

SETI INSTITUTE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**

SETI INSTITUTE
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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
SETI Institute
Mountain View, California**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SETI Institute (Institute), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Institute as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards 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 generally accepted auditing standards 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 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023, 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.

Report on Summarized Comparative Information

We have previously audited the Institute's September 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.


GILBERT CPAs
Sacramento, California

February 17, 2023

SETI INSTITUTE

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 3,786,402	\$ 2,953,162
Investments	1,372,282	925,848
Grants receivable, net	3,050,618	2,083,252
Pledges receivable, net	1,958,898	84,395
Prepaid expenses, deposits and other assets	229,461	397,322
Note receivable	169,117	169,011
Charitable remainder unitrust assets	134,827	162,667
Operating lease right-of-use asset	5,443,648	353,072
Property and equipment, net	<u>10,579,147</u>	<u>9,107,210</u>
TOTAL ASSETS	<u>\$ 26,724,400</u>	<u>\$ 16,235,939</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 2,090,020	\$ 1,195,618
Accrued expenses	1,532,536	1,432,821
Deferred revenue	96,306	240,567
Unitrust payable	23,057	32,676
Operating lease liability	<u>5,691,229</u>	<u>354,351</u>
Total liabilities	<u>9,433,148</u>	<u>3,256,033</u>
NET ASSETS:		
Without donor restrictions	11,342,671	10,522,049
With donor restrictions	<u>5,948,581</u>	<u>2,457,857</u>
Total net assets	<u>17,291,252</u>	<u>12,979,906</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,724,400</u>	<u>\$ 16,235,939</u>

The accompanying notes are an integral part of these financial statements.

SETI INSTITUTE

STATEMENTS OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
REVENUES:				
Federal grants and cooperative agreements	\$ 20,947,002		\$ 20,947,002	\$ 18,571,084
Contributions	2,172,639	\$ 3,829,725	6,002,364	3,958,353
In-kind contributions	562,544	815,143	1,377,687	
Paycheck Protection Program loan				2,254,000
Other grants and support	1,021,305		1,021,305	1,080,442
Investment and other income	52,442	(3,775)	48,667	57,647
Change in value of split interest agreements		(18,221)	(18,221)	29,760
Net assets released from restrictions	<u>1,132,148</u>	<u>(1,132,148)</u>		
Total revenues	<u>25,888,080</u>	<u>3,490,724</u>	<u>29,378,804</u>	<u>25,951,286</u>
EXPENSES:				
Program services:				
Science, research and development	16,657,272		16,657,272	14,868,671
Educational programs	1,588,666		1,588,666	1,474,640
SETI research	765,176		765,176	482,320
Other programs	<u>207,880</u>		<u>207,880</u>	<u>70,907</u>
Total program services	<u>19,218,994</u>		<u>19,218,994</u>	<u>16,896,538</u>
Supporting services:				
Management and general	5,471,269		5,471,269	4,686,257
Fundraising	<u>377,195</u>		<u>377,195</u>	<u>348,172</u>
Total supporting services	<u>5,848,464</u>		<u>5,848,464</u>	<u>5,034,429</u>
Total expenses	<u>25,067,458</u>		<u>25,067,458</u>	<u>21,930,967</u>
INCREASE IN NET ASSETS	820,622	3,490,724	4,311,346	4,020,319
NET ASSETS, Beginning of Year	<u>10,522,049</u>	<u>2,457,857</u>	<u>12,979,906</u>	<u>8,959,587</u>
NET ASSETS, End of Year	<u>\$ 11,342,671</u>	<u>\$ 5,948,581</u>	<u>\$ 17,291,252</u>	<u>\$ 12,979,906</u>

The accompanying notes are an integral part of these financial statements.

SETI INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2022

	<u>Program services</u>					<u>Supporting services</u>			
	<u>Science, research, and development</u>	<u>Educational programs</u>	<u>SETI research</u>	<u>Other programs</u>	<u>Total program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total supporting</u>	<u>Total</u>
Personnel	\$ 10,679,543	\$ 758,200	\$ 96,187	\$ 167,417	\$ 11,701,347	\$ 3,633,139	\$ 222,318	\$ 3,855,457	\$ 15,556,804
Subcontracts	2,802,261	371,039			3,173,300				3,173,300
Professional services	1,750,359	125,485		30,302	1,906,146	540,165	9,925	550,090	2,456,236
Depreciation and amortization	381,001		667,650		1,048,651	30,599		30,599	1,079,250
Travel and conferences	513,721	286,235		231	800,187	66,991	10,806	77,797	877,984
Supplies	446,244	32,743		565	479,552	171,189	2,691	173,880	653,432
Occupancy	4,975	1,654			6,629	708,018		708,018	714,647
Postage and printing	43,596	10,498		1,784	55,878	10,117	80,821	90,938	146,816
Insurance						141,254		141,254	141,254
Telecommunications	12,827	529			13,356	52,555		52,555	65,911
Subscriptions and membership	9,400	2,070			11,470	7,510		7,510	18,980
Equipment and maintenance	12,453				12,453	3,340		3,340	15,793
Special events		64			64		5,568	5,568	5,632
Other expenses	892	149	1,339	7,581	9,961	106,392	45,066	151,458	161,419
Total	<u>\$ 16,657,272</u>	<u>\$ 1,588,666</u>	<u>\$ 765,176</u>	<u>\$ 207,880</u>	<u>\$ 19,218,994</u>	<u>\$ 5,471,269</u>	<u>\$ 377,195</u>	<u>\$ 5,848,464</u>	<u>\$ 25,067,458</u>

The accompanying notes are an integral part of these financial statements.

