

ALLEN INSTITUTE

Financial Statements

For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors
Allen Institute
Seattle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Allen Institute ("the Institute"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, 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 Institute as of December 31, 2021 and 2020, and the results of its activities 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 audit 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*, 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 Institute 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 Institute's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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

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



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 the audit 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), on pages 15 and 16 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 information 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 June 3, 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.

Clark Nuber P.S.

Certified Public Accountants
June 3, 2022

ALLEN INSTITUTE

Statements of Financial Position
December 31, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 64,109	\$ 49,501
Investments	50,637	24,377
Federal grants and contracts receivable	4,336	6,785
Accounts and other grants receivable	1,752	552
Prepaid expenses and other assets	<u>4,815</u>	<u>5,232</u>
Total Current Assets	125,649	86,447
Property and equipment, net	<u>64,422</u>	<u>67,760</u>
Total Assets	<u>\$ 190,071</u>	<u>\$ 154,207</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and other liabilities	\$ 7,841	\$ 6,319
Employee-related accruals	7,849	7,539
Deferred grant revenue	<u>271</u>	<u>1,048</u>
Total Current Liabilities	15,961	14,906
Deferred rent	<u>6</u>	<u>6</u>
Total Liabilities	15,967	14,912
Net Assets:		
Without donor restrictions	173,101	139,295
With donor restriction	<u>1,003</u>	<u></u>
Total Net Assets	<u>174,104</u>	<u>139,295</u>
Total Liabilities and Net Assets	<u>\$ 190,071</u>	<u>\$ 154,207</u>

See accompanying notes.

ALLEN INSTITUTE

Statements of Activities
For the Years Ended December 31, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Support and Revenues:		
Federal grants and contracts	\$ 39,237	\$ 29,537
Contributions	135,007	33,102
Donated equipment	475	
Other grants and contracts	6,541	2,984
License revenue	3,502	1,261
Realized losses on investments		(3,883)
Unrealized (losses) gains on investments	(271)	6
Interest and dividends	1,679	2,861
Miscellaneous	735	282
Net assets released from restriction	200	
	<u>187,105</u>	<u>66,150</u>
Total Support and Revenues	187,105	66,150
Expenses:		
Program services	125,446	108,972
Management and general	27,853	24,801
	<u>153,299</u>	<u>133,773</u>
Total Expenses	153,299	133,773
Change in Net Assets Without Donor Restrictions	33,806	(67,623)
Net Assets With Donor Restrictions:		
Contributions	1,203	
Net assets released from restriction	(200)	
	<u>1,003</u>	<u></u>
Change in Net Assets With Donor Restrictions	1,003	
Total Change in Net Assets	34,809	(67,623)
Net assets, beginning of year	139,295	206,918
Net Assets, End of Year	<u><u>\$ 174,104</u></u>	<u><u>\$ 139,295</u></u>

See accompanying notes.

ALLEN INSTITUTE

Statements of Functional Expenses
For the Years Ended December 31, 2021 and 2020
(In Thousands)

	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries, wages and payroll taxes	\$ 51,605	\$ 13,935	\$ 65,540	\$ 47,022	\$ 13,256	\$ 60,278
Outside services and consultants	25,192	3,829	29,021	18,486	2,252	20,738
Facilities	14,689	3,014	17,703	13,508	2,740	16,248
Depreciation and amortization	10,796	1,047	11,843	12,488	1,356	13,844
Laboratory supplies	11,163		11,163	7,246		7,246
Employee benefits	7,801	1,927	9,728	7,094	2,013	9,107
Telecommunications and IT	3,430	2,176	5,606	2,330	1,969	4,299
Recruiting	50	955	1,005	91	144	235
Accounting and legal	131	552	683	108	594	702
Meetings and conferences	211	30	241	153	37	190
Public education	84	109	193	181	148	329
Dues and subscriptions	73	105	178	82	147	229
Printing, delivery and postage	114	8	122	110	12	122
Taxes	34	76	110		15	15
Training	51	20	71	35	39	74
Other	1	60	61	2	71	73
Travel and entertainment	21	10	31	36	8	44
	<u>\$ 125,446</u>	<u>\$ 27,853</u>	<u>\$ 153,299</u>	<u>\$ 108,972</u>	<u>\$ 24,801</u>	<u>\$ 133,773</u>

See accompanying notes.

