

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Terasaki Institute for Biomedical Innovation
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Terasaki Institute for Biomedical Innovation (a nonprofit organization), 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 financial statements referred to above present fairly, in all material respects, the financial position of Terasaki Institute for Biomedical Innovation (the Institute) as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, beginning January 1, 2022, the Institute adopted Accounting Standards Update No. 2016-02, *Leases* (Topic 842) and its related amendments using the modified-retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 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.

A handwritten signature in cursive script that reads "Windes, Inc." followed by a period.

Long Beach, California
September 25, 2023

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

ASSETS		
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,448,535	\$ 1,838,864
Investments	48,962,976	64,164,187
Grants receivable	951,539	867,605
Prepaid expenses and other assets	91,398	55,945
	<u>51,454,448</u>	<u>66,926,601</u>
NONCURRENT ASSETS		
Property and equipment, net	19,009,229	4,797,566
Financing lease, right-of-use assets	972,961	-
Patents	261,634	99,295
	<u>20,243,824</u>	<u>4,896,861</u>
TOTAL ASSETS	<u>\$ 71,698,272</u>	<u>\$ 71,823,462</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,262,195	\$ 1,730,407
Accrued salaries and related taxes	246,062	205,556
Accrued vacation and sick pay	954,437	660,647
Deferred revenue	145,833	-
Lease liability, current portion	347,936	-
	<u>4,956,463</u>	<u>2,596,610</u>
NONCURRENT LIABILITIES		
Priority credit line	16,556,973	2,980,672
Lease liabilities, net of current portion	630,554	-
	<u>17,187,527</u>	<u>2,980,672</u>
NET ASSETS - WITHOUT DONOR RESTRICTIONS	<u>49,554,282</u>	<u>66,246,180</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 71,698,272</u>	<u>\$ 71,823,462</u>

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

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
SUPPORT AND REVENUE		
Contributions and donations	\$ -	\$ 294,155
Grants	4,291,294	3,931,173
Research services	832,583	732,929
Contributed rent	2,020,272	-
Other income	14,728	12,254
Total support and revenue from operations	7,158,877	4,970,511
Investment return	(9,939,617)	7,237,609
TOTAL SUPPORT AND REVENUE	(2,780,740)	12,208,120
EXPENSES		
Program services:		
Grant making and scholarship	351,096	227,642
Research	7,383,854	5,050,635
Book store	97,436	98,736
Total program services	7,832,386	5,377,013
Supporting services:		
Management and general	6,047,897	4,573,329
TOTAL EXPENSES	13,880,283	9,950,342
CHANGE IN NET ASSETS BEFORE PROVISION FOR EXCISE TAXES	(16,661,023)	2,257,778
PROVISION FOR EXCISE TAXES	30,875	53,831
CHANGE IN NET ASSETS	(16,691,898)	2,203,947
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	66,246,180	64,042,233
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ 49,554,282	\$ 66,246,180

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

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services					
	Grant Making & Scholarship	Research	Book Store	Total	Management and General	Total
Advertising	\$ -	\$ 9,609	\$ -	\$ 9,609	\$ -	\$ 9,609
Automobile	-	-	-	-	3,536	3,536
Bank fees	-	-	-	-	4,025	4,025
Charitable contributions	351,096	-	-	351,096	-	351,096
Cleaning	-	4,249	-	4,249	28,901	33,150
Computer supplies	-	37,010	-	37,010	104,227	141,237
Conference	-	-	-	-	15,397	15,397
Contributed rent	-	1,125,658	-	1,125,658	894,614	2,020,272
Depreciation and amortization	-	-	-	-	234,769	234,769
Education	-	3,625	-	3,625	-	3,625
Employee benefits	-	548,215	30,195	578,410	338,670	917,080
Equipment rental and maintenance	-	83,000	-	83,000	11,105	94,105
Insurance	-	-	-	-	70,000	70,000
Interest expense	-	-	-	-	259,428	259,428
Legal and professional	-	100,155	-	100,155	110,869	211,024
Meals and entertainment	-	3,200	-	3,200	38,259	41,459
Miscellaneous	-	-	-	-	47,173	47,173
Office expenses	-	163,350	-	163,350	327,468	490,818
Outside services	-	166,469	-	166,469	659,010	825,479
Payroll tax expense	-	163,529	4,181	167,710	146,758	314,468
Pension contribution	-	27,126	2,431	29,557	59,785	89,342
Postage	-	125,911	-	125,911	3,473	129,384
Program supplies	-	1,090,864	-	1,090,864	-	1,090,864
Repairs and maintenance	-	68,019	-	68,019	109,605	177,624
Salaries and wages	-	2,903,669	60,629	2,964,298	2,353,953	5,318,251
Subaward costs	-	534,344	-	534,344	-	534,344
Taxes and licenses	-	-	-	-	104	104
Telephone	-	-	-	-	29,526	29,526
Travel and transportation	-	30,296	-	30,296	41,950	72,246
Utilities	-	195,556	-	195,556	155,292	350,848
	<u>\$ 351,096</u>	<u>\$ 7,383,854</u>	<u>\$ 97,436</u>	<u>\$ 7,832,386</u>	<u>\$ 6,047,897</u>	<u>\$ 13,880,283</u>