SETI INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2021

	<u>Program services</u>					<u>Supporting services</u>			
	<u>Science, research, and development</u>	<u>Educational programs</u>	<u>SETI research</u>	<u>Other programs</u>	<u>Total program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total supporting</u>	<u>Total</u>
Personnel	\$ 10,076,571	\$ 580,219		\$ 34,942	\$ 10,691,732	\$ 3,286,579	\$ 236,280	\$ 3,522,859	\$ 14,214,591
Subcontracts	2,827,206	584,915			3,412,121				3,412,121
Professional services	1,138,458	181,686	\$ 18,750	29,114	1,368,008	368,792	18,936	387,728	1,755,736
Depreciation and amortization	249,449		457,207		706,656	33,034		33,034	739,690
Travel and conferences	158,255	98,449	105		256,809	14,468	2,535	17,003	273,812
Supplies	290,602	21,087		25	311,714	89,391	2,337	91,728	403,442
Occupancy	6,793				6,793	654,055		654,055	660,848
Postage and printing	43,318	6,290	991	125	50,724	5,139	64,054	69,193	119,917
Insurance						106,766		106,766	106,766
Telecommunications	36,265	207			36,472	30,608		30,608	67,080
Subscriptions and membership	10,644	1,510		50	12,204	7,369	56	7,425	19,629
Equipment and maintenance	15,156				15,156	1,372		1,372	16,528
Other expenses	15,954	277	5,267	6,651	28,149	88,684	23,974	112,658	140,807
Total	<u>\$ 14,868,671</u>	<u>\$ 1,474,640</u>	<u>\$ 482,320</u>	<u>\$ 70,907</u>	<u>\$ 16,896,538</u>	<u>\$ 4,686,257</u>	<u>\$ 348,172</u>	<u>\$ 5,034,429</u>	<u>\$ 21,930,967</u>

The accompanying notes are an integral part of these financial statements.

SETI INSTITUTE

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 4,311,346	\$ 4,020,319
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	1,079,250	739,690
Non-cash operating lease expense	430,423	(169,769)
Receipt of donated investments	(467,839)	
Forgiveness of Payroll Protection Program loan		(2,254,000)
Net realized and unrealized gain on investments	(22,211)	(517)
Changes in:		
Grants receivable, net	(967,366)	1,668
Prepaid expenses, deposits and other assets	167,861	(261,025)
Pledges and notes receivable	(1,874,609)	315,038
Charitable remainder unitrust assets	27,840	(23,162)
Accounts payable	894,402	383,989
Accrued expenses	99,715	24,210
Deferred revenue	(144,261)	(335,229)
Unitrust payable	(9,619)	(6,599)
Operating lease liability	(139,699)	
Net cash provided by operating activities	<u>3,385,233</u>	<u>2,434,613</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(806)	(925,681)
Purchases of property and equipment	<u>(2,551,187)</u>	<u>(2,776,649)</u>
Net cash used by investing activities	<u>(2,551,993)</u>	<u>(3,702,330)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	833,240	(1,267,717)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,953,162</u>	<u>4,220,879</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 3,786,402</u>	<u>\$ 2,953,162</u>
NON-CASH ACTIVITY		
Acquisition of right-of-use asset through lease obligation	<u>\$ 5,476,577</u>	<u>\$ 370,393</u>
SUPPLEMENTAL ACTIVITY		
Cash paid for operating lease	<u>\$ 238,303</u>	<u>\$ 522,253</u>

The accompanying notes are an integral part of these financial statements.

SETI INSTITUTE

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION

The SETI Institute (Institute) is a not-for-profit research organization that aims to lead humanity's quest to understand the origins and prevalence of life and intelligence in the universe and share that knowledge with the world. It consists of three primary centers: the Carl Sagan Center for the study of life in the universe, the Center for Education for astronomy, astrobiology, and space science for students and educators, and the Center for Outreach for producing *Big Picture Science*, SETI Talks, and SETI Live. The Carl Sagan Center is home to nearly 100 scientists and researchers who are focused on understanding the nature and proliferation of life in the universe and is funded by grants from NASA and NSF. The Center for Education promotes STEM education through NASA and NSF-funded programs and the Center for Outreach brings the work of the SETI Institute to the general public through its weekly radio program and podcast, *Big Picture Science*.

The Carl Sagan Center is named in honor of Carl Sagan, a former trustee of the Institute, astronomer, prolific author, and host of the original Cosmos television series. The Carl Sagan Center is home to nearly 100 scientists and researchers organized around six research areas: Astronomy and Astrophysics, Exoplanets, Planetary Exploration, Climate and Geoscience, Astrobiology, and SETI. Guided by the astrobiology roadmap charted by the Drake Equation, the scientists of the Carl Sagan Center endeavor to understand the nature and proliferation of life in the universe and the transitions from physics to chemistry, chemistry to biology, and biology to philosophy. Most of the research undertaken within the Carl Sagan Center is funded by grants from NASA and NSF, while SETI endeavors are funded exclusively by private philanthropy. The Institute's SETI researchers use radio and optical telescope systems to search for deliberate signals from technologically advanced extraterrestrial civilizations.

The **Center for Education** promotes STEM education through NASA and NSF-funded programs aimed at teaching and inspiring children, young adults, and educators in physical sciences emphasizing astronomy and astrobiology. The efforts of the Center for Education are central to the Institute's mission of sharing knowledge as scientific ambassadors to the public. The Astronomy Activation Ambassadors program brings the excitement of hands-on research to middle, high school and community college teachers throughout the United States. Selected science educators are introduced to an intensive astronomy curriculum focused on infrared astronomy and experience a field visit to NASA's Infrared Telescope Facility on Mauna Kea, Hawaii. Educators bring the excitement of this "science-in-action" experience back to their school districts and classrooms, promoting interest in STEM learning.

In 2020, the Institute received a 5-year grant from NASA for an Institute-conceived STEM program to bring NASA science and NASA subject matter expertise into the classrooms of the nation's community college system. The NASA Community College Network (NCCN). NCCN works in three ways: targeted resource identification and development, professional development for instructors AND subject matter experts, and brokering bespoke partnerships between instructors and SMEs. Now entering its third year, NCCN engages 50 community college instructors from 20 states and works with 50 subject matter experts from NASA centers and top research universities.

Funded by the National Science Foundation, SETI Institute operates a compelling and highly competitive summer internship program for college students, Research Experiences for Undergraduates (REU). The program is an intensive 8-week summer internship that pairs students with Institute mentors/scientists. Each year, 10 to 12 interns studying physics, chemistry, biology, astronomy, astrophysics, and related disciplines work with SETI scientists, where they contribute to ongoing research and experience the life of a research scientist.