ALLEN INSTITUTE

Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 34,809	\$ (67,623)
Adjustments to reconcile change in net assets to net cash flows used in operating activities-		
Depreciation and amortization	11,843	13,844
Realized and unrealized losses on investments	271	3,877
Donated equipment	(475)	
Gain on disposal of equipment	(127)	
Changes in assets and liabilities:		
Federal grants and contract receivable	2,449	(1,186)
Accounts and other grants receivable	(1,200)	(293)
Prepaid expenses and other assets	417	(232)
Accounts payable and other liabilities	1,044	(800)
Employee-related accruals	310	1,930
Deferred grant revenue	(777)	527
Deferred rent		(417)
Net Cash Flows Provided by (Used in) Operating Activities	48,564	(50,373)
Cash Flow From Investing Activities:		
Purchase of property and equipment	(7,595)	(7,616)
Proceeds from sale of equipment	170	
Purchases of investments	(26,531)	(2,420)
Proceeds from sale of investments		52,010
Net Cash (Used in) Provided by Investing Activities	(33,956)	41,974
Net Change in Cash and Cash Equivalents	14,608	(8,399)
Cash and cash equivalents, beginning of year	49,501	57,900
Cash and Cash Equivalents, End of Year	\$ 64,109	\$ 49,501
Supplementary Cash Flow Information:		
Noncash investing activities-		
Accrual for property and equipment	\$ 1,176	\$ 698
Donated equipment	\$ 475	\$ -

See accompanying notes.

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020 (In Thousands)

Note 1 - Organization and Significant Accounting Policies

Organization - The Allen Institute ("the Institute") is a nonprofit medical research organization, incorporated in the state of Washington in 2001. The Institute is located in a building in Seattle's South Lake Union neighborhood, the city's biotechnology hub. The Institute leases approximately 97% of the 270,000 square feet of this life sciences building.

The Institute is dedicated to unlocking the complexities of bioscience and advancing our knowledge to improve human health. Using an open science, multi-scale, team-oriented approach, the Institute focuses on accelerating foundational research, developing standards and models, and cultivating new ideas to make a broad, transformational impact on science.

The Institute is comprised of the Allen Institute for Brain Science, the Allen Institute for Cell Science, the Allen Institute for Immunology, the Paul G. Allen Frontiers Group, and the MindScope Program. During the year ending December 31, 2021, the Institute launched the Allen Institute for Neural Dynamics.

The Institute anticipates that funding from the estate of Paul G. Allen and trust of Paul G. Allen ("the Founder"), government funds, and other private funds will continue to provide the Institute with a combination of public and private funding.

Basis of Presentation - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and/or the passage of time. As of December 31, 2021, net assets with donor restrictions for purpose were \$1,003. As of December 31, 2020 there were no net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. If the Institute receives a contribution with donor restrictions and it meets the restrictions in the same year the contribution is received, then it records the contribution as revenue without donor restrictions. Releases from restrictions during the year ended December 31, 2021 were related to programmatic purposes.

Gifts of equipment are reported as net assets 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 net assets with restrictions. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020 (In Thousands)

Note 1 - Continued

Support and Revenue - 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 are not recognized as revenues until the conditions on which they depend have been met. Government contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2021 and 2020, conditional contributions approximating \$125,284 and \$110,756, respectively, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Revenue from contracts with customers represents revenue earned under licensing contracts, for which the Institute is granting exclusive licensing rights to patented intellectual property, and sponsored research agreements, for which the Institute is performing research services in exchange for compensation. Revenue from licensing contracts and sponsored research is recorded in license revenue and other grants and contracts revenue, respectively, on the statements of activities. The performance obligation for the licensing contract is providing the access to the intellectual property. Revenue is recognized at the point in time in which access to the intellectual property has been granted and the performance obligation has been met. The performance obligations for the sponsored research agreements are the execution of the agreement and the performance of research. Revenue is recognized at the point in time at which the agreement has been executed, and ratably over the remaining time as research is performed. During the year ended December 31, 2021, revenue recognized from contracts with customers at a point in time and ratably over time was \$4,279 and \$2,853, respectively, of which no amount was received in advance. During the year ended December 31, 2020, revenue recognized from contracts with customers at a point in time and ratably over time was \$1,562 and \$838, respectively, of which no amount was received in advance. Accounts receivable related to contracts with customers totaled \$1,277 and \$346 as of December 31, 2021 and 2020, respectively, and is included in accounts and other grants receivable on the statements of financial position.

Cash and Cash Equivalents - Cash equivalents consist primarily of money market funds. The Institute considers highly liquid investments with original maturities of 90 days or less to be cash equivalents.

