

Coriell Institute for Medical Research

Financial Statements and
Supplementary Information

June 30, 2021 and 2020

Coriell Institute for Medical Research

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Independent Auditors' Report

To the Board of Trustees
Coriell Institute for Medical Research

Report on the Financial Statements

We have audited the accompanying financial statements of Coriell Institute for Medical Research (the Institute), which comprise of the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coriell Institute for Medical Research as of June 30, 2021 and 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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* (Uniform Guidance) and the schedule of expenditure of state awards as required by the State of New Jersey, Department of Treasury, OMB Circular 15-08, are presented for purposes of additional analysis and are 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 schedules of expenditures of federal and state awards are 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 July 28, 2022 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the Institute's 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 the Institute's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Philadelphia, Pennsylvania

July, 28, 2022, except for supplementary information, as to which the date is September 30, 2022

Coriell Institute for Medical Research

Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 1,461,346	\$ 1,946,812
Government contracts, grants and awards receivable, net	1,896,513	2,048,693
Other accounts receivable, net	1,473,430	1,987,839
Other assets	125,937	112,676
Prepaid expenses	375,369	341,567
Pooled investments	3,188,112	1,837,972
Noncontrolling interest in CLS	2,176,277	2,745,196
New Jersey Cord Blood Bank	4,675,500	4,675,500
Use of research facility	6,175,372	6,307,295
Split asset agreements	547,793	457,739
Property and equipment, net	6,306,452	7,270,893
	<u>28,402,101</u>	<u>29,732,182</u>
Total assets	<u>\$ 28,402,101</u>	<u>\$ 29,732,182</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,629,634	\$ 1,840,807
Deferred revenue and other liabilities	133,469	438,447
Long-term debt, net	6,300,500	6,329,335
	<u>8,063,603</u>	<u>8,608,589</u>
Total liabilities	<u>8,063,603</u>	<u>8,608,589</u>
Net Assets		
Without donor restrictions	9,162,303	11,873,190
Without donor restrictions, designated for endowment	1,787,465	652,456
	<u>10,949,768</u>	<u>12,525,646</u>
Total net assets without donor restriction	<u>10,949,768</u>	<u>12,525,646</u>
With donor restrictions	9,388,730	8,597,947
	<u>20,338,498</u>	<u>21,123,593</u>
Total net assets	<u>20,338,498</u>	<u>21,123,593</u>
Total liabilities and net assets	<u>\$ 28,402,101</u>	<u>\$ 29,732,182</u>

See notes to financial statements

Coriell Institute for Medical ResearchStatement of Activities and Changes in Net Assets
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Government biobanking contracts and grants	\$ 12,260,327	\$ 776,567	\$ 13,036,894
Private service contracts and grants	2,608,264	-	2,608,264
Coriell Personalized Medicine Collaborative contracts and grants	7,860	-	7,860
Investigator directed science	10,000	-	10,000
New Jersey Grant-in-Aid	1,037,000	-	1,037,000
Investment income	35,032	27,339	62,371
Contributions	50,567	-	50,567
Other income	118	-	118
Imputed value of building occupancy	652,275	-	652,275
Net realized and unrealized losses on investments	244,304	193,256	437,560
Change in value of split asset agreements	-	85,489	85,489
Change in value of future building occupancy	-	(131,923)	(131,923)
Net assets released from restrictions	159,945	(159,945)	-
	<u>17,065,692</u>	<u>790,783</u>	<u>17,856,475</u>
Expenses			
Government biobanking contracts and grants	9,099,160	-	9,099,160
Private service contracts and grants	1,847,547	-	1,847,547
Coriell Personalized Medicine Collaborative contracts and grants	12,723	-	12,723
Investigator directed science	271,862	-	271,862
General and administrative	6,841,359	-	6,841,359
	<u>18,072,651</u>	<u>-</u>	<u>18,072,651</u>
Excess of revenues and other support over (under) expenses	<u>(1,006,959)</u>	<u>790,783</u>	<u>(216,176)</u>
Other Changes in Net Assets			
Change in net assets, Coriell Life Sciences noncontrolling interests	<u>(568,919)</u>	<u>-</u>	<u>(568,919)</u>
Total other changes in net assets	<u>(568,919)</u>	<u>-</u>	<u>(568,919)</u>
Change in net assets	(1,575,878)	790,783	(785,095)
Net Assets, Beginning	<u>12,525,646</u>	<u>8,597,947</u>	<u>21,123,593</u>
Net Assets, Ending	<u>\$ 10,949,768</u>	<u>\$ 9,388,730</u>	<u>\$ 20,338,498</u>

