

**ALLEN INSTITUTE**

Financial Statements and  
Single Audit Reports

For the Years Ended December 31, 2023 and 2022

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## Independent Auditor's Report

To the Board of Directors  
Allen Institute  
Seattle, Washington

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of the Allen Institute ("the Institute"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2023 and 2022, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

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

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



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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

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

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 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.

Clark Nuber P.S.

Certified Public Accountants  
May 30, 2024

**ALLEN INSTITUTE**

**Statements of Financial Position  
December 31, 2023 and 2022  
(In Thousands)**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 94,639	\$ 62,494
Investments	46,861	49,496
Federal grants and contracts receivable	12,031	12,365
Accounts and other grants receivable	898	2,212
Prepaid expenses and other assets	6,267	6,200
<b>Total Current Assets</b>	<b>160,696</b>	<b>132,767</b>
Property and equipment, net	64,722	63,838
Operating right-of-use asset, net	125,530	121,046
Finance right-of-use asset, net	413	
<b>Total Assets</b>	<b>\$ 351,361</b>	<b>\$ 317,651</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and other liabilities	\$ 13,476	\$ 9,746
Employee-related accruals	9,368	7,089
Current portion operating lease liability	12,553	10,494
Current portion finance lease liability	148	
Deferred grant revenue	1,651	443
<b>Total Current Liabilities</b>	<b>37,196</b>	<b>27,772</b>
Long-term operating lease liability, less current portion	112,390	110,520
Long-term finance lease liability, less current portion	246	
<b>Total Liabilities</b>	<b>149,832</b>	<b>138,292</b>
<b>Net Assets:</b>		
Without donor restrictions	196,074	175,975
With donor restriction	5,455	3,384
<b>Total Net Assets</b>	<b>201,529</b>	<b>179,359</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 351,361</b>	<b>\$ 317,651</b>

See accompanying notes.

**ALLEN INSTITUTE****Statements of Activities  
For the Years Ended December 31, 2023 and 2022  
(In Thousands)**

	<u>2023</u>	<u>2022</u>
<b>Net Assets Without Donor Restrictions</b>		
<b>Support and Revenues:</b>		
Federal grants and contracts	\$ 65,157	\$ 54,403
Contributions	157,516	114,759
Donated equipment		242
Other grants and contracts	8,164	8,318
License revenue	439	482
Realized and unrealized gains (losses) on investments	1,204	(2,700)
Interest and dividends	5,378	2,548
Miscellaneous	777	793
Net assets released from restriction	2,069	1,029
	<u>240,704</u>	<u>179,874</u>
<b>Total Support and Revenues</b>	<b>240,704</b>	<b>179,874</b>
<b>Expenses:</b>		
Program services	174,422	142,746
Management and general	46,183	34,255
	<u>220,605</u>	<u>177,001</u>
<b>Total Expenses</b>	<b>220,605</b>	<b>177,001</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>20,099</b>	<b>2,873</b>
<b>Net Assets With Donor Restrictions:</b>		
Contributions	4,140	3,411
Net assets released from restriction	(2,069)	(1,029)
	<u>2,071</u>	<u>2,382</u>
<b>Change in Net Assets With Donor Restrictions</b>	<b>2,071</b>	<b>2,382</b>
<b>Total Change in Net Assets</b>	<b>22,170</b>	<b>5,255</b>
Net assets, beginning of year	179,359	174,104
<b>Net Assets, End of Year</b>	<b><u>\$ 201,529</u></b>	<b><u>\$ 179,359</u></b>

See accompanying notes.