Concentrations - Financial instruments that potentially subject the Institute to concentrations of credit risk consist of cash and cash equivalents and investments. At December 31, 2021 and 2020, the Institute had cash and investment deposits in excess of federally insured limits.

At December 31, 2021 and 2020, 75% and 87%, respectively of total receivables were due from two sources.

Support and revenue from two sources represented 92% and 80% of total support and revenues for the years ended December 31, 2021 and 2020, respectively. One of the sources is a related party (the Founder) and represents 72% and 50% of total support for the years ended December 31, 2021 and 2020, respectively.

Receivables - Federal grants and contracts receivable consist of amounts due within one year from the federal government and pass-through entities.

Accounts and other grants receivable are stated at the amount management expects to collect from outstanding balances. Management may provide for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off against the valuation allowance. There was no valuation allowance for outstanding receivables as of December 31, 2021 and 2020.

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020 (In Thousands)

Note 1 - Continued

Property and Equipment - The Institute capitalizes assets with a cost greater than \$5 and a useful life greater than one year. Purchased property is carried at cost and donated property is recorded at estimated fair value when received. Depreciation and amortization are computed using the straight-line method based on estimated useful lives as follows:

Leasehold improvements	Shorter of lease term or useful life
Furniture and fixtures	5 years
Laboratory equipment	5 years
Vehicles	5 years
Computer hardware and software	3 years

Deferred Rent - Rent is expensed on a straight-line basis, and differences between the recorded rent expense and the actual rent paid result in an increase or decrease to deferred rent.

Taxes - The Internal Revenue Service (IRS) has determined that the Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Institute has been granted a deferral certificate for sales tax on certain purchases of property and equipment from the Washington State Department of Revenue. Sales tax is expected to be forgiven over an eight-year period. The total potential tax due amounted to \$3,170 and \$4,448 at December 31, 2021 and 2020, respectively. If the Institute does not continue to use the equipment in an exempt manner, the unforgiven tax will become due. As management plans to continue using the equipment for exempt purposes, no tax liability has been recorded.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Allocation of Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Payroll tax and employee benefit expenses are allocated based on the basis of salary expense. Facilities expense is allocated based on head count. All other major categories are coded directly to the department charged.

Subsequent Events - The Institute has evaluated subsequent events through June 3, 2022, the date on which the financial statements were available to be issued.

Note 2 - Liquidity and Availability of Financial Assets

The Institute is primarily funded by its Founder and federal grants. Funding from the Founder will be generally contributed in quarterly intervals that will fund operations over a similar period of time. Funding from federal grants is used for specific grant-funded projects. The Institute invests excess cash in certificates of deposit, bond mutual funds, exchange-traded funds, and money market funds in order to maintain appropriate liquidity and deliver current income.

ALLEN INSTITUTE

Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020
(In Thousands)

Note 2 - Continued

The following table shows the total financial assets held by the Institute and the amounts of those financial assets that could readily be made available within one year of the statements of financial position date to meet general expenditures as of December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year end-		
Cash and cash equivalents	\$ 64,109	\$ 49,501
Investments	50,637	24,377
Federal grants and contracts receivable	4,336	6,785
Accounts and other grants receivable	<u>1,752</u>	<u>552</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 120,834</u>	<u>\$ 81,215</u>

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 66,878	\$ 63,563
Furniture and fixtures	4,603	4,244
Laboratory equipment	54,853	57,103
Computer hardware and software	11,636	11,656
Vehicles	<u>47</u>	<u>47</u>
	138,017	136,613
Accumulated depreciation and amortization	<u>(76,047)</u>	<u>(73,111)</u>
	61,970	63,502
Construction in progress	<u>2,452</u>	<u>4,258</u>
Property and Equipment, Net	<u>\$ 64,422</u>	<u>\$ 67,760</u>

Construction in progress at December 31, 2021 and 2020, consists of equipment and upgrades that were not yet placed in service.

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020 (In Thousands)

Note 4 - Investments

Investments consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Bond mutual fund	\$ 25,889	\$ 10,200
Exchange-traded fund	<u>24,748</u>	<u>14,177</u>
	<u>\$ 50,637</u>	<u>\$ 24,377</u>

Note 5 - Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - Unobservable inputs that are significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020:

Bond Mutual Funds - Valued at quoted market prices in active markets for identical assets, which represent the net asset value (NAV) of shares held by the Institute at year end.

Exchange-Traded Funds - Valued at the closing price reported on the active market in which the securities are traded.

