

Coriell Institute for Medical Research

Financial Statements and
Supplementary Information

June 30, 2023 and 2022

Coriell Institute for Medical Research

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June 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Trustees of
The Coriell Institute for Medical Research

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Coriell Institute for Medical Research (the Institute), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of operations and changes in net assets 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 June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 audits were 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* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 15, 2024 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
March 15, 2024

Coriell Institute for Medical Research

Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 203,992	\$ 1,282,031
Government contracts, grants and awards receivable, net	3,045,757	3,216,259
Other accounts receivable, net	1,785,356	1,209,962
Other assets	188,063	473,125
Prepaid expenses	314,083	330,690
Pooled investments	3,197,156	3,387,809
Noncontrolling interest in CLS	300,000	300,000
New Jersey Cord Blood Bank	4,675,500	4,675,500
Use of research facility	5,877,977	6,032,565
Split-interest agreements	490,170	468,840
Property and equipment, net	9,598,687	6,207,342
	<u>29,676,741</u>	<u>27,584,123</u>
Total assets	<u>\$ 29,676,741</u>	<u>\$ 27,584,123</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,138,728	\$ 1,181,281
Deferred revenue and other liabilities	48,856	100,474
Long-term debt, net	4,675,500	4,675,500
	<u>6,863,084</u>	<u>5,957,255</u>
Total liabilities	<u>6,863,084</u>	<u>5,957,255</u>
Net Assets		
Without donor restrictions	12,478,611	10,722,799
Without donor restrictions, designated for endowment	1,713,161	2,046,087
	<u>14,191,772</u>	<u>12,768,886</u>
Total net assets without donor restrictions	<u>14,191,772</u>	<u>12,768,886</u>
With donor restrictions	8,621,885	8,857,982
	<u>8,621,885</u>	<u>8,857,982</u>
Total net assets	<u>22,813,657</u>	<u>21,626,868</u>
Total liabilities and net assets	<u>\$ 29,676,741</u>	<u>\$ 27,584,123</u>

See notes to financial statements

Coriell Institute for Medical Research

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Government biobanking contracts and grants	\$ 17,605,087	\$ -	\$ 17,605,087
Private service contracts and grants	3,109,818	-	3,109,818
Investigator directed science	61,231	10,046	71,277
New Jersey Grant-in-Aid	2,000,000	-	2,000,000
Investment income	50,075	42,641	92,716
Contributions:			
General donations and grants	34,773	-	34,773
Imputed value of building occupancy	652,275	-	652,275
Other income	486,482	-	486,482
Net realized and unrealized gains on investments	116,999	99,632	216,631
Change in value of split-interest agreements	-	21,330	21,330
Change in value of future building occupancy	-	(154,588)	(154,588)
Net assets released from restrictions	255,158	(255,158)	-
	<u>24,371,898</u>	<u>(236,097)</u>	<u>24,135,801</u>
Total revenues and other support			
Expenses			
Program services:			
Government biobanking contracts and grants	15,456,471	-	15,456,471
Private service contracts and grants	1,583,064	-	1,583,064
Investigator directed science	262,311	-	262,311
	<u>17,301,846</u>	<u>-</u>	<u>17,301,846</u>
Total program services			
Supporting services:			
General and administrative	5,647,166	-	5,647,166
	<u>22,949,012</u>	<u>-</u>	<u>22,949,012</u>
Total expenses			
Excess of revenues and other support over (under) expenses and change in net assets	1,422,886	(236,097)	1,186,789
Net Assets, Beginning	<u>12,768,886</u>	<u>8,857,982</u>	<u>21,626,868</u>
Net Assets, Ending	<u>\$ 14,191,772</u>	<u>\$ 8,621,885</u>	<u>\$ 22,813,657</u>