**ALLEN INSTITUTE**

**Statements of Functional Expenses  
For the Years Ended December 31, 2023 and 2022  
(In Thousands)**

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries, wages and payroll taxes	\$ 78,764	\$ 23,635	\$ 102,399	\$ 64,138	\$ 17,128	\$ 81,266
Outside services and consultants	25,683	4,810	30,493	23,489	4,959	28,448
Facilities	19,892	3,988	23,880	16,357	3,076	19,433
Laboratory supplies	16,813		16,813	13,426		13,426
Employee benefits	11,046	3,968	15,014	9,434	2,635	12,069
Depreciation and amortization	9,491	1,315	10,806	9,324	1,126	10,450
Telecommunications and IT	9,348	4,486	13,834	4,407	3,461	7,868
Travel and entertainment	1,380	1,457	2,837	755	522	1,277
Meetings and conferences	981	951	1,932	644	181	825
Accounting and legal	241	894	1,135	164	619	783
Dues and subscriptions	191	227	418	98	188	286
Recruiting	59	53	112	133	88	221
Public education	239	106	345	115	47	162
Training	141	128	269	92	65	157
Tax and interest	27	97	124	49	92	141
Printing, delivery and postage	124	37	161	118	14	132
Other	2	31	33	3	54	57
	<b>\$ 174,422</b>	<b>\$ 46,183</b>	<b>\$ 220,605</b>	<b>\$ 142,746</b>	<b>\$ 34,255</b>	<b>\$ 177,001</b>

See accompanying notes.



## ALLEN INSTITUTE

### Statements of Cash Flows For the Years Ended December 31, 2023 and 2022 (In Thousands)

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 22,170	\$ 5,255
Adjustments to reconcile change in net assets to net cash flows provided by operating activities-		
Depreciation and amortization	10,806	10,450
Realized and unrealized (gains) losses on investments	(1,204)	2,700
Donated equipment		(242)
Gain on disposal of equipment	(95)	(69)
Changes in assets and liabilities:		
Federal grants and contract receivable	334	(8,029)
Accounts and other grants receivable	1,314	(460)
Prepaid expenses and other assets	(67)	(1,385)
Operating right-of-use assets	(4,484)	(121,046)
Accounts payable and other liabilities	2,441	2,367
Employee-related accruals	2,279	(760)
Deferred grant revenue	1,208	172
Operating lease liability	3,929	121,014
Deferred rent		(6)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>38,631</b>	<b>9,961</b>
<b>Cash Flow From Investing Activities:</b>		
Purchase of property and equipment	(10,401)	(10,122)
Proceeds from sale of equipment	95	105
Purchases of investments	26,066	(36,185)
Proceeds from sale of investments	(22,227)	34,626
<b>Net Cash Used in Investing Activities</b>	<b>(6,467)</b>	<b>(11,576)</b>
<b>Cash Flow From Financing Activities:</b>		
Principal payments on finance lease obligations	(19)	
<b>Net Cash Used in Financing Activities</b>	<b>(19)</b>	
<b>Net Change in Cash and Cash Equivalents</b>	<b>32,145</b>	<b>(1,615)</b>
Cash and cash equivalents, beginning of year	62,494	64,109
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 94,639</b>	<b>\$ 62,494</b>
<b>Supplementary Cash Flow Information:</b>		
Noncash investing activities-		
Accrual for property and equipment	\$ 2,003	\$ 714
Donated equipment	\$ -	\$ 242

See accompanying notes.

## ALLEN INSTITUTE

### Notes to Financial Statements For the Years Ended December 31, 2023 and 2022 (In Thousands)

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#### Note 1 - Organization and Significant Accounting Policies

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

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

The Institute is comprised of multiple individual programs, including the Allen Institute for Brain Science, the Allen Institute for Cell Science, the Allen Institute for Immunology, the Paul G. Allen Frontiers Group, and the MindScope Program. During the year ending December 31, 2023, the Institute launched the Data Driven Discovery Program.

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

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

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

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and/or the passage of time. As of December 31, 2023 and 2022, net assets with donor restrictions for purpose were \$5,455 and \$3,384, respectively.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. If the Institute receives a contribution with donor restrictions and it meets the restrictions in the same year the contribution is received, then it records the contribution as revenue without donor restrictions. Releases from restrictions during the years ending December 31, 2023 and 2022 were related to programmatic purposes.

