

ALLEN INSTITUTE

Financial Statements

For the Years Ended December 31, 2022 and 2021

Table of Contents

	Page
Independent Auditor's Report	1 - 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15
Supplementary Information:	
Schedule of Expenditures of Federal Awards	16 - 17
Notes to Schedule of Expenditures of Federal Awards	18
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 <i>Government Auditing Standards</i>	19 - 20
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	21 - 23
Schedule of Findings and Questioned Costs	24 - 25

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, 2022 and 2021, 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, 2022 and 2021, 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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 and 17 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Institute adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and related ASUs, for the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2023 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

Clark Nuber ^{PS}

Certified Public Accountants
June 2, 2023

ALLEN INSTITUTE

Statements of Financial Position
December 31, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 62,494	\$ 64,109
Investments	49,496	50,637
Federal grants and contracts receivable	12,365	4,336
Accounts and other grants receivable	2,212	1,752
Prepaid expenses and other assets	6,200	4,815
Total Current Assets	132,767	125,649
Property and equipment, net	63,838	64,422
Right of use asset, net	121,046	
Total Assets	\$ 317,651	\$ 190,071
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and other liabilities	\$ 9,746	\$ 7,841
Employee-related accruals	7,089	7,849
Current lease liability	10,494	
Deferred grant revenue	443	271
Total Current Liabilities	27,772	15,961
Lease liability	110,520	
Deferred rent		6
Total Liabilities	138,292	15,967
Net Assets:		
Without donor restrictions	175,975	173,101
With donor restriction	3,384	1,003
Total Net Assets	179,359	174,104
Total Liabilities and Net Assets	\$ 317,651	\$ 190,071

See accompanying notes.

ALLEN INSTITUTE

Statements of Activities
For the Years Ended December 31, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions		
Support and Revenues:		
Federal grants and contracts	\$ 54,403	\$ 39,237
Contributions	114,759	135,007
Donated equipment	242	475
Other grants and contracts	8,318	6,541
License revenue	482	3,502
Realized and unrealized losses on investments	(2,700)	(271)
Interest and dividends	2,548	1,679
Miscellaneous	793	735
Net assets released from restriction	1,029	200
	<u>179,874</u>	<u>187,105</u>
Total Support and Revenues	179,874	187,105
Expenses:		
Program services	142,746	125,446
Management and general	34,255	27,853
	<u>177,001</u>	<u>153,299</u>
Total Expenses	177,001	153,299
Change in Net Assets Without Donor Restrictions	2,873	33,806
Net Assets With Donor Restrictions:		
Contributions	3,411	1,203
Net assets released from restriction	(1,029)	(200)
	<u>2,382</u>	<u>1,003</u>
Change in Net Assets With Donor Restrictions	2,382	1,003
Total Change in Net Assets	5,255	34,809
Net assets, beginning of year	174,104	139,295
	<u>174,104</u>	<u>139,295</u>
Net Assets, End of Year	\$ 179,359	\$ 174,104
	<u>\$ 179,359</u>	<u>\$ 174,104</u>

See accompanying notes.

ALLEN INSTITUTE

Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021
(In Thousands)

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries, wages and payroll taxes	\$ 64,138	\$ 17,128	\$ 81,266	\$ 51,605	\$ 13,935	\$ 65,540
Outside services and consultants	23,489	4,959	28,448	25,192	3,829	29,021
Facilities	16,357	3,076	19,433	14,689	3,014	17,703
Laboratory supplies	13,426		13,426	11,163		11,163
Employee benefits	9,434	2,635	12,069	7,801	1,927	9,728
Depreciation and amortization	9,324	1,126	10,450	10,796	1,047	11,843
Telecommunications and IT	4,407	3,461	7,868	3,430	2,176	5,606
Travel and entertainment	755	522	1,277	21	10	31
Meetings and conferences	644	181	825	211	30	241
Accounting and legal	164	619	783	131	552	683
Dues and subscriptions	98	188	286	73	105	178
Recruiting	133	88	221	50	955	1,005
Public education	115	47	162	84	109	193
Training	92	65	157	51	20	71
Tax and interest	49	92	141	34	76	110
Printing, delivery and postage	118	14	132	114	8	122
Other	3	54	57	1	60	61
	<u>\$ 142,746</u>	<u>\$ 34,255</u>	<u>\$ 177,001</u>	<u>\$ 125,446</u>	<u>\$ 27,853</u>	<u>\$ 153,299</u>

See accompanying notes.