See notes to financial statements

Coriell Institute for Medical Research

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Government biobanking contracts and grants	\$ 16,474,748	\$ 5,007	\$ 16,479,755
Private service contracts and grants	2,792,060	-	2,792,060
Investigator directed science	138,957	489,954	628,911
New Jersey Grant-in-Aid	1,537,000	-	1,537,000
Investment income	50,564	32,605	83,169
Contributions:			
General donations and grants	55,490	-	55,490
Imputed value of building occupancy	652,275	-	652,275
Paycheck Protection Program loan forgiveness income	1,625,000	-	1,625,000
Other income	78,869	-	78,869
Net realized and unrealized losses on investments	(141,942)	(91,530)	(233,472)
Change in value of split-interest agreements	-	(78,952)	(78,952)
Change in value of future building occupancy	-	(142,807)	(142,807)
Net assets released from restrictions	745,025	(745,025)	-
	<u>24,008,046</u>	<u>(530,748)</u>	<u>23,477,298</u>
Expenses			
Program services:			
Government biobanking contracts and grants	13,389,755	-	13,389,755
Private service contracts and grants	1,470,945	-	1,470,945
Investigator directed science	348,759	-	348,759
	<u>15,209,459</u>	<u>-</u>	<u>15,209,459</u>
Supporting services:			
General and administrative	5,103,192	-	5,103,192
	<u>20,312,651</u>	<u>-</u>	<u>20,312,651</u>
Excess of revenues and other support over (under) expenses	3,695,395	(530,748)	3,164,647
Other Changes in Net Assets			
Coriell Life Sciences noncontrolling interests	(1,876,277)	-	(1,876,277)
Change in net assets	1,819,118	(530,748)	1,288,370
Net Assets, Beginning	<u>10,949,768</u>	<u>9,388,730</u>	<u>20,338,498</u>
Net Assets, Ending	<u>\$ 12,768,886</u>	<u>\$ 8,857,982</u>	<u>\$ 21,626,868</u>

See notes to financial statements

Coriell Institute for Medical Research

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,186,789	\$ 1,288,370
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,249,695	1,343,448
Gain on the sale of property and equipment	-	(755)
Change in value of future building occupancy	154,588	142,807
Net realized and unrealized (gains) losses on investments	(216,631)	233,472
Change in value of split-interest agreements	(21,330)	78,952
Paycheck Protection Program loan forgiveness	-	(1,625,000)
Loss in noncontrolling interest in CLS	-	1,876,277
Changes in assets and liabilities:		
Government contracts, grants and awards receivable, net	170,502	(1,319,746)
Other accounts receivable, net	(575,394)	263,468
Other assets	285,062	(347,188)
Prepaid expenses	16,607	44,679
Split-interest agreements	-	3,103
Accounts payable and accrued expenses	330,482	(448,353)
Deferred revenue and other liabilities	(51,618)	(32,995)
Net cash provided by operating activities	<u>2,528,752</u>	<u>1,500,539</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(4,014,075)	(1,244,583)
Proceeds from sale of property and equipment	-	1,000
Purchases of investments	(92,716)	(436,271)
Withdrawals of investments	500,000	-
Net cash used in investing activities	<u>(3,606,791)</u>	<u>(1,679,854)</u>
Net decrease in cash and cash equivalents	(1,078,039)	(179,315)
Cash and Cash Equivalents, Beginning	<u>1,282,031</u>	<u>1,461,346</u>
Cash and Cash Equivalents, Ending	<u>\$ 203,992</u>	<u>\$ 1,282,031</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 660</u>
Property and equipment in accounts payable	<u>\$ 641,212</u>	<u>\$ 14,247</u>

See notes to financial statements

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2023 and 2022

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Coriell Institute for Medical Research (the Institute) is an independent not-for-profit biomedical research institute located in Camden, New Jersey. The majority of the Institute's operating revenue is derived from government contracts and grants, with federal and state funds comprising approximately 82% and 77% of operating revenues, for the years ended June 30, 2023 and 2022, respectively. Other funding is derived from contracts and grants received from foundations and other private organizations and from income earned on invested funds. The Institute is dependent on public and private funding for its current and continuing programs and operations.

Basis of Presentation

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

A description of the net asset classifications follows:

Net Assets Without Donor Restrictions - Net assets include assets that are available for the support of operations and whose use is not externally restricted and assets that are available for the support of operations and whose use is not externally restricted, although their use is limited by designation from the Board of Trustees. As of June 30, 2023 and 2022, respectively, the Board of Trustees has designated \$1,713,161 and \$2,046,087 for endowment.

