9 – Employee Benefit Plans (continued)

The benefits expected to be paid from the Health Benefits Plan in each of the next five years and in the aggregate for the following five years are as follows:

Years Ending June 30,		
2025	$	330
2026		323
2027		303
2028		303
2029		304
Thereafter		1,408
Total	$	2,971

Contributions to the Health Benefits Plan are expected to equal benefit payments. For the years ended June 30, 2024 and 2023, employer contributions were $104 and $119, respectively, and participant contributions were $198 and $217, respectively.

The Health Benefits Plan's weighted-average assumptions used to determine net periodic post-retirement benefit cost for the years ended June 30 were as follows:

	2024	2023
Discount rate	5.20%	4.55%
Rate of compensation increase	not applicable	not applicable

The amounts reported are affected by the healthcare trend assumptions. The assumed healthcare cost trend rate used in measuring the accumulated benefit obligation was 2.90 percent and 3.50 percent for 2024 and 2023, respectively, and is assumed to fluctuate to 3.70 percent through 2101 and remain at that level thereafter. If the healthcare cost trend assumptions were increased by 1 percent, the accumulated post-retirement benefit obligation at June 30, 2024 and 2023, would be increased by approximately $20 and $32, respectively. The effect of this change would increase the aggregate of the service and interest cost components of the net periodic post-retirement benefit cost by approximately $1 and $2 for the years ended June 30, 2024 and 2023, respectively. If the healthcare cost trend assumptions were decreased by 1 percent, the accumulated post-retirement benefit obligation as of June 30, 2024 and 2023, would be decreased by approximately $17 and $28, respectively. The effect of this change would reduce the aggregate of the service and interest cost components of the net periodic post-retirement benefit cost by approximately $1 and $2 for the years ended June 30, 2024 and 2023, respectively.

Note 10 – Fair Value of Financial Instruments

Authoritative guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date and establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability, directly or indirectly, including inputs in markets that are not considered to be active; and

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

Note 10 – Fair Value of Financial Instruments (continued)

The following tables present information about each major category of the Institute's financial assets measured at fair value on a recurring basis:

	Fair Value Measurement at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Cash and cash equivalents	$ 18,468	$ -	$ -	$ 18,468
U.S. Treasury securities				
U.S. Treasury bills	25,357	-	-	25,357
U.S. Treasury notes and bonds	62,662	-	-	62,662
Total U.S. Treasury securities	88,019	-	-	88,019
Commodities – allocated gold	16,777	-	-	16,777
Mutual funds				
Domestic equity	4,969	-	-	4,969
Global equity	2,761	-	-	2,761
Fixed income	1,149	-	-	1,149
Other	3,685	-	-	3,685
Total mutual funds	12,564	-	-	12,564
Total marketable securities	135,828	-	-	135,828
Beneficial interest in split-interest agreements	-	-	1,458	1,458
	$ 135,828	$ -	$ 1,458	137,286
Investments measured at net asset value				
Alternative investments				
Global equity funds				186,681
Private equity funds				165,690
Global multi-strategy funds				51,475
Real assets funds				23,213
Fixed income funds				23,178
Long/short equity funds				19,407
Emerging markets funds				5,189
Distressed securities funds				4,556
Long only equity funds				4,067
Other funds				3,090
Total investments measured at net asset value				486,546
				$ 623,832

Note 10 – Fair Value of Financial Instruments (continued)

	Fair Value Measurement at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Cash and cash equivalents	$ 19,099	$ -	$ -	$ 19,099
U.S. Treasury securities				
U.S. Treasury bills	67,541	-	-	67,541
U.S. Treasury notes and bonds	34,513	-	-	34,513
Total U.S. Treasury securities	102,054	-	-	102,054
Commodities – allocated gold	13,764	-	-	13,764
Bonds				
US Corporate Bonds	-	3,160	-	3,160
Developed Market Bonds	-	739	-	739
Total Bonds	-	3,899	-	3,899
Mutual funds				
Domestic equity	4,844	-	-	4,844
Global equity	3,160	-	-	3,160
Fixed income	1,603	-	-	1,603
Other	3,267	-	-	3,267
Total mutual funds	12,874	-	-	12,874
Total marketable securities	147,791	3,899	-	151,690
Beneficial interest in split-interest agreements	-	-	1,628	1,628
	$ 147,791	$ 3,899	$ 1,628	153,318
Investments measured at net asset value				
Alternative investments				
Private equity funds				148,829
Global equity funds				143,548
Global multi-strategy funds				56,543
Real assets funds				47,735
Emerging markets funds				22,224
Long/short equity funds				19,663
Long only equity funds				11,690
Fixed income funds				8,989
Distressed securities funds				6,453
Other funds				1,075
Total investments measured at net asset value				466,749
				$ 620,067

Note 10 – Fair Value of Financial Instruments (continued)

The change in the fair value of the Institute's Level 3 classified assets, the beneficial interest in split-interest agreements, was ($170) and ($104) for the years ended June 30, 2024 and 2023, respectively. The change in the value of the beneficial interest in split-interest agreements is included in contributions on the statements of activities.