ALLEN INSTITUTE

Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,255	\$ 34,809
Adjustments to reconcile change in net assets to net cash flows provided by operating activities-		
Depreciation and amortization	10,450	11,843
Realized and unrealized losses on investments	2,700	271
Donated equipment	(242)	(475)
Gain on disposal of equipment	(69)	(127)
Changes in assets and liabilities:		
Federal grants and contract receivable	(8,029)	2,449
Accounts and other grants receivable	(460)	(1,200)
Prepaid expenses and other assets	(1,385)	417
Right of use lease assets	(121,046)	
Accounts payable and other liabilities	2,367	1,044
Employee-related accruals	(760)	310
Deferred grant revenue	172	(777)
Lease liability	121,014	
Deferred rent	(6)	
Net Cash Flows Provided by Operating Activities	9,961	48,564
Cash Flow From Investing Activities:		
Purchase of property and equipment	(10,122)	(7,595)
Proceeds from sale of equipment	105	170
Purchases of investments	(36,185)	(26,531)
Proceeds from sale of investments	34,626	
Net Cash Used In Investing Activities	(11,576)	(33,956)
Net Change in Cash and Cash Equivalents	(1,615)	14,608
Cash and cash equivalents, beginning of year	64,109	49,501
Cash and Cash Equivalents, End of Year	\$ 62,494	\$ 64,109
Supplementary Cash Flow Information:		
Noncash investing activities-		
Accrual for property and equipment	\$ 714	\$ 1,176
Donated equipment	\$ 242	\$ 475

See accompanying notes.

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021 (In Thousands)

Note 1 - Organization and Significant Accounting Policies

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

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

The Institute is comprised of 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, 2021, the Institute launched the Allen Institute for Neural Dynamics.

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

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

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

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and/or the passage of time. As of December 31, 2022 and 2021, net assets with donor restrictions for purpose were \$3,384 and \$1,003, 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 year ended December 31, 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, 2022 and 2021 (In Thousands)

Note 1 - Continued

Support and Revenue - The Institute recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Government contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2022 and 2021, conditional contributions approximating \$273,559 and \$125,284, 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, 2022, revenue recognized from contracts with customers at a point in time and ratably over time was \$829 and \$6,523, respectively, of which no amount was received in advance. During the year ended December 31, 2021, revenue recognized from contracts with customers at a point in time and ratably over time was \$4,279 and \$2,853, respectively, of which no amount was received in advance. Accounts receivable related to contracts with customers totaled \$2,106 and \$1,277 as of December 31, 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, 2022 and 2021, the Institute had cash and investment deposits in excess of federally insured limits.

At December 31, 2022 and 2021, 74% and 75%, respectively of total receivables were due from two sources.

Support and revenue from two sources represented 93% and 92% of total support and revenues for the years ended December 31, 2022 and 2021, respectively. One of the sources is a related party (the Founder) and represents 63% and 72% of total support for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021 (In Thousands)

Note 1 - Continued

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

	Shorter of lease term or useful life
Leasehold improvements	
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 \$2,015 and \$3,170 at December 31, 2022 and 2021, 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.

Adoption of New Accounting Standard - Effective January 1, 2022, the Institute adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842) (ASC Topic 842)* using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). The Institute has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Institute accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, the Institute did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Institute recognized on January 1, 2022 (a) a lease liability of \$129,562, (b) a right-of-use asset of \$129,556, and (c) removal of deferred rent liabilities of \$6.

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021 (In Thousands)

Note 1 - Continued

The Institute determines if an arrangement contains a lease at inception. Operating leases are included in right of use 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 June 2, 2023, the date on which the financial statements were available to be issued.

Note 2 - Liquidity and Availability of Financial Assets

The Institute is primarily funded by its Founder and federal grants. Funding from the Founder will be generally contributed in quarterly intervals that will fund operations over a similar period of time. Funding from federal grants is used for specific grant-funded projects. The Institute invests excess cash in certificates of deposit, bond mutual funds, exchange-traded funds, and 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>2022</u>	<u>2021</u>
Financial assets at year end-		
Cash and cash equivalents	\$ 62,494	\$ 64,109
Investments	49,496	50,637
Federal grants and contracts receivable	12,365	4,336
Accounts and other grants receivable	<u>2,212</u>	<u>1,752</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 126,567</u>	<u>\$ 120,834</u>

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021 (In Thousands)

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 66,997	\$ 66,878
Furniture and fixtures	4,703	4,603
Laboratory equipment	57,574	54,853
Computer hardware and software	12,339	11,636
Vehicles	47	47
	<u>141,660</u>	<u>138,017</u>
Accumulated depreciation and amortization	<u>(81,156)</u>	<u>(76,047)</u>
	60,504	61,970
Construction in progress	<u>3,334</u>	<u>2,452</u>
Property and Equipment, Net	<u>\$ 63,838</u>	<u>\$ 64,422</u>

Construction in progress at December 31, 2022 and 2021, consists of equipment and upgrades that were not yet placed in service.