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

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

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2023 and 2022

Government Contracts, Grants and Awards Receivable

Income from contracts, grants and awards, including overhead allowances, is recorded as the related direct expenses are incurred for such contracts, grants and awards. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon periodic review of individual accounts. The allowance for doubtful accounts was \$0 at June 30, 2023 and 2022.

Other Accounts Receivable

Other accounts receivable are reported at net realizable value. Accounts are written off when they are deemed to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon periodic review of individual accounts. The allowance for doubtful collections was \$0 at June 30, 2023 and 2022.

Investments

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

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

New Jersey Cord Blood Bank

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

All costs funded by the above-mentioned \$5 million loan for the New Jersey Cord Blood Bank have been capitalized. All receipts of the loan from the State are recorded as long-term debt. Proceeds from the sale of cord blood are used first to pay down the loan to the State, as directed in the Direct Loan Agreement and Promissory Note and then to maintain and build the bank. In 2023 and 2022, the Institute had no sales of units of cord blood. \$2,950 of the proceeds from the sale of each unit is used to pay down the Direct Loan Agreement and the Promissory Note (Note 7).

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

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2023 and 2022

Split-Interest Agreements

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

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

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

Split-interest agreements at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Pooled income funds	\$ 469,790	\$ 449,027
Charitable gift annuities	<u>20,380</u>	<u>19,813</u>
Total	<u>\$ 490,170</u>	<u>\$ 468,840</u>

Property and Equipment

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

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

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

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

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2023 and 2022

Revenue Recognition

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

Federal Grants

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

Nonfederal Grants and Contracts

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

Other Income

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

Contributions

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

Annually, the Institute recognizes the imputed value of the use of a research facility, described in Note 5, as a contributed nonfinancial asset without donor restrictions. Under terms of the lease, the Institute is not charged rent; however, the Institute is responsible for occupancy costs including utilities and maintenance. The rent-free valuation is based on the approximate fair value of the future benefit, discounted to the appropriate net present value over the 50-year term of the agreement (including renewals) using the 10-year treasury rate in effect when the agreement commenced. The institute recognized \$652,275 on the statements of activities and changes in net assets for the years ended June 30, 2023 and 2022.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2023 and 2022

Deferred Revenue and Other Liabilities

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

<u>Balance at June 30, 2022</u>	<u>Refunds Issued</u>	<u>Revenue Recognized Included in June 30, 2023 Balance</u>	<u>Cash Received in Advanced of Performance</u>	<u>Balance at June 30, 2023</u>
\$ 100,474	\$ -	\$ 61,745	\$ 10,127	\$ 48,856

The balance of deferred revenue at June 30, 2023, less any refunds issued, will be recognized as earned in future years.

Employment Agreements

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

Income Taxes

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

The Institute accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2023 and 2022.

Accounting Standards Adopted in Current Year

Effective July 1, 2022, the Institute adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (as amended) (Topic 842)*. Accounting Standard Codification (ASC) 842 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the provisions of ASC 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the statement of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Institute's leasing activities. The Institute elected the package of practical expedients, which permits the Institute to not reassess its prior conclusions about lease identification, classification and initial direct costs. In addition, the Institute elected the short-term lease recognition exemption for all leases that qualify under Topic 842. The adoption of ASU No. 2016-02 (as amended) did not impact the Institute's financial statements.

Recent Issued Accounting Standards Not Yet Adopted

During March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. The Institute may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. The Institute is currently assessing the effect that electing the optional expedients and exceptions included in ASU No. 2020-04 would have on its changes in net assets, financial position and cash flows.

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for the Institute in the fiscal year ending June 30, 2024. The Institute is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its changes in net assets, financial position and cash flows.

Reclassifications

Certain reclassifications were made to the 2022 amounts to conform to 2023 presentation

2. Noncontrolling Interest in Coriell Life Sciences

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

On January 14, 2013, CLS was incorporated under the laws of the State of Delaware and was authorized to issue 8,671,241 shares of common stock and 3,528,759 shares of preferred stock. On January 14, 2013, the Institute received 2,025,000 of Series Seed-1 Preferred Stock. In addition, the Institute was granted 1,500,000 shares of common stock to be used as a pool to be distributed to founders and inventors with the restriction that these shares must vote with the Institute. At July 1, 2022, the Institute's combined voting interest amongst the preferred and common stock with restrictions equaled approximately 23% of the 8,838,677 shares issued and outstanding. The Institute determined to elect the fair value method of accounting in CLS. The fair value of the investment in CLS was determined by appraisal valuation as of June 30, 2022 utilizing the option-pricing method (OPM) as outlined in Valuation of Privately Held Company Equity Securities issued as Compensation. OPM was deemed the most appropriate method to use when specific future liquidity events are difficult to forecast.