See notes to financial statements

Coriell Institute for Medical Research

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Government biobanking contracts and grants	\$ 12,906,935	\$ -	\$ 12,906,935
Private service contracts and grants	2,224,525	-	2,224,525
Coriell Personalized Medicine Collaborative contracts and grants	12,206	-	12,206
Investigator directed science	18,381	-	18,381
New Jersey Grant-in-Aid	1,037,000	-	1,037,000
Investment income	24,017	42,786	66,803
Contributions	58,018	-	58,018
Other income	1,135	-	1,135
Imputed value of building occupancy	652,275	-	652,275
Net realized and unrealized losses on investments	(84,760)	(148,010)	(232,770)
Change in value of split asset agreements	-	(7,055)	(7,055)
Change in value of future building occupancy	-	(121,869)	(121,869)
Net assets released from restrictions	215,397	(215,397)	-
	<u>17,065,129</u>	<u>(449,545)</u>	<u>16,617,881</u>
Expenses			
Government biobanking contracts and grants	9,469,820	-	9,469,820
Private service contracts and grants	1,864,381	-	1,864,381
Coriell Personalized Medicine Collaborative contracts and grants	56,698	-	56,698
Investigator directed science	273,581	-	273,581
General and administrative	6,277,079	-	6,277,079
	<u>17,941,559</u>	<u>-</u>	<u>17,941,559</u>
Excess of revenues and other support over (under) expenses	<u>(876,430)</u>	<u>(449,545)</u>	<u>(1,323,678)</u>
Other Changes in Net Assets			
Loss on disposal of fixed assets	(1,713)	-	(1,713)
Change in net assets, Coriell Life Sciences noncontrolling interests	(614,804)	-	(614,804)
	<u>(616,517)</u>	<u>-</u>	<u>(616,517)</u>
Change in net assets	(1,492,947)	(449,545)	(1,942,492)
Net Assets, Beginning	<u>14,018,593</u>	<u>9,047,492</u>	<u>23,066,085</u>
Net Assets, Ending	<u>\$ 12,525,646</u>	<u>\$ 8,597,947</u>	<u>\$ 21,123,593</u>

See notes to financial statements

Coriell Institute for Medical Research

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (785,095)	\$ (1,942,492)
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:		
Depreciation and amortization	1,359,310	1,480,506
Loss on the sale of property and equipment	-	1,713
Amortization of imputed interest	12,200	12,200
Change in value of future building occupancy	131,923	121,869
Net realized and unrealized losses on investments	(437,560)	232,770
Change in value of split-interest agreements	(85,489)	7,055
Loss in noncontrolling interest in CLS	568,919	614,804
Changes in assets and liabilities:		
Government contracts, grants and awards receivable, net	152,180	(606,805)
Other accounts receivable, net	514,409	393,945
Other assets	(13,261)	(48,765)
Prepaid expenses	(33,802)	(18,486)
Split asset agreements	(5,465)	(1,657)
Accounts payable and accrued expenses	(211,173)	449,658
Deferred revenue and other liabilities	(304,978)	368,744
Net cash provided by operating activities	<u>862,118</u>	<u>1,065,059</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(394,869)	(585,643)
Purchases of investments	(912,580)	(68,294)
Net cash used in investing activities	<u>(1,307,449)</u>	<u>(653,937)</u>
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan	-	1,625,000
Repayments of long-term debt	-	(392,246)
Distributions from split-interest agreements	900	215,397
Principal repayments of capital lease obligations	(41,035)	(94,133)
Net cash provided by financing activities	<u>(40,135)</u>	<u>1,354,018</u>
Net (decrease) increase in cash and cash equivalents	(485,466)	1,765,140
Cash and Cash Equivalents, Beginning	<u>1,946,812</u>	<u>181,672</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,461,346</u>	<u>\$ 1,946,812</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 660</u>	<u>\$ 12,788</u>

See notes to financial statements

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Coriell Institute for Medical Research (the Institute) is an independent not-for-profit biomedical research institute located in Camden, New Jersey. The majority of the Institute's operating revenue is derived from government contracts and grants, with federal and state funds comprising approximately 79% and 84% of operating revenues, for the years ended June 30, 2021 and 2020, respectively. Other funding is derived from contracts and grants received from foundations and other private organizations and from income earned on invested funds. The Institute is dependent on public and private funding of its current and continuing programs and operations.

Basis of Presentation

The Institute follows the authoritative guidance for external financial reporting by not-for-profit organizations. Unconditional promises to give (pledges) are recorded as a receivable and revenue. The Institute distinguishes between contributions received for each net asset classification in accordance with donor imposed restrictions. The authoritative guidance also establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset classifications according to externally (donor) imposed restrictions.

A description of the net asset classifications follows:

Net Assets Without Donor Restrictions - Net assets include assets that are available for the support of operations and whose use is not externally restricted and assets that are available for the support of operations and whose use is not externally restricted, although their use is limited by designation from the Board of Trustees. As of June 30, 2021 and 2020, respectively, the Board of Trustees has designated \$1,787,465 and \$652,456 for endowment.

Net Assets With Donor Restrictions - Net assets include gifts and accumulated earnings for which donor imposed restrictions, primarily passage of time or occurrence of a specific event, have not been met and gifts, trusts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. The Institute's investments in cash and cash equivalents are interest bearing.

The Institute maintains cash accounts which, at times, may exceed federally insured limits. The Institute has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on cash accounts.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

Government Contracts, Grants and Awards Receivable

Income from contracts, grants and awards, including overhead allowances, is recorded as the related direct expenses are incurred for such contracts, grants and awards. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon periodic review of individual accounts. The allowance for doubtful accounts was \$0 at June 30, 2021 and 2020.