Fair values of the Institute's investments in bond mutual funds and exchange-traded funds totaling \$50,637 and \$24,377 at December 31, 2021 and 2020 are determined using Level 1 inputs (Note 4).

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020 (In Thousands)

Note 6 - Donated Equipment

The Institute received donated equipment with an estimated fair value of \$475 during the year ended December 31, 2021. The fair value of donated equipment is based on management's estimate of the amount the Institute would pay for the equipment if it had not been donated. The use of the donated equipment is not restricted and is being utilized in the operations of the Institute.

Note 7 - Commitments

The Institute has a sublease agreement with a related party, an affiliate of the Founder. The sublease commenced in 2015, expired in 2020, and includes three five-year renewal options. The Institute exercised the first five-year renewal during the year ended December 31, 2020. Under the terms of the sublease, the Institute also pays its portion of utilities and other building operating expenses. The Institute also has minor leases for a storage facility and equipment which extend through 2025.

Total rent expense amounted to \$10,535 and \$9,508 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease payments as follows:

For the Year Ending December 31,

2022	\$	10,553
2023		10,535
2024		10,477
2025		<u>9,601</u>
	\$	<u><u>41,166</u></u>

Note 8 - Benefit Plan

The Institute sponsors a defined contribution retirement plan ("the Plan"). Employees are eligible to participate in the Plan once certain minimum requirements are met. The Plan provides for the tax deferral features of employee contributions under Section 401(k) of the Internal Revenue Code. The Institute provides for discretionary contributions of 50% of the employees' eligible deferrals, which totaled \$3,345 and \$2,686 for 2021 and 2020, respectively.

Note 9 - Self-Insured Medical Plan

On October 1, 2020, the Institute established a plan to act as a self-insurer, up to a set deductible amount, for its employee health insurance program. The Institute's expenses are limited under a stop loss policy to \$100 per plan year for each plan participant. The Institute accrues estimated expenses monthly based on actuarial information provided by its claims administrator. For the years ended December 31, 2021 and 2020, total claims incurred by the plan, including estimated unbilled claims, were \$2,321 and \$788, respectively. At December 31, 2021 and 2020, the Institute recorded a liability of \$268 and \$334 for estimated unbilled claims, respectively. This amount is included in accounts payable and other liabilities on the statements of financial position. Claims expense is included in employee benefits on the statements of functional expenses.

ALLEN INSTITUTE

**Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020
(In Thousands)**

Note 10 - Intention to Give

The Institute receives operating support from a related party (the Founder). Subsequent to year end, the Institute received a written intention to give which would continue to provide unrestricted operating support to the Institute. The intention to give does not constitute a legally enforceable pledge and is not recorded on the statements of financial position.

SUPPLEMENTARY INFORMATION

ALLEN INSTITUTE

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021
(In Whole Dollars)**

Federal Grantor/Program Title/Pass-Through Grantor	Assistance Listing Number	Award Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster:				
Department of Health and Human Services-				
National Institutes of Health:				
Mental Health Research Grants-				
Direct award	93.242		\$ 1,940,974	\$ 4,216,266
Direct award	93.242		2,503,575	12,268,833
Direct award	93.242		1,251,754	3,419,519
Direct award	93.242			1,039,993
Direct award	93.242			828,589
Direct award	93.242		461,532	1,260,276
Direct award	93.242		690,643	1,570,220
Direct award	93.242			46,637
Direct award	93.242			51,760
Direct award	93.242			45,725
Direct award	93.242			29,931
Direct award	93.242			147,357
Direct award	93.242			257,515
Passed through from Cold Spring Harbor Laboratory	93.242	RF1MH125317		247,825
Passed through from Cold Spring Harbor Laboratory	93.242	U01MH114824		120,863
Passed through from the Pennsylvania State University	93.242	RF1MH124605		20,559
Passed through from the University of Washington	93.242	R01EB026908		41,871
Total Mental Health Research Grants			6,848,478	25,613,739
Drug Abuse and Addiction Research Programs-				
Direct award	93.279	R01DA054583		63,707
Direct award	93.279	RF1DA055669	19,462	41,189
Total Drug Abuse and Addiction Research Grants			19,462	104,896
Discovery and Applied Research for Technological Innovations to Improve Human Health-				
Direct award	93.286			302,388
Passed through from the Regents of the University of California, Lawrence Berkeley National Laboratory	93.286	R24MH116922		144,352
Total Discovery and Applied Research for Technological Innovations to Improve Human Health				446,740
Drug Abuse and Addiction Research Programs-				
Direct award	93.310	UM1HG011585		78,710
Passed through from the Regents of the University of California, Davis	93.310	UM1HG011593		49,984
Total Drug Abuse and Addiction Research Grants				128,694
National Center for Advancing Translational Sciences-				
Passed through from Baylor College of Medicine	93.350	UG3TR003908		9,615
Cancer Research Manpower-				
Direct award	93.398			76,313
Extramural Research Programs in the Neurosciences and Neurological Disorders-				
Direct award	93.853			430,091
Direct award	93.853			470,952
Direct award	93.853			386,873
Direct award	93.853			303,807
Direct award	93.853			44,661
Direct award	93.853		13,907	86,383
Direct award	93.853			32,339
Direct award	93.853			487,035
Direct award	93.853			13,451
Passed through from the University of Washington	93.853	U01NS113252		242,905
Passed through from the Regents of the University of California, Davis	93.853	U24NS109113		138,072
Passed through from the Leland Stanford Junior University	93.853	UF1NS107610		73,721
Total Extramural Research Programs in the Neurosciences and Neurological Disorders			13,907	2,710,290