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

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>					
	<u>Grant Making & Scholarship</u>	<u>Research</u>	<u>Book Store</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Advertising	\$ -	\$ 13,983	\$ -	\$ 13,983	\$ -	\$ 13,983
Automobile	-	903	-	903	3,676	4,579
Bank and investment fees	-	-	-	-	10,913	10,913
Charitable contributions	227,642	-	-	227,642	13,905	241,547
Cleaning	-	20,567	-	20,567	3,600	24,167
Computer supplies	-	17,425	-	17,425	57,013	74,438
Conference	-	1,113	-	1,113	-	1,113
Cost of sales	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	281,526	281,526
Education	-	30,290	12,160	42,450	-	42,450
Employee benefits	-	372,593	16,551	389,144	181,810	570,954
Equipment rental and maintenance	-	70,025	-	70,025	9,571	79,596
Insurance	-	31,691	171	31,862	67,816	99,678
Legal and professional	-	-	-	-	418,905	418,905
Meals and entertainment	-	314	-	314	15,600	15,914
Miscellaneous	-	-	-	-	47,965	47,965
Office expenses	-	88,846	657	89,503	162,269	251,772
Outside services	-	204,940	-	204,940	382,803	587,743
Payroll tax expense	-	144,147	3,484	147,631	128,727	276,358
Pension contribution	-	33,781	2,132	35,913	63,804	99,717
Postage	-	5,692	-	5,692	2,194	7,886
Program supplies	-	665,578	-	665,578	-	665,578
Repairs and maintenance	-	33,536	890	34,426	28,535	62,961
Salaries and wages	-	2,538,815	60,952	2,599,767	2,617,169	5,216,936
Subaward costs	-	674,625	-	674,625	-	674,625
Taxes and licenses	-	1,146	-	1,146	584	1,730
Telephone	-	20,936	364	21,300	12,365	33,665
Travel and transportation	-	4,481	-	4,481	1,791	6,272
Utilities	-	75,208	1,375	76,583	60,788	137,371
	<u>\$ 227,642</u>	<u>\$ 5,050,635</u>	<u>\$ 98,736</u>	<u>\$ 5,377,013</u>	<u>\$ 4,573,329</u>	<u>\$ 9,950,342</u>

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

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (16,691,898)	\$ 2,203,947
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	234,769	281,526
Receipt of donated stock	-	(262,630)
Reinvested interest and dividends	(1,672,167)	-
Net realized and unrealized gains on investments	11,296,010	(5,350,057)
Amortization of financing right-of-use assets	103,084	-
Change in operating assets and liabilities		
Grants receivable	(83,934)	(642,795)
Prepaid expenses and other assets	(35,453)	67,142
Accounts payable	(701,621)	1,149,736
Accrued salaries and related taxes	40,506	(107,719)
Deferred revenue	145,833	-
Accrued vacation and sick pay	293,790	211,371
Financing lease liabilities	(97,555)	-
Net Cash Used In Operating Activities	(7,168,636)	(2,449,479)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of patents	(191,409)	(99,295)
Purchase of property and equipment	(12,183,953)	(3,925,504)
Proceeds from sale of investments	24,724,722	12,186,927
Purchase of investments	(19,147,354)	(10,099,069)
Net Cash Used In Investing Activities	(6,797,994)	(1,936,941)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on priority credit line	13,576,301	2,980,672
Net Cash Provided By Financing Activities	13,576,301	2,980,672
NET CHANGE IN CASH AND CASH EQUIVALENTS	(390,329)	(1,405,748)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,838,864	3,244,612
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,448,535	\$ 1,838,864

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

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 – Summary of Significant Accounting Policies

Description of Organization

The Terasaki Institute for Biomedical Innovation (the Institute) is a nonprofit corporation established in 1989 under the laws of the state of California. The purpose of the Institute is to improve human health through translational scientific research in personalized medicine.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Institute reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Institute or the passage of time. As the restrictions are satisfied, net assets are reclassified as without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus. At December 31, 2022 and 2021, there were no net assets with donor restrictions.

Use of Estimates

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

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments can potentially subject the Institute to concentrations of credit risk. The Institute maintains funds in cash deposits and money market accounts with a commercial bank and two depository institution accounts held through brokerage firms. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to a total of \$250,000 per financial institution.