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

The **Center for Public Outreach** brings the work of the SETI Institute and other leading research organizations to the general public through its weekly radio program and podcast, *Big Picture Science*, monthly public lecture series, SETI Talks, and weekly social media livestreams, SETI Live. Institute Senior Astronomer Seth Shostak and Executive Producer Molly Bentley co-host *Big Picture Science*. The award-winning general science program engages the public with modern science research through lively and intelligent storytelling and interviews with leading authors, educators, and researchers in wide-ranging disciplines. The Institute's monthly lecture series, SETI Talks, is an in-depth one-hour discussion featuring leading researchers from around the world in astronomy, astrophysics, aerospace technology, astrobiology, machine learning, and more. Lectures are free of charge, open to the public, and presented virtually with a global audience. All SETI Talks are recorded and archived on YouTube. Over 500 lectures are available online and indexed on the Institute's website. SETI Live is an informal weekly social media livestream featuring researchers in science domains relevant to the SETI Institute's work.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Institute reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Institute. These net assets may be used at the discretion of management.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires (generally, as payments are made to fulfill the purposes of the contributions), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Comparative financial information – The 2021 statement of activities presents summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

Cash and cash equivalents – For financial statement purposes, the Institute considers all investments with a maturity at purchase of three months or less to be cash equivalents, unless held for long-term purposes.

The Institute minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The Institute held deposits in excess of FDIC insured limits totaling \$2,986,704 and \$2,155,149 at September 30, 2022 and 2021, respectively. The Institute has not experienced any losses in such accounts and management believes The Institute is not exposed to any significant credit risk related to cash.

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

Grants receivable – The Institute records receivables from government grants and cooperative agreements at the time that draw down requests are completed for the amount of direct and indirect costs incurred. Grants receivable may, at times, include expenses that have been incurred by the Institute, but have not yet been billed to the appropriate funding sources. Grants receivable is presented net of an allowance for doubtful accounts of \$56,972, at September 30, 2022 and 2021.

Equipment and furniture are stated at cost or, if donated, at the estimated fair market value at the date of donation. Assets with a value of \$5,000 or more are depreciated over the estimated useful life of the asset using the following methods:

<u>Type of Assets</u>	<u>Useful Life</u>	<u>Method of Depreciation</u>
Computer & related science equipment	3 years	Straight-Line
Furniture & office equipment	5 years	Straight-Line

Assets acquired through funding from grant resources are considered to be owned by the Institute while such assets are in use under the funded program, or while they are being used for a similar program; however, certain funding sources have a reversionary interest in such assets. Any disposition of these assets or any funds derived therefrom are subject to grant regulations. As of September 30, 2022, assets acquired through funding from grant resources totaled \$2,188,559.

Charitable remainder unitrust assets include the estimated fair value of various irrevocable charitable unitrusts in which the Institute is the secondary beneficiary. The net present values of these assets were determined using investment returns consistent with the composition of the asset portfolios, life expectancies, and relevant discount rates. Irrevocable charitable unitrusts whose use by the Institute is limited due to donor-imposed restrictions increase net assets with donor restrictions.

Unitrust payable represents the present value of the liability due to primary beneficiaries of the irrevocable charitable remainder unitrust for which the Institute is both trustee and secondary beneficiary. On an annual basis, the Institute reviews the need to revalue the liability to make distributions to the designated beneficiaries based upon actual assumptions. The present value of the estimated future payments is calculated using a discount rate of 6.5% and applicable mortality tables.

Leases – The Institute determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets are also adjusted for prepaid or accrued rent. The Institute uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Institute uses its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. The Institute does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Revenue recognition – Revenues from cost reimbursement type government grants and contracts, and fixed price grants and contracts, are recognized when qualifying expenses are incurred. The Institute also has federal contracts that reimburse for expenses incurred, plus a small profit percentage. Revenue from these contracts is recognized at the approved billing rate applied to allowable costs incurred. Contributions, and certain governmental and foundation grants are

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

recognized in the period received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by grantors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statement of activities as net assets released from restrictions, when time restrictions expire, or the contributions are used for the restricted purpose. Net assets with donor restrictions whose restrictions are met in the same fiscal year are reported as increases to net assets without donor restrictions.

Conditional contributions are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the condition. The Institute receives certain government and foundation grants which limit spending to qualifying expenditures as defined in grant agreements. Outstanding conditional promises to give subject to such requirements were \$11,320,043 and \$16,852,410 as of September 30, 2022 and 2021, respectively, and will be recognized as revenue as the conditions are met.

Government grant proceeds received in advance of incurrence of qualifying expenditures or meeting deliverables are recorded as deferred revenue.

Functional expenses – The costs of providing the various program services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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. When appropriate, costs are allocated on a direct cost basis to the various programs or supporting services. In some cases, expenses are incurred which support the work performed under more than one award. Such expenses are allocated based upon the actual ratio of cost utilization to each applicable award. Expenses are allocated using appropriate activity measures including time and effort, square footage and base expenses, the latter as defined under Federal Uniform Guidance for use on Federal Grants and Contracts. Personnel and professional services are allocated on the basis of estimates of time and effort. Occupancy costs including rent and related expenses, depreciation and amortization, as well as personnel, professional services, supplies, telecommunications, equipment and maintenance, insurance, and other, where not directly attributable to a program, are allocated on a square footage basis to an occupancy pool, and then further divided to program using base expenses as a percentage of total base expenses.

Income taxes – The Institute is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). It is also exempt from California franchise taxes under Section 23701(d).

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

SETI INSTITUTE

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- | | |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly. |
| Level 3 Inputs | Unobservable inputs for the asset or liability. |

The Institute's charitable remainder unitrust assets at September 30, 2022 and 2021 are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative sources with reasonable levels of price transparency. See Note 6 for fair market value information for investments.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements – In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The Institute adopted the standard effective October 1, 2021 and applied it retrospectively. The standard did not have a significant impact on the financial statements, except for increased disclosures (see Note 9).