Gifts of equipment are reported as net assets without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with restrictions. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

## ALLEN INSTITUTE

### Notes to Financial Statements For the Years Ended December 31, 2023 and 2022 (In Thousands)

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#### Note 1 - Continued

**Support and Revenue** - The Institute recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Government contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2023 and 2022, conditional contributions approximating \$266,908 and \$273,559, respectively, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Revenue from contracts with customers represents revenue earned under licensing contracts, for which the Institute is granting exclusive licensing rights to patented intellectual property, and sponsored research agreements, for which the Institute is performing research services in exchange for compensation. Revenue from licensing contracts and sponsored research is recorded in license revenue and other grants and contracts revenue, respectively, on the statements of activities. The performance obligation for the licensing contract is providing the access to the intellectual property. Revenue is recognized at the point in time in which access to the intellectual property has been granted and the performance obligation has been met. The performance obligations for the sponsored research agreements are the execution of the agreement and the performance of research. Revenue is recognized at the point in time at which the agreement has been executed, and ratably over the remaining time as research is performed. During the year ended December 31, 2023, revenue recognized from contracts with customers at a point in time and ratably over time was \$458 and \$6,561, respectively, of which no amount was received in advance. During the year ended December 31, 2022, revenue recognized from contracts with customers at a point in time and ratably over time was \$829 and \$6,523, respectively, of which \$1,205 and \$0 was received in advance at December 31, 2023 and 2022, respectively. Accounts receivable related to contracts with customers totaled \$691, \$2,106 and \$1,277 as of December 31, 2023 and 2022 and 2021, respectively, and is included in accounts and other grants receivable on the statements of financial position.

**Cash and Cash Equivalents** - Cash equivalents consist primarily of cash held in an interest bearing savings account. The Institute considers highly liquid investments with original maturities of 90 days or less to be cash equivalents.

**Concentrations** - Financial instruments that potentially subject the Institute to concentrations of credit risk consist of cash and cash equivalents and investments. At December 31, 2023 and 2022, the Institute had cash and investment deposits in excess of federally insured limits.

At December 31, 2023 and 2022, 83% and 74%, respectively of total receivables were due from two sources.

Support and revenue from two sources represented 91% and 93% of total support and revenues for the years ended December 31, 2023 and 2022, respectively. One of the sources is a related party (the Founder) and represents 65% and 63% of total support for the years ended December 31, 2023 and 2022, respectively.

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

Accounts and other grants receivable are stated at the amount management expects to collect from outstanding balances. Management may provide for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off against the valuation allowance. There was no valuation allowance for outstanding receivables as of December 31, 2023 and 2022.

## ALLEN INSTITUTE

### Notes to Financial Statements For the Years Ended December 31, 2023 and 2022 (In Thousands)

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#### Note 1 - Continued

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

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

**Taxes** - The Internal Revenue Service (IRS) has determined that the Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Institute has been granted a deferral certificate for sales tax on certain purchases of property and equipment from the Washington State Department of Revenue. Sales tax is expected to be forgiven over an eight-year period. The total potential tax due amounted to \$967 and \$2,015 at December 31, 2023 and 2022, respectively. If the Institute does not continue to use the equipment in an exempt manner, the unforgiven tax will become due. As management plans to continue using the equipment for exempt purposes, no tax liability has been recorded.

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

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

**Leases** - The Institute determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent The Institute's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Institute's leases do not provide an implicit rate of return; thus, the Institute uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less.

**Subsequent Events** - The Institute has evaluated subsequent events through May 30, 2024, the date on which the financial statements were available to be issued.

## ALLEN INSTITUTE

### Notes to Financial Statements For the Years Ended December 31, 2023 and 2022 (In Thousands)

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#### Note 2 - Liquidity and Availability of Financial Assets

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

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

	<u>2023</u>	<u>2022</u>
Financial assets at year end-		
Cash and cash equivalents	\$ 94,639	\$ 62,494
Investments	46,861	49,496
Federal grants and contracts receivable	12,031	12,365
Accounts and other grants receivable	<u>898</u>	<u>2,212</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 154,429</u></b>	<b><u>\$ 126,567</u></b>

#### Note 3 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 67,355	\$ 66,997
Furniture and fixtures	5,444	4,703
Laboratory equipment	64,683	57,574
Computer hardware and software	13,690	12,339
Vehicles	<u>47</u>	<u>47</u>
	151,219	141,660
Accumulated depreciation and amortization	<u>(90,886)</u>	<u>(81,156)</u>
	60,333	60,504
Construction in progress	<u>4,389</u>	<u>3,334</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 64,722</u></b>	<b><u>\$ 63,838</u></b>

Construction in progress at December 31, 2023 and 2022, consisted of equipment and upgrades that were not yet placed in service.