Other Accounts Receivable

Other accounts receivable are reported at net realizable value. Accounts are written off when they are deemed to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon periodic review of individual accounts. The allowance for doubtful collections was \$0 at June 30, 2021 and 2020.

Investments

The Institute maintains its investments in a Pooled Investment Fund to allow greater flexibility in managing the portfolio. Investments are governed by a formal investment policy adopted and overseen by the Board of Trustees. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, write-downs of the cost basis of investments due to other-than-temporary decline in fair value, interest and dividends) is included in changes in net assets without donor restriction unless the income or loss is restricted by donor or law.

The Institute's investments are comprised of a variety of financial instruments. The fair values reported in the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying statements of financial position could change materially in the near term.

New Jersey Cord Blood Bank

In 2000, the Institute entered into an agreement with the State of New Jersey (the State) to build the New Jersey Cord Blood Bank of cord blood for public use. Under the agreement, the State loaned the Institute \$5 million, free of interest, to be expended over a period of 30 months. The loan is to be repaid from the proceeds of sales of cord blood to the public.

All costs funded by the above-mentioned \$5 million loan for the New Jersey Cord Blood Bank have been capitalized. All receipts of the loan from the State are recorded as long-term debt. Proceeds from the sale of cord blood are used first to pay down the loan to the State, as directed in the Direct Loan Agreement and Promissory Note and then to maintain and build the bank. In 2021 and 2020, the Institute had no sales of units of cord blood. \$2,950 of the proceeds from the sale of each unit is used to pay down the Direct Loan Agreement and the Promissory Note (Note 7).

Effective June 1, 2007, the Institute entered into a Strategic Alliance Agreement with Bergen Community Blood Services (CBS) whereby CBS assumed responsibility for the future operations of the New Jersey Cord Blood Bank. CBS will perform future collections, processing, storage and distribution of cord blood units. The State has consented to CBS's undertaking responsibility for the collection, processing and storage of cord blood units. The Institute continues to be obligated under the terms of the Direct Loan Agreement and the Promissory Note (Note 7). In connection with the Strategic Alliance Agreement, proceeds from the sale of cord blood units owned by the Institute are currently allocated 60% to the Institute and 40% to CBS. Cord blood units sold that are acquired after May 31, 2007 are the property of CBS and are not included in the financial statements.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

Split Asset Agreements

The Institute's asset agreements with donors consist of pooled income funds and charitable gift annuities. Assets are invested and distributions are made to beneficiaries in accordance with the terms and conditions of their respective agreements.

Contribution revenue for charitable gift annuities is recognized at the date the agreement is established, net of the liability for the present value of the estimated future payments. Contribution revenue for pooled income funds and charitable remainder and lead trusts is recognized upon establishment of the agreement, at the fair value of the estimated future receipts discounted for the estimated time period to complete the agreement.

The present value of payments to beneficiaries of charitable gift annuities are calculated using discount rates which represent the risk-adjusted rates in existence at the date of the gift and current market rates, as applicable. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset category in the statements of activities and changes in net assets.

Split-interest agreements at June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Pooled income funds	\$ 523,007	\$ 435,118
Charitable gift annuities	24,786	22,621
Total	<u>\$ 547,793</u>	<u>\$ 457,739</u>

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset. The lives are as follows:

Building	20 years
Leasehold improvements	15 years
Scientific equipment	8 years
Furniture and fixtures and computer equipment	3-12 years

Expenditures for major improvements and betterments are capitalized and repairs and maintenance are charged to expense as incurred. When assets are disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss from such dispositions is included in income.

Gifts of long-lived assets such as land, buildings or equipment are reported at fair value on the date of the gift as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

Revenue Recognition

As presented in the statements of activities and changes in net assets, the Institute has various sources of operating revenue.

Federal Grants

A significant portion of the Institute's revenue is derived from numerous federal grants. The revenue from these federal grants are earned as the expense is incurred. Certain federal awards are recognized as revenue when the Institute has incurred expenditures in compliance with specific award provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

Nonfederal Grants and Contracts

A portion of the Institute's revenue is derived from numerous nonfederal grants and agreements, which include commercial agreements, foundations and many other nonfederal awards and are conditioned upon certain performance obligations. The performance obligation for each grant or contract is deemed to be the research itself and revenue is recognized as the eligible grant activities are conducted. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

Other Income

Other income consists of various sources of income, which are generally transactional in nature and are recorded as they meet their performance obligation.

Contributions

The Institute recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are considered to be available for use unless specifically restricted by the donor. Pledges which are to be paid in future periods and contributions restricted by the donor for specific purposes are reported as with donor restriction support, which increase those net asset classifications. When a donor restriction expires, that is, when a time restriction ends or stipulated purpose restriction is accomplished, net assets are reclassified to net assets without donor restriction. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the support is reported as without donor restriction.