The following table presents information about significant unobservable inputs for Level 3 assets and liabilities:

Asset/Liability	Fair Value as of June 30, 2024	Valuation Technique	Unobservable Input(s)	Rate (Wtd. Avg.)
Beneficial interest in split-interest agreements	$ 1,458	Discounted cash flow	Discount rate Mortality tables	5.6% (5.6%)

Increases (decreases) in the discount rate or life expectancy based on mortality tables would result in decreases (increases) in the fair value of the beneficial interest in split-interest agreements. An increase (decrease) in the fair value of the assets in the related trust or the increase in the Institute's percentage ownership will increase (reduce) the fair value of the Institute's beneficial interest in the split-interest agreements.

Note 11 – Classification of Expenses

The costs of providing program services and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among research and supporting services benefited. Such allocations were determined by management using a variety of cost allocation techniques such as square footage, full-time equivalent, and estimated time and effort.

Expenses for the years ended June 30, consist of the following:

	2024			
	Research	Management & General	Fundraising	Total
Salaries and wages	$ 60,814	$ 10,091	$ 3,755	$ 74,660
Employee benefits	15,722	2,018	972	18,712
Research supplies	16,457	-	-	16,457
Graduate program and outside services	12,299	1,217	330	13,846
Scientific subcontracts	17,621	-	-	17,621
Depreciation and amortization	10,996	925	102	12,023
Occupancy	8,637	2,314	405	11,356
Information technology	2,765	996	278	4,039
Professional fees	325	1,575	13	1,913
Other	2,646	2,039	745	5,430
Total expenses	$ 148,282	$ 21,175	$ 6,600	$ 176,057

	2023			
	Research	Management & General	Fundraising	Total
Salaries and wages	$ 59,707	$ 9,391	$ 3,470	$ 72,568
Employee benefits	15,268	2,360	954	18,582
Research supplies	17,453	-	-	17,453
Graduate program and outside services	13,511	1,832	108	15,451
Scientific subcontracts	9,053	-	-	9,053
Depreciation and amortization	10,665	931	97	11,693
Occupancy	7,850	2,029	411	10,290
Information technology	2,610	870	300	3,780
Professional fees	783	958	15	1,756
Other	2,515	2,162	447	5,124
Total expenses	$ 139,415	$ 20,533	$ 5,802	$ 165,750

Note 12 – Commitments and Contingencies

Commitments – At June 30, 2024, contractual commitments on purchases pending or in process are $13,922.

Leases – The Institute has entered into operating leases for building space that expire through March 2028. Rent expense totaled $2,603 and $2,358 for the years ended June 30, 2024 and 2023, respectively.

Aggregate future payments required under non-cancelable operating leases that have remaining lease terms in excess of one year as of June 30, 2024, are as follows:

Years Ending June 30,	
2025	$ 1,768
2026	1,582
2027	1,630
2028	642
Total lease payments	5,622
Less: amounts representing interest	(607)
Lease liabilities	$ 5,015

Other information related to leases as of June 30 is as follows:

	2024	2023
Weighted-average discount rate	3.30%	3.30%
Weighted-average remaining lease term (years)	3.2	4.2

Line of credit – The Institute has an unsecured line of credit loan agreement with a bank providing up to $10,000 for general working capital purposes. The agreement expires on February 1, 2025, and provides for monthly interest at the prime rate (8.5 percent on June 30, 2024) on the outstanding balance. At June 30, 2024, the Institute had no balance outstanding on the line of credit.

Grants – The Institute has grants with various organizations and government agencies which are subject to audit. Management believes that any liability which may result from these audits would not be material.

Income taxes – The Institute has no unrecognized tax benefits as of June 30, 2024 and 2023.

Legal – The Institute is party to certain legal actions arising in the ordinary course of business. In the opinion of management, additional liabilities, if any, under these actions will not result in material charges against net assets.

Note 12 – Commitments and Contingencies (continued)

Guarantees and indemnities – From time to time, the Institute enters into certain types of contracts that contingently require the Institute to indemnify parties against third-party claims. These contracts primarily relate to: (i) certain technology transfer/license agreements under which the Institute may be required to indemnify licensees; and (ii) certain agreements with the Institute's officers, directors, and employees, under which the Institute may be required to indemnify such persons for liabilities arising out of their employment relationship. The terms of such obligations vary by contract and, in most instances, a specific or maximum dollar amount is not explicitly stated therein. Generally, amounts under those contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, no liabilities have been recorded for these obligations in the Institute's statements of financial position at June 30, 2024 and 2023.