Note 4 - Investments

Investments consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Bond mutual fund	\$ 12,958	\$ 25,889
Exchange-traded fund	11,671	24,748
U.S. treasuries	<u>24,867</u>	<u> </u>
	<u>\$ 49,496</u>	<u>\$ 50,637</u>

Note 5 - Fair Value Measurements

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

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

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

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

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021 (In Thousands)

Note 5 - Continued

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, 2022 and 2021:

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 \$49,496 and \$50,637 at December 31, 2022 and 2021 are determined using Level 1 inputs (Note 4).

Note 6 - Donated Equipment

The Institute received donated equipment with an estimated fair value of \$242 and \$475 during the years ended December 31, 2022 and 2021, respectively. The fair value of donated equipment is based on management's estimate of the amount the Institute would pay for the equipment if it had not been donated. The use of the donated equipment is not restricted and is being utilized in the operations of the Institute.

Note 7 - Leases

The Institute leases office space and equipment under long-term, noncancelable lease agreements which 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.

The components of lease expense for the year ended December 31, 2022 are as follows:

Operating lease cost	\$	10,535
Variable lease cost		4,039
Short-term and other lease costs		<u>3</u>
Total Leasing Expense	\$	<u><u>14,577</u></u>

ALLEN INSTITUTE

Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021
(In Thousands)

Note 7 - Continued

Supplemental cash flow information related to leases as of December 31, 2022 are as follows:

Cash paid for amounts included in the measurement of lease liabilities-	
Operating cash flows from operating leases	\$ 10,537
Right-of-use assets obtained in exchange for new operating lease liabilities	129,556
Weighted-average remaining lease term - operating lease	12.9 years
Weighted-average discount rate - operating lease	1.25%

Future minimum payments required under operating leases as of December 31, 2022 are as follows:

For the Year Ending December 31,

2023	\$ 10,520
2024	10,461
2025	10,461
2026	10,461
2027	10,461
Thereafter	<u>82,815</u>
Total undiscounted cash flows	135,179
Less present value discount	<u>(14,165)</u>
Total Lease Liabilities	<u>\$ 121,014</u>

Future minimum lease payments under noncancelable lease agreements as of December 31, 2021 are as follows:

For the Year Ending December 31,

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

ALLEN INSTITUTE

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021 (In Thousands)

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 \$4,055 and \$3,345 for 2022 and 2021, respectively.

Note 9 - Self-Insured Medical Plan

On October 1, 2020, the Institute established a plan to act as a self-insurer, up to a set deductible amount, for its employee health insurance program. The Institute's expenses are limited under a stop loss policy to \$100 per plan year for each plan participant. The Institute accrues estimated expenses monthly based on actuarial information provided by its claims administrator. For the years ended December 31, 2022 and 2021, total claims incurred by the plan, including estimated unbilled claims, were \$3,083 and \$2,321, respectively. At December 31, 2022 and 2021, the Institute recorded a liability of \$249 and \$268 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, 2022
(In Whole Dollars)**