Deferred Revenue and Other Liabilities

Deferred revenue represents the amount of funds received from certain sponsored research projects in excess of the expenditures for those projects as of year-end. Deferred revenue also arises from the pre-payment of licensing revenue. The following table depicts activities for deferred revenue related to deferred revenue:

<u>Balance at June 30, 2020</u>	<u>Refunds Issued</u>	<u>Revenue Recognized Included in June 31, 2020 Balance</u>	<u>Cash Received in Advanced of Performance</u>	<u>Balance at June 30, 2021</u>
\$ 438,447	\$ -	\$ 306,787	\$ 1,809	\$ 133,469

The balance of deferred revenue at June 30, 2021, less any refunds issued, will be recognized as earned in future years.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

Employment Agreements

The Institute has employment agreements with certain employees. The agreements provide, among other things, that the Institute pay, under certain conditions, varying amounts of severance pay and benefits.

Income Taxes

The Institute has been recognized by the Internal Revenue Service (IRS) as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

The Institute accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2021 and 2020.

Accounting Pronouncements Recently Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Institute adopted this guidance during the year ended June 30, 2021 utilizing the modified retrospective method, and the adoption of this guidance did not have a material impact on the Institute's business practices, financial condition or changes in net assets during the fiscal year ended June 30, 2021. The primary impact of adopting the new standard has been expanded disclosures pertaining to revenue recognition with Note 1.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. The Institute adopted the new standard effective July 1, 2020.

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This amendment will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under this amendment a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The amendment results in changes to lease disclosures to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This update is effective for the Institute's fiscal 2023, early adoption is permitted. The Institute will be determining its implementation approach and assessing the impact this guidance may have on its financial statement.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit (NFP) organizations. Nonfinancial assets include fixed assets (such as land, buildings and equipment), use of fixed assets or utilities, materials and supplies (such as food, clothing or pharmaceuticals), intangible assets, services and recognized contributed services. The new guidance addresses concerns by stakeholders about NFPs' reporting of gifts-in-kind in general, and especially (1) the lack of transparency in reporting of the amount of contributed nonfinancial assets received and used in programs and other activities, and (2) the clarity of certain aspects of the valuation guidance in Topic 820, *Fair Value Measurement*, regarding certain contributed nonfinancial assets. The Institute is currently assessing the effect that ASU No. 2020-07 will have on their financial statements.

Subsequent Events

The Institute has evaluated subsequent events through July 28, 2022, which is the date the financial statements were available to be issued.

2. Noncontrolling Interest in Coriell Life Sciences

Coriell Life Sciences, Inc. (CLS). CLS is a cutting-edge for-profit venture focused on empowering physicians to apply genetic analyses at point-of-care. CLS has developed a proprietary system for securely storing sequenced genetic data, constructed an interpretation service designed to more accurately determine drug efficacy and facilitated a seamless exchange between healthcare providers, patients and physicians. Three core products (GeneVault, GeneExchange and GeneDose) will allow healthcare providers, patients and payors to take advantage of the available sequencing technology while carrying out and interpreting only that data needed for immediate use and securely storing the data in the GeneVault for future interpretation.

On January 14, 2013, CLS was incorporated under the laws of the State of Delaware and was authorized to issue 8,671,241 shares of common stock and 3,528,759 shares of preferred stock. On January 14, 2013, the Institute received 2,025,000 of Series Seed-1 Preferred Stock. In addition, the Institute was granted 1,500,000 shares of common stock to be used as a pool to be distributed to founders and inventors with the restriction that these shares must vote with the Institute. At July 1, 2021, the Institute's combined voting interest amongst the preferred and common stock with restrictions equaled 23% of the 5,925,701 shares issued and outstanding. The Institute accounts for investment in CLS under the equity method of accounting.

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2021 and 2020

The following table summarizes the financial information of CLS as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Institute's interest in CLS.

	<u>2021</u>	<u>2020</u>
Current assets	\$ 2,673,104	\$ 5,265,881
Noncurrent assets	312,346	349,850
Total assets	<u>2,985,450</u>	<u>5,615,731</u>
Current liabilities	1,683,646	719,522
Noncurrent liabilities	-	1,104,605
Total liabilities	<u>1,683,646</u>	<u>1,824,127</u>
Net assets (100%)	<u>\$ 1,301,804</u>	<u>\$ 3,791,604</u>
The Institute's valuation of noncontrolling interest in CLS	<u>\$ 2,176,277</u>	<u>\$ 2,745,196</u>

3. Pooled Investments

Pooled investments at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Short-term investments	\$ 1,322,286	\$ 363,642
Mutual funds:		
Equity	1,394,572	971,578
Fixed income	471,254	451,002
Corporate and municipal bonds	-	51,750
Total	<u>\$ 3,188,112</u>	<u>\$ 1,837,972</u>

The fair market value for investments was determined based on quoted market prices at June 30, 2021 and 2020.