Note 13 – Concentrations of Credit Risk

Cash in bank deposit accounts and the investment portfolio exceeds federally insured deposit limits. The Institute has not experienced losses related to cash in such accounts.

The Institute receives funds under various research grants from federal and non-federal agencies. Funding from the National Institutes of Health represents approximately 71.8 percent and 71.1 percent of total grant revenue for the years ended June 30, 2024 and 2023, respectively.

Supplementary Information

The Salk Institute for Biological Studies
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Program Title/Federal Grantor/Pass-Through Grantor	Pass-Through Identifying Number	Assistance Listing Number	Passed Through to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER				
U.S. Department of Health and Human Services				
Public Health Service				
National Institutes of Health				
Direct Program				
Human Genome Research		93.172	$ -	$ 822,528
Research Related To Deafness And Communication Disorders		93.173	-	654,590
Research And Training In Complementary And Integrative Health		93.213	-	149,534
Mental Health Research Grants		93.242	9,504,649	20,781,582
Alcohol Research Programs		93.273	-	6,342
Drug Abuse And Addiction Research Programs		93.279	-	1,793,701
Discovery And Applied Research For Technological Innovations To Improve Human Health		93.286	-	101,030
Trans-Nih Research Support		93.310	28,550	936,929
Cancer Cause And Prevention Research		93.393	299,713	2,600,620
Cancer Treatment Research		93.395	77,391	931,422
Cancer Biology Research		93.396	421,256	6,050,909
Cancer Centers Support Grants		93.397	-	2,961,020
Cancer Research Manpower		93.398	-	925,631
Arthritis, Musculoskeletal And Skin Diseases Research		93.846	-	78,384
Diabetes, Digestive, And Kidney Diseases Extramural Research		93.847	-	1,154,909
Extramural Research Programs In The Neurosciences And Neurological Disorders		93.853	2,539,333	11,829,269
Allergy And Infectious Diseases Research		93.855	258,826	3,239,725
Biomedical Research And Research Training		93.859	-	1,852,715
Child Health And Human Development Extramural Research		93.865	-	50,982
Aging Research		93.866	1,859,341	12,430,640
Vision Research		93.867	8,389	1,475,564
Total Direct Program			14,997,448	70,828,026
Passed through from other organizations				
Beth Israel Deaconess Medical Center	R01 DK106210	93.847	-	303,559
Brown University	P01 AG051449	93.866	-	622,173
The Brigham and Women's Hospital	P01 CA120964	93.396	-	235,156
Columbia University	R01 AG065569	93.866	-	30,457
Emory University	R01 AI146017	93.855	-	107,857
La Jolla Institute Allergy Immunology	R01 CA256133	93.395	-	46,543
Massachusetts Institute of Technology	R01 CA220468	93.394	-	403,898
Northeastern University	R01 GM151305	93.859	-	128,941
Northwestern University	R01 AI150998	93.855	-	287,987
New York University School Of Medicine	R34 DA059513	93.279	-	5,265
Ohio State University	R01 AI172615	93.855	-	108,141
Rice University	U01 NS131086	93.853	-	179,945
Rockefeller University	RC2 DK129961	93.847	-	391,228
Sanford Burham Prebys	P01 AG073084	93.866	-	1,342,714
Sanford Burham Prebys	R21 AG083782	93.866	-	12,453
Seattle Children's Research Institute	U54 AI170855	93.855	-	359,281
Scripps Research Institute	R01 AI167372	93.855	-	237,715
San Diego Biomedical Research Institute	R56 NS134632	93.853	-	9,517
Stanford University	U24 DK112348	93.310	-	8,752
Temple University	R01 AI178849	93.855	-	163,443
Scripps Research Institute	R01 AG067331	93.866	-	210,657
University Of California Irvine	RF1 DA055668	93.279	-	128,055
University Of California San Diego	P01 HD104436	93.865	-	60,944
University Of California San Diego	P01 HL147835	93.837	-	668,990
University Of California San Diego	P30 AG062429	93.866	-	186,605
University Of California San Diego	R01 AG067556	93.866	-	160,171
University Of California San Diego	R01 AG070154	93.866	-	280,594
University Of California San Diego	R01 AG074307	93.866	-	41,800
University Of California San Diego	R01 AT011676	93.213	-	62,540
University Of California San Diego	R01 CA247551	93.395	-	78,034
University Of California San Diego	R01 DA056602	93.279	-	138,499
University Of California San Diego	R01 DC018566-03S1	93.173	-	234,100
University Of California San Diego	R01 DC019426	93.173	-	47,518
University Of California San Diego	R01 DK118278	93.847	-	2,016
University Of California San Diego	R01 GM095970	93.859	-	105,162
University Of California San Diego	R01 NS123435-01A1	93.853	-	90,332
University Of California San Diego	R01 NS130104	93.853	-	82,352
University Of California San Diego	R56 AG069107	93.866	-	610,646
University Of California San Diego	RF1 MH128838	93.242	-	225,875
University Of California San Diego	U01 DA050239	93.279	-	146,364
University Of Colorado	R01 AI143649	93.855	-	51,471
University Of Alabama	R01 AG065992	93.866	-	13,788
University Of Alabama	R01 AG075059	93.866	-	44,977

(continued)

See accompanying notes to schedule of expenditures of federal awards.