Federal Grantor/Program Title/Pass-Through Grantor	Assistance Listing Number	Award Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster:				
Department of Health and Human Services-				
National Institutes of Health:				
Research and Training in Complementary and Integrative Health- Direct Award	93.213		\$ -	\$ 432,891
Mental Health Research Grants-				
Direct award	93.242			388,319
Direct award	93.242			918,890
Direct award	93.242		288,299	977,864
Direct award	93.242			716,562
Direct award	93.242			414,811
Direct award	93.242			411,040
Direct award	93.242			797,609
Direct award	93.242		1,192,786	2,078,246
Direct award	93.242		1,651,567	11,917,491
Direct award	93.242		1,334,955	2,347,329
Direct award	93.242		39,572	193,529
Direct award	93.242			277,918
Direct award	93.242		142,179	2,096,549
Direct award	93.242			936,899
Direct award	93.242			88,488
Direct award	93.242		490,386	1,044,604
Direct award	93.242		371,899	1,298,761
Direct award	93.242			714,528
Direct award	93.242			42,704
Passed through from Cold Spring Harbor Laboratory	93.242	RF1MH124605		136,385
Passed through from Cold Spring Harbor Laboratory	93.242	RF1MH125317		231,253
Passed through from the Pennsylvania State University	93.242	U01MH114824		92,477
Total Mental Health Research Grants			5,511,643	28,122,256
Drug Abuse and Addiction Research Programs-				
Direct award	93.279		12,822	592,811
Direct award	93.279		41,025	83,582
Passed through from the University of North Carolina at Chapel Hill	93.279	R01DA054583		1,253,390
Total Drug Abuse and Addiction Research Grants			53,847	1,929,783
Discovery and Applied Research for Technological Innovations to Improve Human Health-				
Direct award	93.286			452,148
Drug Abuse and Addiction Research Programs-				
Passed through from the Regents of the University of California	93.310	UM1HG011585		137,886
Passed through from the Regents of the University of California, Davis	93.310	UM1HG011593		188,623
Total Drug Abuse and Addiction Research Grants				326,509
National Center for Advancing Translational Sciences-				
Passed through from Baylor College of Medicine	93.350	UG3TR003908		216,471
Cancer Biology Research -				
Passed through from Johns Hopkins University	93.396	R21CA251027		6,595
Cancer Research Manpower-				
Direct award	93.398			216,953

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, 2022
(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			302,922
Direct award	93.853		148,475	3,032,473
Direct award	93.853			562,127
Direct award	93.853			464,800
Direct award	93.853		212,051	473,107
Direct award	93.853		51,880	433,656
Direct award	93.853		370,420	477,918
Direct award	93.853		190,600	636,692
Direct award	93.853		284,116	492,022
Direct award	93.853			1,626,901
Direct award	93.853		62,711	511,880
Passed through from the University of Washington	93.853	U01NS113252		103,320
Passed through from the Regents of the University of California, Davis	93.853	U24NS109113		13,247
Total Extramural Research Programs in the Neurosciences and Neurological Disorders			1,320,253	9,131,065
Allergy and Infectious Diseases Research-				
Passed through from the Regents of the University of California, San Francisco	93.855	U54AI082973		23,161
Child Health and Human Development Extramural Research-				
Passed through from Baylor College of Medicine	93.865	U24HD104590		52,078
Aging Research-				
Direct award	93.866			152,614
Direct award	93.866		961,680	10,770,812
Direct award	93.866			1,895,343
Passed through from Seattle Children's Research Institute	93.866	R21AG069375		14,616
Passed through from the Regents of the University of California, Irvine	93.866	U01AG076791		177,649
Passed through from Seattle Children's Research Institute	93.866	RF1AG077731		3,906
Total Aging Research			961,680	13,014,940
Vision Research-				
Direct award	93.867		87,345	181,805
Total Department of Health and Human Services/National Institutes of Health			7,934,768	54,106,655
National Science Foundation:				
Biological Sciences-				
Passed through from the University of Texas at Austin	47.074	2014862		293,173
Computer and Information Science and Engineering-				
Direct award	47.070			2,895
Total National Science Foundation				296,068
Total Research and Development Cluster/Total Federal Expenditures			\$ 7,934,768	\$ 54,402,723

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, 2022**

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, 2022. 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, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, and have issued our report thereon dated June 2, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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
June 2, 2023

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Allen Institute's (the Institute's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2022. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Institute's federal programs.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institute's compliance with the requirements of each major federal program as a whole.

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

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

We have audited the financial statements of the Institute as of and for the year ended December 31, 2022 and have issued our report thereon dated June 2, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
June 2, 2023

ALLEN INSTITUTE

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?

Yes

No

- Significant deficiencies identified?

Yes

None reported.

Noncompliance material to financial statements noted?

Yes

No

Federal Awards

Internal control over major programs:

- Material weaknesses identified?

Yes

No

- Significant deficiencies identified?

Yes

None reported.

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

Unmodified

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

Yes

No

Identification of Major Programs

Assistance Listing Numbers

93.213 93.242 93.279
93.286 93.310 93.350
93.396 93.398 93.853
93.855 93.865 93.866
93.867 47.074 47.070

Name of Federal Program or Cluster

Research and Development Cluster

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

\$1,632,082

Auditee qualified as low-risk auditee?

Yes

No

ALLEN INSTITUTE

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2022**

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.