Subsequent events have been evaluated through February 17, 2023, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since September 30, 2022 that require recognition or disclosure in the financial statements.

SETI INSTITUTE

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Institute's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,786,402	\$ 2,953,162
Investments	1,372,282	925,848
Grants receivable, net	3,050,618	2,083,252
Pledges receivable, net	<u>1,958,898</u>	<u>84,395</u>
Total financial assets	10,168,200	6,046,657
Less amounts unavailable for general expenditures within one year, due to:		
Restriction by donors for time or purpose	4,634,444	1,988,969
Restricted by donors in perpetuity	<u>978,822</u>	<u>328,597</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 4,554,934</u>	<u>\$ 3,729,091</u>

Federally funded awards (contracts, grants, and cooperative agreements) make up approximately 80% of the Institute's operating revenues and expenditures. Liquidity to cover expenditures for approximately 80% of these awards is provided through the Federal Drawdown System. As of September 30, 2022, "Total Unexpired Funds" from federal agencies (NASA, NSF, NIH and USGS) amounted to \$17,818,905 and additional amounts of more than \$20,000,000 have been awarded but not yet funded. The Institute can draw on this system to provide liquidity to cover all permitted costs for its federal awards.

Non-federal programs, the remaining 20% of revenues and expenditures, include both donor-restricted and unrestricted sources and uses of funds. Donor-restricted funds carried over from the prior year have been a significant source of funding for restricted program activities, but the majority of the funds for all non-federal programs historically have come from current year donations or program revenues.

The Institute has a policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due, and invests cash in excess of near term requirements in a short-term money market accounts or CD's. The Institute has a Line of Credit in the amount of \$450,000, available as needed to meet its financial obligations.

SETI INSTITUTE

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

4. PLEDGES RECEIVABLE

The Institute recognizes pledges receivable at their estimated fair value, on a nonrecurring basis, at the time the pledge is made. Fair value is determined by calculating the net present value of the estimated future cash flows. The discount rates used in determining the net present value of pledges receivable was 5.6% for the years ended September 30, 2022, and 2021.

Pledges receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Gross pledges receivable	\$ 1,966,845	\$ 92,794
Less: Unamortized discount	<u>(7,947)</u>	<u>(8,399)</u>
Pledges receivable, net	<u>\$ 1,958,898</u>	<u>\$ 84,395</u>

Pledges receivable are due to be collected as follows:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 1,953,870	\$ 68,000
In one to five years	1,457	12,797
More than five years	<u>3,571</u>	<u>3,598</u>
Pledges receivable, net	<u>\$ 1,958,898</u>	<u>\$ 84,395</u>

5. NOTE RECEIVABLE

In connection with the sale of a real property investment, the Institute issued a note receivable to the buyer in the amount of \$168,000. Interest is due monthly at the rate of 6% per annum. The maturity date of the note has passed; however, the Institute expects it to ultimately be paid.

6. INVESTMENTS

The Institute's investments at September 30, 2022 includes common shares in a privately held limited liability company (LLC) without readily determinable fair value as it is not traded in active markets. As such, this investment is classified in Level 3 of the fair value hierarchy.

The Institute adjusts the carrying value of non-marketable equity securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer, and for impairment, if any (referred to as the measurement alternative). All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in the statement of activities as changes in the appropriate class of net assets based on whether or not a donor-imposed restriction exists.

As of September 30, 2022 and 2021, non-marketable equity securities had a carrying value of \$750,000. No remeasurement was deemed necessary during the year ended September 30, 2022. The private equity is fully redeemable at the discretion of the Institute starting 18 months after its purchase in November 2020.

SETI INSTITUTE

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

One of the Institute's Board members is a principal in the investee LLC. Additionally, this Board member has guaranteed the value of the investment, by pledging to make up for any decline in value when sold through contributions. No pledge receivable has been recorded, as no decline in value was identified at September 30, 2022.

Investments as of September 30, 2022 consist of the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash, Deposits & Money Market Funds	\$ 622,282		\$ 622,282
Private Equity		\$ 750,000	750,000
Total	<u>\$ 622,282</u>	<u>\$ 750,000</u>	<u>\$ 1,372,282</u>

Investments as of September 30, 2021 consist of the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash, Deposits & Money Market Funds	\$ 175,848		\$ 175,848
Private Equity		\$ 750,000	750,000
Total	<u>\$ 175,848</u>	<u>\$ 750,000</u>	<u>\$ 925,848</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 703,231	\$ 756,167
Scientific equipment, including ATA	11,562,165	10,036,589
Leasehold improvements	273,647	320,948
Office equipment and furniture	240,681	371,574
Construction in progress	<u>5,074,541</u>	<u>4,448,201</u>
Total	17,854,265	15,933,479
Less accumulated depreciation	<u>(7,275,118)</u>	<u>(6,826,269)</u>
Property and equipment, net	<u>\$ 10,579,147</u>	<u>\$ 9,107,210</u>

Construction in progress includes work done on Optical SETI and Allen Telescope Array Rejuvenation projects, as well as scientific equipment that has been purchased but not yet placed into service.

SETI INSTITUTE

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent resources whose expenditures are perpetually or temporarily restricted by the donor or grantor for a particular purpose or time.

Net assets with donor restrictions consist of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Allen Telescope Array and Very Large Array	\$ 751,630	\$ 548,289
Antarctic expedition	833,201	770,635
Frontier Development Lab	815,143	
Deep space quantum experiment	191,047	88,050
Unistellar App	499,169	
GNU Radio	292,740	
Humpback whale research project	32,028	147,988
Other projects	333,577	370,990
Time restrictions:		
Remainder interest in unitrusts	111,770	129,991
Very Large Array	750,000	
Antarctic Expedition	70,000	
Unconditional promises to give	228,573	14,876
Other projects	<u>60,881</u>	<u>58,441</u>
Total purpose or time restrictions	<u>4,969,759</u>	<u>2,129,260</u>
Perpetual restrictions:		
SETI Forward endowment	20,887	24,662
SETI Institute endowment	<u>957,935</u>	<u>303,935</u>
Total perpetually restricted net assets	<u>978,822</u>	<u>328,597</u>
Total net assets with donor restrictions	<u>\$ 5,948,581</u>	<u>\$ 2,457,857</u>

The Institute's endowments included in perpetually restricted net assets include donor-restricted endowment funds.