## ALLEN INSTITUTE

### Notes to Financial Statements For the Years Ended December 31, 2023 and 2022 (In Thousands)

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#### Note 4 - Investments

Investments consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Bond mutual fund	\$ 14,610	\$ 12,958
Exchange-traded fund		11,671
U.S. treasuries	<u>32,251</u>	<u>24,867</u>
<b>Total Investments</b>	<b><u>\$ 46,861</u></b>	<b><u>\$ 49,496</u></b>

#### Note 5 - Fair Value Measurements

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

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

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

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

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

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

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022:

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

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

U.S. Treasuries - Valued using bid valuations from similar instruments in actively quoted markets.

Fair values of the Institute's investments in bond mutual funds, exchange-traded funds and U.S. treasuries totaling \$46,861 and \$49,496 at December 31, 2023 and 2022 are determined using Level 1 inputs (Note 4).

## ALLEN INSTITUTE

### Notes to Financial Statements For the Years Ended December 31, 2023 and 2022 (In Thousands)

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#### Note 6 - Donated Equipment

The Institute received donated equipment with an estimated fair value \$242 during the year ended December 31, 2022. The fair value of donated equipment is based on management's estimate of the amount the Institute would pay for the equipment if it had not been donated. The use of the donated equipment is not restricted and is being utilized in the operations of the Institute.

No donated equipment was received during the year ended December 31, 2023.

#### Note 7 - Leases

The Institute leases office space and equipment from a related party under long-term, noncancelable lease agreements with monthly lease payments of \$872. The leases expire at various dates through 2025, plus two five-year options to extend which the Institute is reasonably certain will be exercised. Additionally, the leases include payments for common area maintenance that are considered variable lease payments and are excluded from determining the lease liability.

In January 2023, the Institute entered into an agreement with BMR-Dexter LLC for the lease of 21,124 square feet of laboratory and office space. Base rent is \$162, subject to 3% upward adjustment annually. The initial term of the lease is 87 months from the date of commencement, with an option to extend for a further three years provided mutually favorable terms be negotiated prior to termination of the initial lease period. Additionally, the lease includes payments for common area maintenance that are considered variable lease payments and are excluded from determining the lease liability.

In October 2023, the Institute entered into a 36-month equipment lease with monthly payments of \$12.

The components of lease expense for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Finance lease cost-		
Amortization of right-of-use asset	\$ 49	\$ -
Operating lease cost	12,554	10,535
Variable lease cost	4,137	4,039
Short-term and other lease costs	<u>3</u>	<u>3</u>
<b>Total Leasing Expense</b>	<b><u>\$ 16,743</u></b>	<b><u>\$ 14,577</u></b>

## ALLEN INSTITUTE

### Notes to Financial Statements For the Years Ended December 31, 2023 and 2022 (In Thousands)

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#### Note 7 - Continued

Supplemental cash flow information related to leases as of December 31, 2023 are as follows:

Cash paid for amounts included in the measurement of lease liabilities-	
Operating cash flows from operating leases	\$ (11,944)
Financing cash flows from finance leases	(19)
Right-of-use assets obtained in exchange for new operating lease liabilities	14,599
Right-of-use assets obtained in exchange for new finance lease liabilities	426
Weighted-average remaining lease term - operating lease	11.3 years
Weighted-average remaining lease term - finance lease	2.8 years
Weighted-average discount rate - operating lease	1.97%
Weighted-average discount rate - finance lease	4.88%

Future minimum payments required under finance and operating leases as of December 31, 2023 are as follows:

For the Year Ending December 31,	Finance	Operating
2024	\$ 148	\$ 12,552
2025	148	12,616
2026	98	12,683
2027		12,752
2028		12,813
Thereafter		75,272
Total undiscounted cash flows	394	138,688
Less present value discount		(13,745)
<b>Total Lease Liabilities</b>	<b>\$ 394</b>	<b>\$ 124,943</b>

#### Note 8 - Benefit Plan

The Institute sponsors a defined contribution retirement plan ("the Plan"). Employees are eligible to participate in the Plan once certain minimum requirements are met. The Plan provides for the tax deferral features of employee contributions under Section 401(k) of the Internal Revenue Code. The Institute provides for discretionary contributions of 50% of the employees' eligible deferrals, which totaled \$5,000 and \$4,055 for 2023 and 2022, respectively.