4. Fair Value of Financial Instruments

The Institute measures its pooled investments and split asset agreements at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Institute for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The fair value of the Institute's pooled investments and split asset agreements were measured using the following inputs at June 30, 2021:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Assets:				
Short-term investments	\$ 1,322,286	\$ 1,322,286	\$ -	\$ -
Mutual funds:				
Equity:				
Large growth	273,130	273,130	-	-
Large value	569,694	569,694	-	-
Exchange traded fund	139,938	139,938	-	-
Foreign large value	220,545	220,545	-	-
Master limited partnership	163,137	163,137	-	-
Fixed income:				
Short term	148,650	148,650	-	-
High yield	160,913	160,913	-	-
Total return	161,691	161,691	-	-
Marketable securities	28,128	28,128	-	-
	<u>\$ 3,188,112</u>	<u>\$ 3,188,112</u>	<u>\$ -</u>	<u>\$ -</u>
Other assets:				
Split asset agreements	\$ 547,793	\$ -	\$ -	\$ 547,793

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

The fair value of the Institute's pooled investments and split asset agreements were measured using the following inputs at June 30, 2020:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Short-term investments	\$ 363,642	\$ 363,642	\$ -	\$ -
Mutual funds:				
Equity:				
Large growth	212,190	212,190	-	-
Large value	403,943	403,943	-	-
Exchange traded fund	92,480	92,480	-	-
Foreign large value	160,020	160,020	-	-
Master limited partnership	86,826	86,826	-	-
Fixed income:				
Short term	148,650	148,650	-	-
High yield	143,057	143,057	-	-
Total return	159,295	159,295	-	-
Corporate and municipal bonds	51,750	-	51,750	-
Marketable securities	16,119	16,119	-	-
Total	\$ 1,837,972	\$ 1,786,222	\$ 51,750	\$ -
Other assets:				
Split asset agreements	\$ 457,739	\$ -	\$ -	\$ 457,739

Financial Instruments

Mutual funds - equity and fixed income mutual funds and marketable securities are valued at fair value based on quoted market prices which are considered Level 1 inputs. Corporate and municipal bonds are valued using quoted market prices of similar securities, which are considered Level 2 inputs.

There have been no changes in the methodologies used at June 30, 2021 and 2020. The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Research Facility

In 1989, a five-story medical research facility was completed for the benefit of the Institute, located on the campus of the University of Medicine and Dentistry of New Jersey (UMDNJ), Robert Wood Johnson Institute of Medicine - Camden. This building was owned by UMDNJ and has been used by the Institute since September 1989. In 1991, the Institute finalized the lease terms for the facility. The lease term commenced September 1, 1989 and continues for a period of 30 years, with an option of renewing for an additional 20 years. Under terms of the lease, the Institute is not charged rent; however, the Institute is responsible for occupancy costs including utilities and maintenance. In 2021 and 2020, related occupancy costs were approximately \$450,000 and \$700,000, respectively.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

Effective July 1, 2013, UMDNJ transferred the facility to Rowan University, all provisions of the lease agreement remain unchanged and in full force and effect.

The total cost of this facility was approximately \$7,700,000, of which the New Jersey State Legislature paid \$7,325,000. The rent-free valuation, \$6,175,372 and \$6,307,295 at June 30, 2021 and 2020, respectively, is included on the statements of financial position and is included in building balance within Note 6, and is based on the approximate fair value of the future benefit, discounted to the appropriate net present value over the 50-year term of the lease (including renewals) using the 10-year treasury rate in effect when the agreement was entered into. The Institute expended \$375,000 for the Institute's share of the facility's costs. Costs incurred by the Institute in connection with the construction of this facility have been recorded as leasehold improvements.

6. Property and Equipment, Net and Use of Research Facility

Property and equipment at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 245,000	\$ 245,000
Building	6,830,718	6,962,640
Leasehold improvements	15,514,373	15,514,373
Furniture and fixtures and computer equipment	3,613,091	3,574,793
Scientific equipment	11,905,284	11,577,831
Total	38,108,466	37,874,637
Less accumulated depreciation	25,626,642	24,296,449
Property and equipment, net	<u>\$ 12,481,824</u>	<u>\$ 13,578,188</u>

Depreciation expense was \$1,359,310 and \$1,480,506 for 2021 and 2020, respectively.

7. Long-Term Debt

	<u>2021</u>	<u>2020</u>
New Jersey Department of Health and Senior Services direct noninterest-bearing loan (a)	\$ 4,675,500	\$ 4,675,500
ThermoFisher Capital Lease (b)	-	41,033
Paycheck Protection Program (c)	1,625,000	1,625,000
Total	6,300,500	6,341,533
Less imputed interest	-	12,198
Total	<u>\$ 6,300,500</u>	<u>\$ 6,329,335</u>

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

- (a) In 2001, the Institute was approved for and issued a direct noninterest-bearing loan from the New Jersey Department of Health and Senior Services in the amount of \$5,000,000. The Institute received this loan in ten equal quarterly payments. This loan was requested to establish the New Jersey Allogeneic Cord Blood Bank (NJCBB). The loan is payable in annual installments beginning September 2004 with payments submitted by the Institute made in an amount equal to \$2,950 from the proceeds of each unit of cord blood sold.
- (b) In September 2017, the Institute entered into a lease agreement with Thermo Fisher Financial Services for various research equipment totaling \$220,909. The lease is payable in monthly installments for \$8,339 through October 2020. The interest rate based on the terms of the lease is approximately 6.4%. The loan was paid off in October 2020.
- (c) On April 18, 2020, the Organization received loan proceeds in the amount of \$1,625,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over two years if issued before, or five years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during April 2021. In October 2021, the Organization received legal release from the SBA, and therefore, will record the amount forgiven, \$1,625,000 as forgiveness income in its 2022 statement of activities and changes in net assets.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES ACT, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