The SETI Forward Endowment was established in 2019 to support student research activities, and to nurture new talent in the field of SETI research.

The SETI Institute Endowment Fund was established in 2020 to provide stable operating support to the Institute.

The primary investment objectives of the Institute's endowment investment policy, approved by the Board of Trustees, are to preserve principal, to provide a dependable and reasonable rate of return consistent with appropriate investment risk, and to maximize income within a framework of conservative risk assumptions. Each endowment's annual distribution rate is capped at 5% or 3% of

SETI INSTITUTE

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

the 3-year rolling average market value of the endowment, depending on whether or not the market value exceeds the historical dollar value adjusted for inflation. Distributions are set and approved by the board of directors. Changes in endowment net assets are as follows:

Year ending:	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 328,597	\$ 150,487
Contributions	654,000	178,518
Investment return	<u>(3,775)</u>	<u>(408)</u>
Endowment net assets, end of year	<u>\$ 978,822</u>	<u>\$ 328,597</u>

9. IN-KIND CONTRIBUTIONS

The institute received the following In-kind contributions for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Donated machine time	\$ 1,345,887	
Professional services	<u>31,800</u>	<u> </u>
Total In-kind contributions	<u>\$ 1,377,687</u>	<u>\$ </u>

Donated machine time included machine processing time and data storage contributed for the Frontier Development Lab program. Professional services include contributed programmatic advisory services. All items were valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Contributed services that do not meet the criteria for recognition are not reflected in the financial statements.

The Institute's policy related to in-kind contributions is to utilize the assets given to carry out their mission, unless otherwise restricted by donors. All in-kind contributions received by the Institute for the years ended September 30, 2022 were donor restricted to be used by the Institute for the Frontier Development Lab program. In-kind contributions received and released in the same period are recorded as without donor restrictions according to entity policy.

10. LINE OF CREDIT

The Institute has a \$450,000 revolving line of credit with a bank, secured by property, with variable interest payable monthly at the Prime rate plus 2.00% with a floor of 6.75%. Principal and accrued interest are due on demand, or if demand is not made by the bank, in one installment upon maturity on August 21, 2024. There were no amounts outstanding on this line of credit at September 30, 2022 and 2021.

11. LEASES

The Institute leases its facility located at North Bernardo Avenue in Mountain View, California terminating September 30, 2029. The asset and liability are calculated using a discount rate of 3.6%.

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

During the year ended September 30, 2021, the Institute entered into a one-year lease, with an option to extend for an additional five years, of the Hat Creek Radio Observatory (HCRO), including land and facilities to be used for research purposes. The Institute anticipates renewing the lease for all five optional years and has calculated the right-of-use asset and lease liability accordingly. The asset and liability are calculated using a discount rate of 3.6%.

Maturities of the lease liability for these leases are as follows:

2023	\$ 891,019
2024	917,750
2025	945,282
2026	973,641
2027	928,064
Thereafter	<u>1,773,974</u>
Total lease payments	6,429,730
Present value discount	<u>(738,501)</u>
Operating lease liability	<u>\$ 5,691,229</u>

The cash outlay in future years will differ from the recorded expense due to the requirement to record the expense on a straight-line basis and the accounting treatment of a lease incentive agreement. Total rent expense for the years ended September 30, 2022 and 2021, including related operating charges, was \$534,869 and \$622,082, respectively. During the year ended September 30, 2022 and 2021, the only projects undertaken at the HCRO site were upgrades to capitalizable scientific equipment. Therefore the expenses related to that lease were capitalized.

12. PENSION PLAN

The Institute has adopted a defined contribution pension plan funded through Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF). The pension plan covers all employees who meet the requirements of the plan. The Institute contributes 4% of participants' compensation, with an additional employer match of employees' contributions up to 4% of their compensation. The amount of pension plan expense for the years ended September 30, 2022 and 2021 was \$768,872 and \$694,637, respectively.

13. CONCENTRATIONS

During the fiscal years ending September 30, 2022 and 2021, 62% and 69%, respectively, of revenue for the Institute came from the National Aeronautics and Space Administration (NASA). In accordance with federal regulations, all of the Institute's government awards are subject to termination at the convenience of the government. Costs incurred under cost reimbursable contracts are also subject to audit by the government. Although unlikely, possible loss of funding or disallowed costs could have a significant impact on the Institute's future financial statements and research projects.

The Institute conducts some research at NASA Ames Research Center under the terms of cooperative grant agreements with NASA.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2022