## ALLEN INSTITUTE

### Notes to Financial Statements For the Years Ended December 31, 2023 and 2022 (In Thousands)

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#### Note 9 - Self-Insured Medical Plan

On October 1, 2020, the Institute established a plan to act as a self-insurer, up to a set deductible amount, for its employee health insurance program. The Institute's expenses are limited under a stop loss policy to \$100 per plan year for each plan participant. The Institute accrues estimated expenses monthly based on actuarial information provided by its claims administrator. For the years ended December 31, 2023 and 2022, total claims incurred by the plan, including estimated unbilled claims, were \$3,831 and \$3,083, respectively. At December 31, 2023 and 2022, the Institute recorded a liability of \$48 and \$249 for estimated unbilled claims, respectively. This amount is included in accounts payable and other liabilities on the statements of financial position. Claims expense is included in employee benefits on the statements of functional expenses.

**SUPPLEMENTARY INFORMATION**

**ALLEN INSTITUTE**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023  
(In Whole Dollars)**

Federal Grantor/Program Title/Pass-Through Grantor	Assistance Listing Number	Award Number	Passed Through to Subrecipients	Federal Expenditures
<b>Research and Development Cluster:</b>				
Department of Health and Human Services-				
National Institutes of Health:				
Research and Training in Complementary and Integrative Health-Direct Award	93.213		\$ 1,144,643	\$ 1,299,840
Mental Health Research Grants-				
Direct award	93.242			195,298
Direct award	93.242			308,368
Direct award	93.242		317,548	275,940
Direct award	93.242			791,128
Direct award	93.242			482,006
Direct award	93.242			315,560
Direct award	93.242			690,766
Direct award	93.242			1,413
Direct award	93.242		301,419	120,716
Direct award	93.242		52,017	33,104
Direct award	93.242		392,721	2,797,951
Direct award	93.242		218,850	1,996,845
Direct award	93.242		236,290	2,574,664
Direct award	93.242		4,077,464	14,583,308
Direct award	93.242			469,092
Direct award	93.242		450,416	967,819
Direct award	93.242		440,427	1,252,646
Direct award	93.242			1,427,177
Direct award	93.242		215,205	1,488,833
Direct award	93.242			15,415
Direct award	93.242			55,543
Passed through from President and Fellows of Harvard College	93.242	U01MH130962		3,821,138
Passed through from Massachusetts Institute of Technology	93.242	RF1MH132596		144,119
Passed through from the Pennsylvania State University	93.242	RF1MH124605		318,411
Passed through from Cold Spring Harbor Laboratory	93.242	RF1MH125317		178,818
<b>Total Mental Health Research Grants</b>			<b>6,702,357</b>	<b>35,306,078</b>
Drug Abuse and Addiction Research Programs-				
Direct award	93.279		1,088,732	3,363,204
Direct award	93.279		62,030	220,607
Passed through from the University of North Carolina at Chapel Hill	93.279	R01DA054583		112,707
<b>Total Drug Abuse and Addiction Research Grants</b>			<b>1,150,762</b>	<b>3,696,518</b>
Discovery and Applied Research for Technological Innovations to Improve Human Health-				
Direct award	93.286			448,169
Drug Abuse and Addiction Research Programs-				
Passed through from the Regents of the University of California	93.310	UM1HG011585		155,933
Passed through from the Regents of the University of California, Davis	93.310	UM1HG011593		78,969
<b>Total Drug Abuse and Addiction Research Grants</b>				<b>234,902</b>
National Center for Advancing Translational Sciences-				
Passed through from Baylor College of Medicine	93.350	UG3TR003908		31,152
Cancer Research Manpower-				
Direct award	93.398			152,388