At times, the balance of the Institute's accounts may exceed the federally insured limits. The Institute has not experienced any losses in its cash accounts.

Investments in money market accounts, mutual funds, and equity securities are placed with high-credit quality financial institutions which are members of the Securities Investor Protection Corporation (SIPC). SIPC funds are available for losses up to \$500,000 for securities, inclusive of up to \$250,000 for cash. Excess-SIPC coverage is maintained through a Lloyd's of London syndicate that provides additional protection above SIPC limits.

The Institute's investments are exposed to various risks related to stock market fluctuation such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Contributions received were concentrated with a single donor for the year ended December 31, 2021. There were no contributions received for the year ended December 31, 2022.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Institute considers cash, demand deposits, money market funds, and all other highly liquid investments with an initial maturity of three months or less to be cash equivalents unless they are held as part of the long-term investment pool. These amounts are carried at cost, which approximates fair value.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Revenue from Grants

Revenue from grants for program services are generally conditioned upon certain performance requirements. Amounts received are recognized as revenue as the Institute performs the individual performance obligations. Any difference between performance obligations completed and the total funds received (not to exceed the grant maximum) is recorded as a receivable or liability, whichever is applicable. The Institute is party to conditional grants with grant terms through August 31, 2028 and additional funding of approximately \$5,032,000 that has not been recognized as of December 31, 2022 because certain performance obligations have not yet been met.

Revenue from Research Services

Revenue from research services generally consists of contractual agreements to conduct scientific research based on an agreed upon scope of work with a third-party sponsor. The Institute conducts the research based per the agreed upon scope and generally provides a report at the end of the project detailing the results of the research. Additionally, the Institute may at times provide access to its laboratory facilities to third parties to conduct research. In these cases, the Institute negotiates a fee agreement with the third party for laboratory access.

Revenue from research services may also include membership transactions that consist of information exchange agreements that are recognized over time. Revenue is recognized over the life of the membership, which is generally one year. Deferred revenue primarily consists of membership fees received in advance of the service period and is recognized over the contractual term of the revenue arrangement.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions

The Institute's contributions and donations revenue consists primarily of gifts received from donors and are mostly available for general use. Contributions are recognized as revenue in the period unconditional promises to give are received. Conditional contributions or promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions with donor restrictions where the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donation of marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of gift. Such contributions are considered to be available for general use unless specifically restricted by the donor.

Investments

Investments in debt and equity securities that are traded on national security exchanges are recorded at fair value as determined by quoted market prices. Investments for which readily determinable market values do not exist, including private equity funds, real estate funds, and hedge funds, are recorded at fair value as determined by the Institute with the assistance of external investment managers, using methods and significant assumptions considered appropriate based on an understanding of the underlying characteristics of the investments.

Because of the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the risk factors, in the near term, could materially affect the statements of the financial position. All changes in their fair value of securities are reported in earnings as they occur. Purchases and sales of securities are recorded on trade dates and realized gains and losses are determined on the basis of the average cost of the securities sold.

The Institute accounts for fair value measurements under Accounting Standards Codification (ASC) Topic 820. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Investments (Continued)

- Level 1:** Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2:** Pricing inputs other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3:** Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Grants Receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. Management estimates an allowance for doubtful accounts based on historical collection trends, type of customer, the age of outstanding receivables, and existing economic conditions. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. There was no allowance as December 31, 2022 and 2021, as management deems accounts receivable collectible.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at the approximate fair value at the date of donation. Repairs and maintenance are expensed as incurred, whereas additions and betterments that improve or extend the useful lives of respective fixed assets are capitalized. Depreciation is computed using the straight-line and double-declining-balance methods over the estimated useful lives of individual assets ranging from 5 to 39 years.

Patents

The Institute has developed certain proprietary processes and applied for patents for those developed processes. Costs related to securing the patents have been capitalized and amortized over their estimated useful lives. Patents are carried at cost less accumulated amortization on the statements of financial position. Patents are reviewed for events that may impair the value or useful lives. For the year ended December 31, 2022, there was no impairment.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue consists of amounts received from grant sponsors, which have not been earned under the terms of the agreement due to certain performance obligations. The amounts are recognized as grant revenue once the Institute met the performance obligations per the agreement. There deferred revenue balance as of December 31, 2022 was \$145,833. There was no deferred revenue balance as of December 31, 2021.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Institute.

Income Tax Status

The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as evidenced by an exemption letter dated March 1990. The Institute is also exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes in the accompanying financial statements. However, as a private foundation, the Institute is subject to an excise tax on its net investment income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Institute and recognize a tax asset (or reduction of a liability) only if the Institute has taken a position that more likely than not would be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Institute and has concluded that as of December 31, 2022 and 2021, all tax positions taken or expected to be taken would more likely than not be sustained upon examination by taxing authorities.