Scheduled maturities are as follows:

2022	\$	1,625,000
2023		-
2024		-
2025		-
2026		-
Thereafter		<u>4,675,000</u>
	\$	<u>6,300,000</u>

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

8. Net Assets

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Net assets restricted for time or purpose:		
Rent-free valuation of our facility	\$ 6,175,372	\$ 6,307,295
Unexpended gains, endowment	584,069	368,938
Capital equipment purchased with government funds	875,515	257,994
Split-interest arrangements	547,793	457,739
Piccone/Opiod	13,140	13,140
Crohns and colitis	190,291	190,291
CPMC initiative	95,122	95,122
Capital equipment	75,157	75,157
Autism research	15,693	15,693
	<u>8,572,152</u>	<u>7,781,369</u>
Endowment	<u>816,578</u>	<u>816,578</u>
Total net assets with donor restriction	<u>\$ 9,388,730</u>	<u>\$ 8,597,947</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30 were as follows:

	<u>2021</u>	<u>2020</u>
Depreciation of capital equipment purchased with government funds	\$ 159,045	\$ -
Split-interest arrangements	900	215,397
Total assets released from restriction	<u>\$ 159,945</u>	<u>\$ 215,397</u>

9. Endowment Fund

The Institute's endowment fund consists of funds established for a variety of purposes. The endowment includes net assets without restriction, Board-designated endowment funds, and net assets with donor restriction funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Institute maintains its investments in a Pooled Investment Fund to allow greater flexibility in managing the portfolio. The Institute has adopted an investment policy for its endowment assets that attempt to preserve the capital and achieve sufficient total return to fund an annual investment draw to fund operations and other special purposes as approved by the Board of Trustees. To achieve this overall goal, the primary objective of the investment policy is the long-term growth of capital. A real rate of return of capital is required to preserve the purchasing power of the endowment funds. The secondary objective of the investment policy is the preservation of capital, including the protection of capital in declining markets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of established benchmarks included in the Investment Policy Statement. The Institute's Investment Committee is managing the funds within ranges set in the Board approved Investment Policy Statement.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment composition by type of fund as of June 30, 2021 and 2020 is as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,400,647	\$ 1,400,647
Board-designated endowment funds	1,787,465	-	1,787,465
Total endowment funds	<u>\$ 1,787,465</u>	<u>\$ 1,400,647</u>	<u>\$ 3,188,112</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,185,516	\$ 1,185,516
Board-designated endowment funds	652,456	-	652,456
Total endowment funds	<u>\$ 652,456</u>	<u>\$ 1,185,516</u>	<u>\$ 1,837,972</u>

Changes in endowment net assets by type of fund for the fiscal years ended June 30, 2021 and 2020 are as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 652,456	\$ 1,185,516	\$ 1,837,972
Investment return:			
Investment income	35,032	26,980	62,012
Net appreciation (realized and unrealized)	<u>244,304</u>	<u>188,151</u>	<u>432,455</u>
Total investment return	279,336	215,131	494,467
Other changes:			
Contributions	<u>855,673</u>	-	<u>855,673</u>
Endowment net assets, ending	<u>\$ 1,787,465</u>	<u>\$ 1,400,647</u>	<u>\$ 3,188,112</u>

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 710,051	\$ 1,292,397	\$ 2,002,448
Investment return:			
Investment income	24,017	42,261	66,278
Net appreciation (realized and unrealized)	(84,760)	(149,142)	(233,902)
Total investment return	(60,743)	(106,881)	(167,624)
Other changes:			
Contributions	3,148	-	3,148
Endowment net assets, ending	\$ 652,456	\$ 1,185,516	\$ 1,837,972

10. Retirement Plans

The Institute funds a 401(a) pension plan and supplemental retirement benefit plan for eligible employees and certain key executives. The Institute also has 403(b) and 457(b) plans for eligible employees, which are currently funded by employee deferrals. The Institute's expense for the 401(a) pension plan and the supplemental retirement benefit plan was approximately \$484,000 and \$441,000 for the years ended June 30, 2021 and 2020, respectively.

The Institute makes discretionary contributions to fund retirement benefits for certain key executives in accordance with supplemental retirement benefit agreements. Under the terms of these nonqualified pension programs, the Institute makes contributions to the executives' investment accounts held by the Institute. Distributions from these accounts are determined in accordance with the terms of the agreements.

11. Related-Party Transactions

The Institute incurred legal fees of approximately \$60,000 in 2021 and \$54,000 in 2020 from a law firm, a partner of which is a member of the Institute's Board of Trustees. This law firm has represented the Institute since its inception.

A member of the Institute's Board of Trustees also serves as a Co-Trustee to a Charitable Remainder Trust and a Charitable Lead Unitrust and a Trustee of a Charitable Remainder Trust, where the Institute has a beneficial interest.