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

**ALLEN INSTITUTE**

**Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended December 31, 2023  
(In Whole Dollars)**

Federal Grantor/Program Title/Pass-Through Grantor	Assistance Listing Number	Award Number	Passed Through to Subrecipients	Federal Expenditures
Extramural Research Programs in the Neurosciences and Neurological Disorders-				
Direct award	93.853		537,761	620,737
Direct award	93.853		585,710	5,393,395
Direct award	93.853			441,735
Direct award	93.853			513,945
Direct award	93.853		371,305	785,196
Direct award	93.853		61,768	614,710
Direct award	93.853		230,111	624,652
Direct award	93.853		248,526	612,265
Direct award	93.853			232,863
Direct award	93.853			1,581,123
Direct award	93.853		188,068	441,610
Direct award	93.853			216,248
Direct award	93.853		162,306	505,182
Direct award	93.853		60,248	677,115
Direct award	93.853			238,907
Direct award	93.853			149,095
Direct award	93.853			65,151
Passed through from the John's Hopkins University	93.853	R01NS104834		37,256
Passed through from the John's Hopkins University	93.853	RF1NS131984		79,437
Passed through from the University of Washington	93.853	U01NS113252		427,929
<b>Total Extramural Research Programs in the Neurosciences and Neurological Disorders</b>			<b>2,445,803</b>	<b>14,258,551</b>
Allergy and Infectious Diseases Research-				
Passed through from Seattle Children's Hospital	93.855	U19AI128914		337,635
Passed through from Seattle Children's Hospital	93.855	U19AI128914		189,236
Passed through from Emory University	93.855	U19AI110483		387
Passed through from Benaroya Research Institute at Virginia Mason	93.855	U01AI176320		484
Passed through from the Regents of the University of California, San Francisco	93.855	U54AI082973		21,717
<b>Total Allergy and Infectious Diseases Research</b>				<b>549,459</b>
Child Health and Human Development Extramural Research-				
Passed through from Baylor College of Medicine	93.865	U24HD104590		44,379
Aging Research-				
Direct award	93.866			145,601
Direct award	93.866		1,259,418	7,076,987
Direct award	93.866			766,436
Passed through from Seattle Children's Research Institute	93.866	R21AG069375		16,629
Passed through from the Regents of the University of California, Irvine	93.866	U01AG076791		355,319
Passed through from Seattle Children's Research Institute	93.866	RF1AG077731		4,562
<b>Total Aging Research</b>			<b>1,259,418</b>	<b>8,365,534</b>
Vision Research-				
Direct award	93.867			217,932
<b>Total Department of Health and Human Services/National Institutes of Health</b>			<b>12,702,983</b>	<b>64,604,902</b>
<b>National Science Foundation:</b>				
Biological Sciences-				
Passed through from the University of Texas at Austin	47.074	2014862		367,632
Computer and Information Science and Engineering-				
Direct award	47.070			35,507
Engineering-				
Passed through from John's Hopkins University	47.041	2223725		78,019
STEM Education -				
Direct award	47.076		2,314	71,130
<b>Total National Science Foundation</b>			<b>2,314</b>	<b>552,288</b>
<b>Total Research and Development Cluster/Total Federal Expenditures</b>			<b>\$ 12,705,297</b>	<b>\$65,157,190</b>

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

## ALLEN INSTITUTE

### Notes Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2023

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#### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Allen Institute (the Institute) under programs of the federal government for the year ended December 31, 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). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of the Institute.

#### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

## **SINGLE AUDIT REPORTS**

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Allen Institute (the Institute), which comprise the statement of financial position as of December 31, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, and have issued our report thereon dated May 30, 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 have not been identified.



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

Clark Nuber P.S.

Certified Public Accountants  
May 30, 2024



## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance**

### **Independent Auditor's Report**

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

## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

### **Opinion on Each Major Federal Program**

We have audited Allen Institute's (the Institute's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2023. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

### **Basis for Opinion on Each Major Federal Program**

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

We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Institute's compliance with the compliance requirements referred to above.



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## **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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institute's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

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

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Clark Nuber P.S.

Certified Public Accountants  
May 30, 2024

**ALLEN INSTITUTE**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2023**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported.

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported.

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

**Identification of Major Programs**

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.213    93.242    93.279	Research and Development Cluster
93.286    93.310    93.350	
93.398    93.853    93.855	
93.865    93.866    93.867	
47.041    47.074    47.070	
47.076	
Dollar threshold used to distinguish between Type A and Type B programs: \$1,954,716	
Auditee qualified as low-risk auditee? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

**ALLEN INSTITUTE**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2023**

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**Section II - Financial Statement Findings**

None noted.

**Section III - Federal Award Findings and Questioned Costs**

None noted.