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
Current assets	\$ 1,080,000	\$ 2,685,000
Noncurrent assets	217,000	252,000
Total assets	<u>1,297,000</u>	<u>2,937,000</u>
Current liabilities	804,000	1,438,000
Noncurrent liabilities	3,612,000	2,112,000
Total liabilities	<u>4,416,000</u>	<u>3,550,000</u>
Net assets (100%)	<u>\$ (3,119,000)</u>	<u>\$ (613,000)</u>
The Institute's valuation of noncontrolling interest in CLS	<u>\$ 300,000</u>	<u>\$ 300,000</u>

3. Pooled Investments

Pooled investments at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Short-term investments	\$ 323,596	\$ 265,189
Mutual funds:		
Equity	2,356,754	2,606,334
Fixed income	488,068	490,901
Marketable securities	28,738	25,385
Total	<u>\$ 3,197,156</u>	<u>\$ 3,387,809</u>

4. Fair Value of Financial Instruments

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

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

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2023 and 2022

The levels of the fair value hierarchy are as follows:

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

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

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

The fair value of the Institute's pooled investments and other assets were measured using the following inputs at June 30, 2023:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Assets:				
Short-term investments	\$ 323,596	\$ 323,596	\$ -	\$ -
Mutual funds:				
Equity:				
Large value	618,574	618,574	-	-
Exchange traded fund	1,560,017	1,560,017	-	-
Master limited partnership	178,163	178,163	-	-
Fixed income:				
Short-term	196,153	196,153	-	-
Total return	291,915	291,915	-	-
Marketable securities	28,738	28,738	-	-
	<u>\$ 3,197,156</u>	<u>\$ 3,197,156</u>	<u>\$ -</u>	<u>\$ -</u>
Other assets:				
Noncontrolling interest in CLS	\$ 300,000	\$ -	\$ -	\$ 300,000
Use of research facility	5,877,977	-	-	5,877,977
Split-interest agreements	490,170	-	-	490,170

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2023 and 2022

The fair value of the Institute's pooled investments and other assets were measured using the following inputs at June 30, 2022:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Short-term investments	\$ 265,189	\$ 265,189	\$ -	\$ -
Mutual funds:				
Equity:				
Large value	558,235	558,235	-	-
Exchange traded fund	1,881,074	1,881,074	-	-
Master limited partnership	167,025	167,025	-	-
Fixed income:				
Short-term	198,349	198,349	-	-
Total return	292,552	292,552	-	-
Marketable securities	25,385	25,385	-	-
Total	\$ 3,387,809	\$ 3,387,809	\$ -	\$ -
Other assets:				
Noncontrolling interest in CLS	\$ 300,000	\$ -	\$ -	\$ 300,000
Use of research facility	6,032,565	-	-	6,032,565
Split-interest agreements	468,840	-	-	468,840

Financial Instruments

Short-term investments, mutual funds and marketable securities - Equity and fixed income mutual funds and marketable securities are valued at fair value based on quoted market prices which are considered Level 1 inputs.

Retained interest in CLS - The fair value of the investment in CLS was determined by appraisal valuation utilizing the OPM as outlined in *Valuation of Privately Held Company Equity Securities issued as Compensation*. OPM was deemed the most appropriate method to use when specific future liquidity events are difficult to forecast.

Use of research facility - The fair value of the use of research facility is the approximate fair value of the future benefit, discounted to the appropriate net present value over the 50-year term of the lease (including renewals) using the 10-year treasury rate in effect when the agreement commenced.