	<u>Assistance Listing Number</u>	<u>Grant or Pass- Through Number</u>	<u>Final Federal Expenditures</u>
Research and Development Cluster:			
National Aeronautics Space Administration (NASA):			
NASA Direct Programs:			
	43.001	80NSSC20K0432	\$ 49,960
	43.001	80NSSC18K1094	10,993
	43.001	NNX16AC51A	911,944
	43.001	80HQTR21F0176 - Task 3	591,402
	43.001	80HQTR22F0095 - Task 4	151,184
	43.001	80NSSC20K0143	105,340
	43.001	80NSSC21K0537	54,719
	43.001	80NSSC21K1016	33,478
	43.001	80NSSC18K0549	40,377
	43.001	80NSSC18K1384	39,655
	43.001	80NSSC19K0424	68,100
	43.001	80NSSC19K1230	187,075
	43.001	80NSSC21K1103	114,361
	43.001	80NSSC21M0233	71,007
	43.001	80NSSC21K1480	71,555
	43.001	80NSSC21K0406	55,457
	43.001	NNA15BB01A	117,434
	43.001	NNX17AK23A	304
	43.001	80NSSC21K0398	175,292
	43.001	80NSSC21K0633	214,146
	43.001	80NSSC21K2077	31,301
	43.001	80NSSC19K0544	22,291
	43.001	80NSSC19K0512	64,000
	43.001	80NSSC21K0145	84,309
	43.001	80NSSC22K0979	655
	43.001	NNX16AI18G	2,940
	43.001	80NSSC19K1068	251,650
	43.001	80NSSC21M0234	1,793
	43.001	NNX16AB69A	4,130
	43.001	NNX16AB90A	191,762
	43.001	80NSSC22K1566	201,027
	43.001	80NSSC17M0066	13,594
	43.001	80NSSC21M0250	48,389
	43.001	80NSSC19K0025	163,673
	43.001	80NSSC19K0350	133,362
	43.001	80NSSC17M0074	53,524
	43.001	80NSSC19K0880	29,361
	43.001	80NSSC20K0273	100,310
	43.001	80NSSC22M0113	878
	43.001	80NSSC22K0780	63,700
	43.001	NNX15AW19A	61,178
	43.001	80NSSC19K0015	19,557
	43.001	80NSSC 21K1104	72,730
	43.001	80NSSC19M0121	133,481
	43.001	80NSSC20K1358	62,010
	43.001	80NSSC18K0854	25,074
	43.001	80NSSC19K0513	225,222
	43.001	80NSSC19K0563	35,507
	43.001	80NSSC21K1685	120,828

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2022

<u>Assistance Listing Number</u>	<u>Grant or Pass- Through Number</u>	<u>Final Federal Expenditures</u>
43.001	80NSSC21K1782	49,450
43.001	80NSSC19K1101	913
43.001	80NSSC19K1124	13,166
43.001	80NSSC21K0351	19,494
43.001	80NSSC21K0631	177,236
43.001	80NSSC21K1205	28,615
43.001	80NSSC22K0190	19,921
43.001	80NSSC22K0747	5,270
43.001	80NSSC18M0135	129,629
43.001	80NSSC19M0002	206,662
43.001	NNX14AT27A	1,058,347
43.001	80NSSC18M0069	53,469
43.001	80NSSC19K0538	123,532
43.001	80NSSC20M0023	33,423
43.001	80NSSC18K1591	289,388
43.001	80NSSC21K1833	64,172
43.001	80NSSC19K0750	167,462
43.001	NNX15AP13A	14,857
43.001	80NSSC20K0449	176,051
43.001	80NSSC18K0007	2,424
43.001	80NSSC19M0038	131,380
43.001	80NSSC21K0536	15,098
43.001	80NSSC21K0776	111,150
43.001	80NSSC21K1466	168,903
43.001	80NSSC21K0391	207,211
43.001	NNX15AM95G	(2,760)
43.001	NNX17AC30A	58,257
43.001	80NSSC17K0658	131,348
43.001	80NSSC19M0163	381,819
43.001	80NSSC20K1095	96,736
43.001	NNX16AB14A	217,547
43.001	80NSSC18M0068	719
43.001	80NSSC19M0089	541,443
43.001	80NSSC19K1714	11,739
43.001	80NSSC21M0079	1,187,830
43.001	80NSSC19K0878	10,426
43.001	80NSSC18K1651	276,068
43.001	80NSSC19K0568	214,400
43.001	80NSSC20K1088	94,083
43.001	80NSSC21M0009	554,150
43.001	80NSSC20M0238	233,665
43.001	80NSSC21M0067	110,472
43.001	80NSSC22M0022	1,257,851
43.001	80NSSC21K1703	140,323
43.001	NNX17AL60A	97,154
43.001	80NSSC19K0423	78,237
43.001	80NSSC20K0142	27,068
43.001	80NSSC19M0127	105,670
43.001	80NSSC22M0114	54,565
43.001	80NSSC19K1265	52,030
43.001	80NSSC22K0208	139,817
43.009	NNX17AC46A	401,125
Total NASA Direct Programs		15,021,024

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2022

	<u>Assistance Listing Number</u>	<u>Grant or Pass- Through Number</u>	<u>Final Federal Expenditures</u>
Arizona Board of Regents, University of Arizona, pass through from: NASA Prime Contract NNN13D947T	43.000	Y502574	49,370
Arkansas Tech, pass through from: NASA Prime Contract SOFIA Grant 07-0189	43.000	063021-b	57,704
Bay Area Environmental Research Institute, pass through from: NASA Prime Contract 80NSSC20M0037	43.001	None	45,205
NASA Prime Contract 80NSSC21K1327	43.001	None	49,597
Subtotal, Bay Area Environmental Research Institute, pass through			94,802
Board of Trustees of the Leland Stanford Junior University, pass through from: NASA Prime Contract 80NSSC17K0535	43.001	61678245-124927	29,326
Board of Trustees of the University of Central Florida, pass through from: NASA Prime Contract 80NSSC18K0530	43.001	66106055	8,796
NASA Prime Contract 80NSSC20K0480	43.001	24086A07	23,609
			32,405
Catholic University of America, pass through from: NASA Prime Contract 80NSSC21K1867	43.001	362664 Sub 2	10,509
Cornell University, pass through from: NASA Prime Contract 80NSSC19K1307	43.001	87941-20334	34,444
Jet Propulsion Laboratory (JPL), pass through from: NASA Prime Contract (None)	43.000	RSA 1672285	26,560
NASA Prime Contract NNH18ZDA001	43.000	1642784	69,229
NASA Prime Contract (None)	43.001	1672140	70,500
NASA Prime Contract NNN12AA01C	43.001	1614608	21,007
NASA Prime Contract NNN12AA01C	43.001	RSA 1666238	66,091
NASA Prime Contract (None)	43.001	1649375	40,265
Subtotal, Jet Propulsion Laboratory (JPL) pass through			293,652
Lockheed Martin Corporation, pass through from: NASA Prime Contract NNG04EA00C	43.000	PO 4103865863	34,612
Northern Arizona University, pass through from: NASA Prime Contract 80NSSC20k0292	43.001	1004260-01	58,426
Planetary Science Institute (PSI), pass through from: NASA Prime Contract 80NSSC21K0040	43.001	1763-SETI	918
NASA Prime Contract 80NSSC19K1222	43.001	1665-SETI	80,399
NASA Prime Contract 80NSSC20K1412	43.001	1762-SETI	32,847
NASA Prime Contract 80NSSC18K0497	43.001	1579-SETI	34,970
NASA Prime Contract 80NSSC20K1066	43.001	C-1741-01	18,139
NASA Prime Contract 80NSSC21K1096	43.001	C-1815-01	16,469
NASA Prime Contract 80NSSC21K0212	43.001	1775-SETI	12,976
Subtotal, Planetary Science Institute (PSI) pass through			196,718