12. Functional Classification of Expenses

The financial statements report certain categories of expense that attributable to more than one program or supporting function. Therefore these expenses require allocation on a reasonable basis that is consistently applied. Salaries, payroll taxes, fringe benefits, meetings, lab materials, genotyping supplies, general supplies, professional services, operations and facilities, depreciation and administration costs are allocated based on estimated time and effort by program. Included in general and administrative expenses is \$293,810 and \$198,898 of fundraising expenses for the period ending June 30, 2021 and 2020, respectively.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

Expenses by functional classification for the years ended June 30, 2021 and 2020 consist of the following:

	2021					
	Program Services				Supporting Services	Total
	Government Biobanking	Private Service	CPMC	IDS	General and Administrative	
Salaries	\$ 3,843,854	\$ 646,887	\$ 296	\$ 153,580	\$ 2,935,955	\$ 7,580,572
Payroll taxes	268,008	44,590	22	12,448	182,155	507,223
Fringe benefits	918,306	149,578	71	40,048	399,359	1,507,362
Meetings, travel, development	2,800	459	-	2,201	49,793	55,253
Lab materials and supplies	753,702	338,080	350	1,795	-	1,093,927
Genotyping supplies	-	-	-	-	-	-
General supplies	326,146	43,740	-	1,476	27,177	398,539
Professional services	681,365	107,118	-	2,987	441,165	1,232,635
Operations and facilities	586,163	187,187	9,740	2,609	1,379,170	2,164,869
Administrative costs	21,591	4,089	-	6,775	220,102	252,557
Depreciation	736,314	128,269	883	18,874	474,970	1,359,310
Facilities	634,533	130,451	899	19,196	483,051	1,268,130
Imputed rent	326,378	67,099	462	9,873	248,462	652,274
Total	<u>\$ 9,099,160</u>	<u>\$ 1,847,547</u>	<u>\$ 12,723</u>	<u>\$ 271,862</u>	<u>\$ 6,841,359</u>	<u>\$ 18,072,651</u>

	2020					
	Program Services				Supporting Services	Total
	Government Biobanking	Private Service	CPMC	IDS	General and Administrative	
Salaries	\$ 3,954,628	\$ 693,196	\$ 3,794	\$ 67,504	\$ 2,177,069	\$ 6,896,191
Payroll taxes	271,468	40,690	258	11,181	152,486	476,083
Fringe benefits	941,793	134,369	907	34,618	639,194	1,750,881
Meetings, travel, development	27,271	585	-	3,534	119,367	150,757
Lab materials and supplies	1,009,681	325,258	3,386	6,757	-	1,345,082
Genotyping supplies	15,925	1,101	-	-	-	17,026
General supplies	247,131	42,433	-	17,193	24,339	331,096
Professional services	485,938	30,593	819	62,766	468,485	1,048,601
Operations and facilities	532,728	214,137	36,166	3,197	1,310,462	2,096,690
Administrative costs	47,344	8,227	-	11,981	129,084	196,636
Depreciation	802,096	149,466	4,545	21,933	502,466	1,480,506
Facilities	790,156	156,333	4,755	22,940	525,551	1,499,735
Imputed rent	343,661	67,993	2,068	9,977	228,576	652,275
Total	<u>\$ 9,469,820</u>	<u>\$ 1,864,381</u>	<u>\$ 56,698</u>	<u>\$ 273,581</u>	<u>\$ 6,277,079</u>	<u>\$ 17,941,559</u>

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2021 and 2020

13. Liquidity and Availability of Resources

The following reflects the Institute's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the Board of Trustees approve such an action.

The Institute's endowment funds consist of donor-restricted endowments and a Board-designated endowment. The endowment does not have a spending rate policy, but management has ability to draw on Board-designated funds as needed. Management drew \$0 on unexpended funds for the years ended June 30, 2021 and 2020.

The Board-designated endowment was \$1,787,465 and \$652,456 as of June 30, 2021 and 2020, respectively. Although the Institute does not intend to spend from its Board-designated funds, amounts from funds could be made available if necessary.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,461,346	\$ 1,946,812
Government contracts, grants and awards receivable, net	1,896,513	2,048,693
Other accounts receivable, net	<u>1,473,430</u>	<u>1,987,839</u>
Total financial assets	4,831,289	5,983,344
Less resources unavailable for general expenditures within one year due to contractual or donor restriction:		
Capital equipment purchased with government funds	(875,515)	(257,994)
Other restrictions:		
Crohns and Colitis	(190,291)	(190,291)
CPMC initiative	(95,122)	(95,122)
Capital equipment	(75,157)	(75,157)
Autism research	(15,693)	(15,693)
Piccone/Opioid	<u>(13,140)</u>	<u>(13,140)</u>
Total	<u>\$ 3,566,371</u>	<u>\$ 5,335,947</u>

**Independent Auditors' Report 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***

To the Board of Trustees of
Coriell Institute for Medical Research

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 Coriell Institute for Medical Research (the Institute), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our reported thereon dated July 28, 2022.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's 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 Institute'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 Institute's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
September 30, 2022

**Independent Auditors' Report on Compliance for the Major Federal
and State Programs and Report on
Internal Control Over Compliance Required by the
Uniform Guidance and the State of New Jersey,
Department of the Treasury OMB Circular 15-08**