There have been no changes in the methodologies used at June 30, 2023 and 2022. The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2023 and 2022

5. Research Facility

In 1989, a five-story medical research facility was completed for the benefit of the Institute, located on the campus of the University of Medicine and Dentistry of New Jersey (UMDNJ), Robert Wood Johnson Institute of Medicine - Camden. This building was owned by UMDNJ and has been used by the Institute since September 1989. In 1991, the Institute finalized the lease terms for the facility. The lease term commenced September 1, 1989 and continues for a period of 30 years, with an option of renewing for an additional 20 years. Under terms of the lease, the Institute is not charged rent; however, the Institute is responsible for occupancy costs, including utilities and maintenance. In 2023 and 2022, related occupancy costs were approximately \$413,000, respectively.

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

The total cost of this facility was approximately \$7,700,000, of which the New Jersey State Legislature paid \$7,325,000. The rent-free valuation, \$5,877,977 and \$6,032,565 at June 30, 2023 and 2022, respectively, is included on the statements of financial position and is based on the approximate fair value of the future benefit, discounted to the appropriate net present value over the 50-year term of the lease (including renewals) using the 10-year treasury rate in effect when the agreement was entered into. The Institute expended \$375,000 for the Institute's share of the facility's costs. Costs incurred by the Institute in connection with the construction of this facility have been recorded as leasehold improvements.

6. Property and Equipment, Net

Property and equipment at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Building	\$ 900,346	\$ 900,346
Leasehold improvements	15,514,373	15,514,372
Furniture and fixtures and computer equipment	3,883,979	3,679,383
Scientific equipment	12,571,847	12,660,128
Construction in process	4,532,640	401,796
Total	37,403,185	33,156,025
Less accumulated depreciation	27,804,498	26,948,683
Property and equipment, net	<u>\$ 9,598,687</u>	<u>\$ 6,207,342</u>

Depreciation expense was \$1,249,695 and \$1,343,448 for 2023 and 2022, respectively.

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2023 and 2022

7. Long-Term Debt

In 2001, the Institute was approved for and issued a direct noninterest-bearing loan from the New Jersey Department of Health and Senior Services in the amount of \$5,000,000. This loan was requested to establish the New Jersey Allogeneic Cord Blood Bank (NJCBB). The loan is payable in annual installments beginning September 2004 with payments submitted by the Institute made in an amount equal to \$2,950 from the proceeds of each unit of cord blood sold.

Scheduled maturities are as follows:

2024	\$	-
2025		-
2026		-
2027		-
2028		-
Thereafter		4,675,500
		<u>4,675,500</u>
	\$	<u>4,675,500</u>

8. Net Assets

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

	<u>2023</u>	<u>2022</u>
Net assets restricted for time or purpose:		
Rent-free valuation of our facility	\$ 5,877,977	\$ 6,032,565
Unexpended gains, endowment	667,417	525,144
Capital equipment purchased with government funds	330,858	393,662
Investigator directed science	255,466	437,774
Split-interest arrangements	490,170	468,840
Piccone/Opioid	13,140	13,140
CPMC initiative	95,122	95,122
Capital equipment	75,157	75,157
	<u>7,805,307</u>	<u>8,041,404</u>
Net assets restricted for time or purpose	7,805,307	8,041,404
Endowment	<u>816,578</u>	<u>816,578</u>
Total net assets with donor restrictions	<u>\$ 8,621,885</u>	<u>\$ 8,857,982</u>

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

	<u>2023</u>	<u>2022</u>
Capital equipment purchased with government funds placed into service	\$ 62,804	\$ 486,861
Investigator directed science	192,354	52,180
Crohns and colitis	-	190,291
Autism research	-	15,693
	<u>255,158</u>	<u>745,025</u>
Total assets released from restrictions	<u>\$ 255,158</u>	<u>\$ 745,025</u>

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2023 and 2022

9. Endowment Fund

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

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

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

Endowment composition by type of fund as of June 30, 2023 and 2022 is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,483,995	\$ 1,483,995
Board-designated endowment funds	1,713,161	-	1,713,161
Total endowment funds	<u>\$ 1,713,161</u>	<u>\$ 1,483,995</u>	<u>\$ 3,197,156</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,341,722	\$ 1,341,722
Board-designated endowment funds	2,046,087	-	2,046,087
Total endowment funds	<u>\$ 2,046,087</u>	<u>\$ 1,341,722</u>	<u>\$ 3,387,809</u>