The Salk Institute for Biological Studies
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2024

Program Title/Federal Grantor/Pass-Through Grantor	Pass-Through Identifying Number	Assistance Listing Number	Passed Through to Subrecipients	Federal Expenditures
Passed through from other organizations (continued)				
University Of Colorado	U01 CA231978	93.396	-	18,584
University Of Minnesota	R01 DK129668	93.847	-	43,683
University Of Minnesota	R01 DK124484	93.847	-	52,532
University Of Iowa	R01 HL139828	93.838	-	16,876
Virogenics, Inc.	R01 AG074447	93.866	-	951
Yale University	P50 CA121974	93.395	-	1,356
Yale University	R01 CA230275	93.396	-	110,498
Yale University	U01 CA238728	93.396	-	124,331
Total passed through from other organizations			-	9,025,326
Total U.S. Department of Health and Human Services			14,997,448	79,853,352
National Aeronautics and Space Administration				
Direct Program				
Science		43.001	-	285,082
Space Operations		43.007	-	76,712
Total Direct Program			-	361,794
Total National Aeronautics and Space Administration			-	361,794
National Science Foundation				
Direct Program				
Biological Sciences		47.074	59,466	672,790
Social, Behavioral, and Economic Sciences		47.075	-	505,356
Total Direct Program			59,466	1,178,146
Passed through from other organizations				
University of Colorado	NSF DBI 2014217	47.074	-	246,800
University of Texas	NSF DBI-1707356	47.074	-	4,060
University of Texas	NSF DBI-2014862	47.074	-	237,290
Total passed through from other organizations			-	488,150
Total National Science Foundation			59,466	1,666,296
U.S. Department of Agriculture				
Direct Program				
Agricultural Research Basic and Applied Research		10.001	-	4,644
Agriculture And Food Research Initiative (Afri)		10.310	-	3,365
Total Direct Program			-	8,009
U.S. Department of Defense				
U.S. Army Medical Research				
Direct Program				
Air Force Defense Research Sciences Program		12.800	-	2,497
Total Direct Program			-	2,497
Total U.S. Department of Defense			-	2,497
Total Expenditures of Federal Awards and Research and Development Cluster			**$ 15,056,914**	**$ 81,891,948**

See accompanying notes to schedule of expenditures of federal awards.

The Salk Institute for Biological Studies
Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Salk Institute for Biological Studies (the Institute) for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the financial statements. Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Institute.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 – Indirect Cost Rate

The Institute has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
The Salk Institute for Biological Studies

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Salk Institute for Biological Studies, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Salk Institute for Biological Studies' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Salk Institute for Biological Studies' internal control. Accordingly, we do not express an opinion on the effectiveness of The Salk Institute for Biological Studies' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Salk Institute for Biological Studies' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

San Diego, California
October 18, 2024

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Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
The Salk Institute for Biological Studies

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited The Salk Institute for Biological Studies' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on The Salk Institute for Biological Studies' major federal program for the year ended June 30, 2024. The Salk Institute for Biological Studies' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Salk Institute for Biological Studies complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Salk Institute for Biological Studies' and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of The Salk Institute for Biological Studies' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Salk Institute for Biological Studies' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Salk Institute for Biological Studies' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Salk Institute for Biological Studies' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Salk Institute for Biological Studies' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Salk Institute for Biological Studies' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Salk Institute for Biological Studies' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

San Diego, California
October 18, 2024

The Salk Institute for Biological Studies
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:				Unmodified
Internal control over financial reporting:				
• Material weakness(es) identified?	☐	Yes	☒	No
• Significant deficiency(ies) identified?	☐	Yes	☒	None reported
Noncompliance material to financial statements noted?	☐	Yes	☒	No

Federal Awards

Internal control over the major federal program:				
• Material weakness(es) identified?	☐	Yes	☒	No
• Significant deficiency(ies) identified?	☐	Yes	☒	None reported
Type of auditor's report issued on compliance for the major federal program:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐	Yes	☒	No

Identification of the major federal program:

Federal Assistance Listing Number	***Name of Federal Program or Cluster***
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs:				$2,456,758
Auditee qualified as low-risk auditee?	☒	Yes	☐	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

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