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2022

	<u>Assistance Listing Number</u>	<u>Grant or Pass- Through Number</u>	<u>Final Federal Expenditures</u>
Regents of New Mexico State University, pass through from: NASA Prime Contract 80NSSC21K0497	43.001	Q02262	<u>21,943</u>
Smithsonian Astrophysical Observatory, pass through from: NASA Prime Contract NAS8-03060	43.001	AR1-22005A	<u>20,622</u>
Southwest Research Institute, pass through from:			
NASA Prime Contract NASW-02008	43.000	1415FC0038	149,415
NASA Prime Contract NASW-02008	43.000	P58647LP	29,668
NASA Prime Contract NASW-02008	43.000	E99013LM	54,912
NASA Prime Contract NNM13AA38C	43.000	J99089LW	4,393
NASA Prime Contract NNN12AA01C	43.001	J99082CT	4,614
NASA Prime Contract NNX12AA01C	43.001	J99083CT	4,092
NASA Prime Contract 80ARC017M0008	43.001	K99091JRG	164,606
NASA Prime Contract 80NSSC20K0858	43.001	N99062ZO	<u>21,811</u>
Subtotal, Southwest Research Institute pass through			<u>433,511</u>
Space Telescope Science Institute (STSci), pass through from:			
NASA Prime Contract NAS5-26555	43.000	HST-GO-16704.001-A	29,096
NASA Prime Contract NAS5-26555	43.000	HST-GO-15648.008-A	129,542
NASA Prime Contract NAS5-26555	43.000	HST-GO-15207.012-A	20,642
NASA Prime Contract NAS5-26555	43.000	HST-GO-15179.001-A	40,099
NASA Prime Contract NAS5-26555	43.000	HST-GO-15261.003-A	17,166
NASA Prime Contract NAS5-26555	43.000	JWST-ERS-01373.003-A	6,930
NASA Prime Contract NAS5-26555	43.000	HST-GO-15424.010-A	23,823
NASA Prime Contract NAS5-26555	43.000	HST-AR-16153.001-A	61,118
NASA Prime Contract NAS5-26555	43.000	HST-GO-16281.002-A	16,339
NASA Prime Contract NAS5-26555	43.001	HST-AR-15803.012-A	<u>16,098</u>
Subtotal, Space Telescope Science Institute (STSci) pass through			<u>360,853</u>
Stanford Research Institute International pass through, pass through from:			
NASA Prime Contract 80NSSC20K0258	43.001	62335576-148494	<u>39,498</u>
Stone Aerospace, Inc., pass through from:			
NASA Prime Contract 80NSSC18K1738	No CFDA	83061	<u>16,106</u>
The Regents of the University of Colorado, pass through from:			
NASA Prime Contract 80NSSC20K0858	43.001	1559164	<u>51,463</u>
Universities Space Research Association, pass through from:			
NASA Prime Contract 80NSSC20K0552	43.001	G19AC00023	21,543
NASA Prime Contract NNA17BF53C	43.001	08700-12	28,690
NASA Prime Contract NNA17BF53C	43.001	SOFIA Grant 09_0114	7,000
NASA Prime Contract 80NSSC19K0507	43.001	02298-02	<u>44,972</u>
Subtotal, Universities Space Research Association pass through			<u>102,205</u>
The Trustees of Princeton University, pass through from:			
NASA Prime Contract SUB0000491	43.001	80NSSC21K0608	<u>10,963</u>
University Corporation for Atmospheric Research, pass through from:			
NASA Prime Contract NNX16AK22G	43.001	SUBAWD003010	<u>280,001</u>

SETI INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2022

	<u>Assistance Listing Number</u>	<u>Grant or Pass- Through Number</u>	<u>Final Federal Expenditures</u>
University of California, Santa Cruz, pass through from: NASA Prime Contract 80NSSC19K0446	43.001	A19-04446-S003-P0707	<u>12,251</u>
University of Idaho, pass through from: NASA Prime Contract 80NSSC21K0527	43.001	SP5233-880962	<u>61,689</u>
University of Michigan, Ann Arbor, pass through from: NASA Prime Contract 80NSSC18K1208	43.000	SUBK00009678	<u>8,346</u>
University of New York, New York, pass through from: NASA Prime Contract 80NSSC19K0021	43.001	83061	<u>3,063</u>
Wyle Laboratories, Inc., pass through from: NASA Prime Contract	No ALN	(blank)	<u>878,173</u>
Total National Aeronautics Space Administration (NASA)			<u>18,213,679</u>
Department of Energy			
U.S. Department of Energy DOE Prime Contract DE-AI0000001	81.087	DE-AI0000001	<u>1,328,415</u>
Total Department of Energy			<u>1,328,415</u>
National Science Foundation (NSF):			
The Regents of the University of Colorado pass through from: NSF Prime Contract 2139964	47.049	1561244	<u>222,801</u>
NSF Direct Programs	47.074	AST-2149122	76,872
	47.049	AST-1743015	64,128
	47.049	AST-2051007	<u>191,153</u>
Total, National Science Foundation Direct Programs			<u>332,153</u>
Total National Science Foundation (NSF)			<u>554,954</u>
Department of the Interior			
United States Geological Survey Flagstaff Science Center Department of the Interior Contract G19AC0023	15.808	G19AC0023	9,795
Department of the Interior Contract G20AC0027	15.808	G20AC00207	<u>39,903</u>
Total Department of the Interior			<u>49,698</u>
Department of Health and Human Services			
National Institutes of Health, pass through from: DHHS Prime Contract RGM065440E	93.859	7R01GM065440	2,165
DHHS Prime Contract RGM065440F	93.859	2R01GM065440-18A1	<u>219</u>
Total Department of Health and Human Services			<u>2,384</u>
Total Research and Development Cluster			<u>20,149,130</u>
Total Expenditures of Federal Awards			<u>\$ 20,149,130</u>