To the Board of Trustees of
Coriell Institute for Medical Research

Report on Compliance for the Major Federal and New Jersey State Programs

We have audited the Coriell Institute for Medical Research's (the Institute) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of New Jersey, Department of the Treasury, OMB Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* that could have a direct and material effect on the Institute's major federal and New Jersey state programs for the year ended June 30, 2021. The Institute's major federal and New Jersey state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Institute's major federal and New Jersey state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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) and the audit requirements of State of New Jersey, Department of the Treasury, OMB Circular 15-08; *Recipients of Federal Grants, State Grants and State Aid*, (NJ OMB Circular 15-08). Those standards, the Uniform Guidance and NJ OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or New Jersey state program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal and New Jersey state programs. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on the Major Federal and New Jersey State Programs

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal and New Jersey state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with types of requirements that could have a direct and material effect on the major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal and state programs and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's 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 federal or state 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 or state 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 federal or state program that are 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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 and the State of New Jersey, Department of Treasury, OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
September 30, 2022

Coriell Institute for Medical Research

 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through/Grantor ID Number	Contract/ Grant Amount	Contract/ Grant Period	Federal Expenditures
Research and Development Cluster					
Federal Grants					
U.S. Department of Health and Human Services:					
Biomedical Research and Research Training -					
Human Genetic Cell Repository	93.859	1U42GM115336-06	\$ 23,273,825	3/15-2/25	\$ 2,980,768
Human Genome Research	93.172	1U41HG008736-04	4,250,000	8/16-7/21	718,800
Cancer Cause and Prevention Research	93.393	7R01CA214005-04	2,349,470	4/15-11/22	721,526
Cancer Biology Research	93.396	1R01CA255221-01	1,739,320	3/21-2/26	<u>50,321</u>
Total federal grants					<u>4,471,415</u>
Federal Subawards					
U.S. Department of Health and Human Services, National Institutes of Health:					
Passed through: University of Texas - MD Anderson					
Cancer Center - Cancer Center Support Grants	93.397	2P50CA100632-17	582,237	9/19-8/21	229,843
Passed through: Temple University					
Cancer Center Support Grants	93.397	1U54CA221705-01A1	78,333	3/19-8/21	52,703
Passed through: Temple University					
Cancer Biology Research	93.396	R01CA216813-01	32,599	4/20-3/22	11,154
Passed through: University of California, Santa Cruz					
Center for Human Reference Genome Diversity	93.172	U01HG010971	674,892	9/19-7/21	191,854
Passed through: Advac Therapeutics					
	93.837	R41HL145877	152,114	4/20-7/21	<u>64,869</u>
Total federal subawards					<u>550,423</u>
Total research and development cluster and total federal awards					<u>\$ 5,021,838</u>

See notes to schedules of expenditures of federal and state awards

Coriell Institute for Medical ResearchSchedule of Expenditures of State Awards
Year Ended June 30, 2021

<u>State Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Pass-Through/Grantor Number</u>	<u>Contract/ Grant Amount</u>	<u>Contract/ Grant Period</u>	<u>State Expenditures</u>
State Grants				
State of New Jersey - Department of the Treasury Research Under Contract With the Coriell Institute for Medical Research, Camden	HE19-01-00	\$ 1,037,000	10/20-6/21	\$ 642,507
State of New Jersey - Department of the Treasury Passed through: Rowan University Opioid Research	Rowan Subaward	2,864,159	4/18-6/21	<u>363,662</u>
Total research and development cluster and total state awards				<u>\$ 1,006,169</u>

See notes to schedules of expenditures of federal and state awards

Coriell Institute for Medical Research

Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards (the Schedules) include the federal and state grant activity of Coriell Institute for Medical Research (the Institute) for the year ended June 30, 2021. The information in the Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of New Jersey, Department of Treasury, OMB Circular 15-08. Therefore, some amounts presented in the Schedules may differ from amounts presented in or used in the presentation of the financial statements. Because the Schedules present only a selected portion of the activities of the Institute, they are not intended to, and does not, present either the financial position, changes in net assets or cash flows of the Institute.

2. Summary of Significant Accounting Policies

Expenditures reported in the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and New Jersey Department of Treasury, OMB Circular 15-08, where certain expenditures are not allowed or limited as to reimbursement.

3. Facilities and Administrative Cost Rates

The Institute has negotiated facilities and administrative rates for federal contracts and grants. The rate was 75.0 percent for 2021 and 2020, respectively.

The Institute has not elected to use the 10 percent de minimus indirect cost rate as allowed by the Uniform Guidance.

Coriell Institute for Medical Research

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' 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 X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for the major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ yes X no

Auditee qualified as low-risk auditee? X yes _____ no

Dollar threshold used to distinguish between type A and type B programs: \$750,000

State Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*? _____ yes X no

Auditee qualified as low-risk auditee? X yes _____ no

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Identification of Major Federal and State Programs

<u>Assistance Listing Numbers (ALN)</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster
<u>State Numbers</u>	<u>Name of State Program</u>
Various	Research and Development Cluster

Coriell Institute for Medical Research

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section II - Financial Statement Finding Section

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary of Prior Year Findings

None.