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2023 and 2022

Changes in endowment net assets by type of fund for the fiscal years ended June 30, 2023 and 2022 are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 2,046,087	\$ 1,341,722	\$ 3,387,809
Investment return:			
Investment income	50,075	42,641	92,716
Realized and unrealized gains	116,999	99,632	216,631
Total investment return	167,074	142,273	309,347
Other changes:			
Withdrawals	(500,000)	-	(500,000)
Endowment net assets, ending	\$ 1,713,161	\$ 1,483,995	\$ 3,197,156
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 1,787,465	\$ 1,400,647	\$ 3,188,112
Investment return:			
Investment income	50,564	32,605	83,169
Realized and unrealized losses	(141,942)	(91,530)	(233,472)
Total investment return	(91,378)	(58,925)	(150,303)
Other changes:			
Contributions	350,000	-	350,000
Endowment net assets, ending	\$ 2,046,087	\$ 1,341,722	\$ 3,387,809

10. Retirement Plans

The Institute funds a 401(a) pension plan and supplemental retirement benefit plan for eligible employees and certain key executives. The Institute also has 403(b) and 457(b) plans for eligible employees, which are currently funded by employee deferrals. The Institute's expense for the 401(a) pension plan and the supplemental retirement benefit plan was approximately \$557,000 and \$529,000 for the years ended June 30, 2023 and 2022, respectively.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2023 and 2022

11. Related-Party Transactions

The Institute incurred legal fees of approximately \$40,000 in 2023 and \$61,000 in 2022 from a law firm, a partner of which is a member of the Institute's Board of Trustees. This law firm has represented the Institute since its inception.

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

12. Functional Classification of Expenses

The financial statements report certain categories of expense that are attributable to more than one program or supporting function. Therefore these expenses require allocation on a reasonable basis that is consistently applied. Salaries, payroll taxes, fringe benefits, meetings, lab materials, genotyping supplies, general supplies, professional services, operations and facilities, depreciation and administration costs are allocated based on estimated time and effort by program. Included in general and administrative expenses is \$92,307 and \$196,112 of fundraising expenses for the years ended June 30, 2023 and 2022, respectively.

Expenses by functional classification for the years ended June 30, 2023 and 2022 consist of the following:

	2023				
	Program Services			Supporting Services	
	Government Biobanking Contracts and Grants	Private Service Contracts and Grants	Investigator Directed Science	General and Administrative	Total
Salaries	\$ 5,629,222	\$ 530,368	\$ 108,918	\$ 2,482,051	\$ 8,750,559
Payroll taxes	395,879	38,544	7,047	157,079	598,549
Fringe benefits	1,347,399	127,292	26,140	180,353	1,681,184
Meetings, travel, development	39,853	189	19,734	160,745	220,521
Lab materials and supplies	1,600,328	256,721	950	992	1,858,991
General supplies	540,491	45,831	28,879	24,137	639,338
Professional services	2,158,606	85,413	223	752,405	2,996,647
Operations and facilities	628,857	188,347	3,238	570,384	1,390,826
Administrative costs	46,111	-	15,756	211,897	273,764
Depreciation	856,885	82,995	13,752	296,063	1,249,695
Facilities	1,773,982	182,272	30,202	650,207	2,636,663
Imputed rent	438,858	45,092	7,472	160,853	652,275
Total	\$ 15,456,471	\$ 1,583,064	\$ 262,311	\$ 5,647,166	\$ 22,949,012

Coriell Institute for Medical Research

Notes to Financial Statements
June 30, 2023 and 2022

	2022				
	Program Services			Supporting Services	
	Government Biobanking Contracts and Grants	Private Service Contracts and Grants	Investigator Directed Science	General and Administrative	Total
Salaries	\$ 4,791,820	\$ 490,570	\$ 173,149	\$ 1,967,979	\$ 7,423,518
Payroll taxes	335,559	35,624	11,935	141,714	524,832
Fringe benefits	1,143,908	118,312	41,556	316,426	1,620,202
Meetings, travel, development	20,181	-	4,738	102,937	127,856
Lab materials and supplies	1,099,581	188,425	15,215	-	1,303,221
General supplies	523,330	38,946	387	13,250	575,913
Professional services	1,920,094	94,905	16,683	669,880	2,701,562
Operations and facilities	703,493	198,106	991	524,917	1,427,507
Administrative costs	13,177	-	11,539	304,276	328,992
Depreciation	906,800	92,777	21,997	321,874	1,343,448
Facilities	1,502,573	165,890	39,333	575,529	2,283,325
Imputed rent	429,239	47,390	11,236	164,410	652,275
Total	<u>\$ 13,389,755</u>	<u>\$ 1,470,945</u>	<u>\$ 348,759</u>	<u>\$ 5,103,192</u>	<u>\$ 20,312,651</u>