See independent auditor's report and notes to schedule of expenditures of federal awards.

ALLEN INSTITUTE

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2021
(In Whole Dollars)**

Federal Grantor/Program Title/Pass-Through Grantor	Assistance Listing Number	Award Number	Passed Through to Subrecipients	Federal Expenditures
Allergy and Infectious Diseases Research- Passed through from the Regents of the University of California, San Francisco	93.855	U54AI082973		22,778
Aging Research- Direct award	93.866			30,039
Direct award	93.866		1,643,394	8,179,573
Direct award	93.866			999,176
Passed through from Seattle Children's Research Institute	93.866	R21AG069375		<u>17,007</u>
Total Aging Research			<u>1,643,394</u>	<u>9,225,795</u>
Vision Research- Direct award	93.867		<u>156,919</u>	<u>578,382</u>
Total Department of Health and Human Services/National Institutes of Health			8,682,160	38,917,242
National Science Foundation:				
Biological Sciences- Passed through from the University of Texas at Austin	47.074	2014862		<u>179,125</u>
Total National Science Foundation				179,125
Department of the Interior:				
Interior Business Center- A Roadmap for Cortically Inspired Computational Architectures: Direct award	15.D16PC00004			<u>140,417</u>
Total Department of the Interior				<u>140,417</u>
Total Research and Development Cluster/Total Federal Expenditures			<u>\$ 8,682,160</u>	<u>\$ 39,236,784</u>

See independent auditor's report and notes to schedule of expenditures of federal awards.

ALLEN INSTITUTE

**Notes Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Allen Institute (the Institute) under programs of the federal government for the year ended December 31, 2021. The information in this 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). 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, functional expenses 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, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

SINGLE AUDIT REPORTS

**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***

Independent Auditor's Report

**To the Board of Directors
Allen Institute
Seattle, Washington**

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 Allen Institute (the Institute), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, and have issued our report thereon dated June 3, 2022.

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 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.



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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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Nuber P.S.

Certified Public Accountants
June 3, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

**To the Board of Directors
Allen Institute
Seattle, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Allen Institute's (the Institute's) 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 each of the Institute's major federal programs for the year ended December 31, 2021. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

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; 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 Institute 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 each major federal program. Our audit does not provide a legal determination of the Institute's 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 Institute's federal programs.



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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 Institute's 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 Institute's compliance with the requirements of each 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 Institute's 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 Institute's 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 Institute's 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.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of the Institute as of and for the year ended December 31, 2021 and have issued our report thereon dated June 3, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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.

Clark Nuber P.S.

Certified Public Accountants
June 3, 2022

ALLEN INSTITUTE

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?

Yes

No

- Significant deficiencies identified?

Yes

None reported.

Noncompliance material to financial statements noted?

Yes

No

Federal Awards

Internal control over major programs:

- Material weaknesses identified?

Yes

No

- Significant deficiencies identified?

Yes

None reported.

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

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200.516(a)?

Yes

No

Identification of Major Programs

Assistance Listing Numbers

93.242 93.279 93.286
93.310 93.350 93.398
93.853 93.855 93.866
93.867 47.074 15.D16PC00004

Name of Federal Program or Cluster

Research and Development Cluster

Dollar threshold used to distinguish between
Type A and Type B programs:

\$1,177,104

Auditee qualified as low-risk auditee?

Yes

No

ALLEN INSTITUTE

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2021**

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.