SETI INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2022

Of the federal expenditures presented above, SETI provided federal awards to subrecipients as follows:

<u>Name</u>	<u>Subcontracts</u>	<u>Prime Award</u>	<u>CFDA</u>
ARIES Scientific	\$ 27,963	NNX16AB90A	43.001
Arizona State University	8,032	80NSSC19K0423	43.001
Astronomical Society of the Pacific	55,897	NNX16AB90A	43.001
Baja Technology LLC	5,760	80NSSC17K0658	43.001
Ball Aerospace & Technologies Corporation	304	NNX17AK23A	43.001
Citrus Community College District	9,245	80NSSC18K1651	43.001
Cornell University	139	80NSSC19K0544	43.001
Fibernetics LLC	24,740	80NSSC18K1384	43.001
Georgetown University	60,535	80NSSC18K1094	43.001
Girl Scouts of the USA	42,649	NNX16AB90A	43.001
Honeybee Robotics, Ltd	68,146	80NSSC18K1591	43.001
Honeybee Robotics, Ltd	17,603	80NSSC19M0163	43.001
Honeybee Robotics, Ltd	33,703	80NSSC20K1095	43.001
Howard University	27,780	80NSSC19K0025	43.001
Johns Hopkins University Applied Physics Laboratory, LLC	78	80NSSC21K1480	43.001
Leiden Measurement Technology	38,512	80NSSC20M0238	43.001
Lockheed Martin Corporation	21,728	80NSSC21K1685	43.001
M3D	2,346	80NSSC19M0163	43.001
Metzger Geoscience Consulting LLC	65,000	80NSSC19K0025	43.001
Parisa Technologies	12,554	80NSSC21M0009	43.001
Planetary Science Institute	13,966	80NSSC21K0537	43.001
Planetary Science Institute	11,453	80NSSC21K1103	43.001
Planetary Science Institute	15,232	80NSSC22K0190	43.001
Planetary Science Institute	17,351	80NSSC20K0142	43.001
Purdue University	20,461	80NSSC19K0512	43.001
Research Foundation for the State University of New York	25,347	80NSSC18K1651	43.001
Regents of the University of California at Riverside	20,110	80NSSC21K1703	43.001
Regents of the University of California Berkeley	11,547	80NSSC18K0854	43.001
Regents of the University of Michigan	57,001	80NSSC21K1685	43.001
Regents of the University of Michigan	27,651	80NSSC21K0631	43.001
Regents of the University of Michigan	22,783	80NSSC21K1703	43.001
San Diego State University Foundation	36,280	80NSSC21K0631	43.001
Smithsonian Astrophysical Observatory	86,112	80NSSC19K0750	43.001
Southwest Research Institute	31,284	80NSSC19K0423	43.001
Trillium	110,890	SUBA WD003010	43.001
Trillium	50,400	80NSSC22K1566	43.001
Trillium	142,329	NNX14AT27A	43.001
Trillium	252,000	NNX14AT27A	43.001
Trillium	59,535	80NSSC19M0089	43.001
Universities Space Research Association (MD)	1,333	80NSSC18K0549	43.001
University of Arizona	21,748	NNX16AB90A	43.001
University of Arizona	92,192	80NSSC20K0273	43.001
University of California, Santa Cruz	4,398	80NSSC18K0549	43.001
University of Florida Board of Trustees	17,165	80NSSC19K0350	43.001
University of Florida Board of Trustees	23,012	80NSSC22K0208	43.001
University of Hawaii	123,418	80NSSC18K1651	43.001
University of Maryland, Baltimore	15,149	80NSSC20K1088	43.001
University of Massachusetts	8,097	80NSSC19K1230	43.001
University of Massachusetts	16,416	80NSSC21K1103	43.001
University of Massachusetts	33,782	80NSSC21K1480	43.001
University of Oklahoma	43,205	80NSSC19K1230	43.001
University of Southern California	47,563	80NSSC18K1651	43.001
University of Texas	50,446	80NSSC20K0449	43.001
University of Washington	70,496	80NSSC18K1651	43.001
University of Virginia	3,008	80NSSC21K0631	43.001
Villanova University	15,320	80NSSC21K0631	43.001
West Ed	104,150	NNX16AC51A	43.001
West Ed	106,079	80NSSC21M0009	43.001
Subtotal 43.001	<u>2,331,423</u>		
Other Orb	<u>66,880</u>	NNX17AC46A	43.009
Trillium	<u>302,800</u>	DE-AI0000001	81.087
Total	<u>\$ 2,701,103</u>		

SETI INSTITUTE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS SEPTEMBER 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of the SETI Institute (Institute) is presented on the accrual basis of accounting. The information in this schedule is 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

2. INDIRECT COST RATE

The Institute did not elect to use the 10% de minimis indirect cost rate as they received an approved federal rate from the Department of the Interior.

**INDEPENDENT AUDITOR’S 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***

**Board of Trustees
SETI Institute
Mountain View, California**

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 SETI Institute (Institute), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2023.

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 or significant deficiencies may exist that were not 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.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

February 17, 2023

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**Board of Trustees
SETI Institute
Mountain View, California**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited SETI Institute’s (Institute) 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 September 30, 2022. 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

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; 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.

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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

February 17, 2023

SETI INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified? _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses(es) identified? _____ Yes No
- Significant deficiency(ies) 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:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Research and Development Cluster	43.000, 43.001, 43.009, 47.049, 47.074 15.808, 93.859, 81.087

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

Auditee qualified as low-risk auditee? Yes _____ No

SETI INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – FOLLOW-UP ON PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None noted.