13. Liquidity and Availability of Resources

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

As described in Note 9, the Institute's endowment funds consist of donor-restricted endowments and a Board-designated endowment. The endowment does not have a spending rate policy, but management has ability to draw on Board-designated funds as needed. Management withdrew \$500,000 on unexpended funds for the year ended June 30, 2023.

The Board-designated endowment was \$1,713,161 and \$2,046,087 as of June 30, 2023 and 2022, respectively. Although the Institute does not intend to spend from its Board-designated funds, amounts from funds could be made available if necessary.

Coriell Institute for Medical Research

Notes to Financial Statements

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 203,992	\$ 1,282,031
Government contracts, grants and awards receivable, net	3,045,757	3,216,259
Other accounts receivable, net	<u>1,785,356</u>	<u>1,209,962</u>
Total financial assets	5,035,105	5,708,252
Less resources unavailable for general expenditures within one year due to contractual or donor restrictions:		
Capital equipment purchased with government funds	(330,858)	(393,662)
Other restrictions:		
Investigator directed science	(255,466)	(437,774)
CPMC initiative	(95,122)	(95,122)
Capital equipment	(75,157)	(75,157)
Piccone/Opioid	<u>(13,140)</u>	<u>(13,140)</u>
Total	<u>\$ 4,265,362</u>	<u>\$ 4,693,397</u>

14. Subsequent Events

In October 2023, the Institute received notice from the New Jersey Department of Health of a \$5,000,000 grant through the Coronavirus State Fiscal Recovery Fund Project. The Institute intends to use the proceeds of the grant for the financing of a new building and cancer center. The Institute will recognize revenue on the grant as funds are expended in compliance with the grant agreement.

The Institute entered into a joint venture to be called the Camden Cancer Research Center (the Center), with the University of Rowan on behalf of Cooper Medical School of Rowan University and the Cooper Health System, both New Jersey Non-Profit Corporations, with the purpose of combining resources to create a long-term research enterprise and obtain National Cancer Institute (NCI) consortium designation. Each party agrees to contribute an annual sum of \$1,000,000 to the Center for the entirety of the 10-year agreement. The Center is expected to be legally formed in fiscal year 2024.

The Institute has evaluated subsequent events through March 15, 2024, which is the date the financial statements were available to be issued.

**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 Auditors' Report

To the Board of Trustees of
The Coriell Institute for Medical Research

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the The Coriell Institute for Medical Research (the Institute), which comprise the Institute's statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2024.

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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
March 15, 2024

**Report on Compliance
for Each Major Federal and Major State Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance and the State of New Jersey *State Single Audit
Guidelines***

Independent Auditors' Report

To the Board of Trustees of
The Coriell Institute for Medical Research

Report on Compliance for Each Major Federal and Major State Program

Opinion on Each Major Federal and Major State Program

We have audited the The Coriell Institute for Medical Research's (the Institute) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the State of New Jersey *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on each of the Institute's major federal and major state programs for the year ended June 30, 2023. The Institute's major federal and major state programs are identified in the summary of auditors' 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 and major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and Major State Program

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

Auditors' 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*, the Uniform Guidance, and the *Guidelines* 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 and major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines*, 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 and the *Guidelines*, 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state 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 Auditors' 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 and the *Guidelines*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
March 29, 2024

Coriell Institute for Medical Research

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through/Grantor ID Number	Contract/ Grant Amount	Contract/ Grant Period	Federal Expenditures
Research and Development Cluster					
Federal Grants					
U.S. Department of Health and Human Services:					
Biomedical Research and Research Training -					
Human Genetic Cell Repository	93.859	5U42GM115336-09	\$ 23,273,825	3/15 - 2/25	\$ 4,172,960
Human Genome Research	93.172	2U41HG008736-08	7,065,701	8/16 - 5/24	1,109,609
Cancer Cause and Prevention Research	93.393	5R01CA214005-06	2,291,211	4/15 - 11/23	276,275
Cancer Biology Research	93.396	5R01CA255221-03	1,176,817	3/21 - 2/24	183,872
Cancer Center Support Grants	93.397	1P50CA254897-02	4,615,110	8/21 - 6/23	1,941,948
Blood Diseases and Resources Research	93.839	1R01HL157118-02	985,126	1/22 - 12/23	350,424
Alcohol Research Programs	93.273	7R01AA030026-02	573,301	3/23 - 7/23	180,432
Cancer Biology Research	93.396	3R01CA244236-04S1	445,288	1/23 - 12/12	75,196
Total federal grants					<u>8,290,716</u>
Federal Subawards					
U.S. Department of Health and Human Services,					
National Institutes of Health:					
Passed through: University of Texas - MD Anderson					
Cancer Center - Cancer Center Support Grants	93.397	5P50CA100632-20	1,339,869	9/19 - 8/23	244,979
Passed through: Temple University					
Cancer Center Support Grants	93.397	5P50CA100632-20	123,484	3/19 - 8/23	13,024
Passed through: Temple University					
Cancer Biology Research	93.397	5U54CA221705-05	133,972	3/19 - 8/23	18,000
Passed through: University of California, Santa Cruz					
Center for Human Reference Genome Diversity	93.172	U01HG010971	1,331,687	9/19 - 7/23	173,115
Total federal subawards					<u>449,118</u>
Total research and development cluster and total federal awards					<u>\$ 8,739,834</u>

See notes to schedules of expenditures of federal and state awards

Coriell Institute for Medical Research

Schedule of Expenditures of State Awards
 Year Ended June 30, 2023

State Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through/Grantor Number	Contract/ Grant Amount	Contract/ Grant Period	State Expenditures
State Grants				
State of New Jersey - Department of the Treasury Research Under Contract With the Coriell Institute for Medical Research, Camden	TREAS-23-03	\$ 2,000,000	7/22 - 6/23	\$ 1,306,009
State of New Jersey - Department of the Treasury Passed through: Rowan University Opioid Research		3,500,639	4/18 - 6/23	689,459
State of New Jersey - Department of the Treasury NJCCR Pilot Program Research Grant 2023	COCRCOCR23PPR002	400,000	7/11 - 6/24	200,000
State of New Jersey - Department of the Treasury NJCCR Postdoctoral Fellowship Grant 2023	COCR23PDF024	400,000	7/22 - 6/24	<u>200,000</u>
Total research and development cluster and total state awards				<u>\$ 2,395,468</u>

See notes to schedules of expenditures of federal and state awards

Coriell Institute for Medical Research

Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedules) include the federal and state award activity of the Coriell Institute for Medical Research (the institute) for the year ended June 30, 2023. 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) and the State of New Jersey *State Single Audit Guidelines*. Because the Schedules present only a selected portion of the activities of the Institute they are not intended to, and does not present the financial position, changes in net assets or cash flows of the Institute.

2. Summary of Significant Accounting Policies

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

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

3. Indirect Cost Rate

The Institute has negotiated facilities and administration rates for federal contracts and grants. The rate was 75.0% for 2023 and 2022, respectively.

The Institute has not elected to use the 10% de minimis indirect cost rate.

Coriell Institute for Medical Research

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal and State Awards

Internal control over major programs:

	<u> Federal Programs </u>			<u> State Programs </u>		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no		<u> </u> yes	<u> X </u> no	
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> reported	None	<u> </u> yes	<u> X </u> reported	None

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*? yes X no yes X no

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

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

Identification of major federal programs:

<u> Assistance Listing Number(s) </u>	<u> Name of Federal Program or Cluster </u>
Various	Research and Development Cluster

Identification of major state programs:

<u> State Number </u>	<u> Name of State Program or Cluster </u>
Various	Research and Development Cluster

Coriell Institute for Medical Research

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

None.

Section III - Federal Awards Findings and Questioned Costs

None.

Section IV - Summary of Prior Year Findings

None.