All tax-exempt entities are subject to review and audit by federal, state, and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the IRC and applicable state statutes. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in *Leases* (Topic 840). Under the new guidance, lessees are required to recognize right-of-use assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities.

Effective January 1, 2022, the Institute adopted ASU 2016-02. The Institute determines if an arrangement contains a lease at inception based on whether the Institute has the right to control the asset during the contract period and other facts and circumstances. The Institute elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The Institute's policy for determining its lease discount rate used in measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Institute has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Institute has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statements of activities in the period in which the obligation for the payments are incurred.

The Institute adopted ASU 2016-02 utilizing the modified-retrospective transition method through a cumulative-effect adjustment. There was no recognition of right-of-use assets and lease liabilities at the date of adoption, as all financing arrangements occurred during the year ended December 31, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on the Institute's results of operations, cash flows, or debt covenants.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements (Continued)

For the year ended December 31, 2022, the Institute adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The adoption of the standard did not have a material impact on the financial statements as there were no contributed nonfinancial assets for the year ended December 31, 2022 and 2021.

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires the measurement of all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require the Institute to use forward-looking information to better formulate its credit loss estimates. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, and early adoption is permitted. The adoption of this standard is not expected to have a significant impact on the financial statements.

Subsequent Events

The Institute's management has evaluated subsequent events through September 25, 2023, the date the financial statements were available to be issued for the year ended December 31, 2022, and believes no additional disclosures are required in its financial statements.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – Financial Assets and Liquidity Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following:

	December 31,	
	2022	2021
Financial Assets:		
Cash and cash equivalents	\$ 1,448,535	\$ 1,838,864
Investments	48,962,976	64,164,187
Grants receivable	951,539	867,605
Other assets	-	8,618
Total financial assets available within one year	\$ 51,363,050	\$ 66,879,274

The Institute maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due.

NOTE 3 – Investments

The Institute’s investments consisted of the following, set forth by level within the fair value hierarchy, as of December 31, 2022:

	Fair Value			Net Asset Value^(a)	Total
	Level 1	Level 2	Level 3		
Equity securities	\$ 31,704,630	\$ -	\$ -	\$ -	\$ 31,704,630
Government securities	-	2,039,905	-	-	2,039,905
Corporate bonds	-	1,140,747	-	-	1,140,747
Mutual funds	12,108,143	-	-	-	12,108,143
Alternate investments	-	-	-	1,969,551	1,969,551
	\$ 43,812,773	\$ 3,180,652	\$ -	\$ 1,969,551	\$ 48,962,976

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 – Investments (Continued)

The Institute’s investments consisted of the following, set forth by level within the fair value hierarchy, as of December 31, 2021:

	Fair Value			Net Asset Value^(a)	Total
	Level 1	Level 2	Level 3		
Equity securities	\$ 42,893,502	\$ -	\$ -	\$ -	\$ 42,893,502
Mutual funds	17,020,019	-	-	-	17,020,019
Fixed income	-	3,456,584	-	-	3,456,584
Alternate investments	-	-	-	794,082	794,082
	<u>\$ 59,913,521</u>	<u>\$ 3,456,584</u>	<u>\$ -</u>	<u>\$ 794,082</u>	<u>\$ 64,164,187</u>

^(a)In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The following table summarized the Institute’s alternative investments in funds valued using the fair value practical expedient of net asset value:

	Net Asset Value	Redemption Frequency	Redemption Notice Period (Days)	Unfunded Commitment
December 31, 2022	\$ 2,219,976	None or Quarterly	95 days or None	N/A
December 31, 2021	\$ 794,082	None or Quarterly	95 days or None	N/A

The Institute recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels for the years ended December 31, 2022 and 2021.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 – Investments (Continued)

Net investment return was as follows:

	For the Year Ended December 31,	
	2022	2021
Interest and dividends	\$ 1,672,167	\$ 1,800,903
Capital gain distributions	-	452,862
Net realized and unrealized (losses) gains	(11,296,010)	5,350,057
Investment expenses and fees	(315,774)	(366,213)
 Total net investment return	 \$ (9,939,617)	 \$ 7,237,609

NOTE 4 – Property and Equipment

Property and equipment is comprised of the following:

	December 31,	
	2022	2021
Artwork	\$ 3,200	\$ 9,000
Leasehold improvements	536,746	401,306
Furniture and fixtures	908,656	333,060
Office and computer equipment	1,833,316	1,771,300
	3,281,918	2,514,666
Less accumulated depreciation	(1,447,187)	(1,678,515)
	1,834,731	836,151
Construction in progress	17,174,498	3,961,415
 Net property and equipment	 \$ 19,009,229	 \$ 4,797,566

Depreciation expense for the years ended December 31, 2022 and 2021 was \$205,699 and \$281,526, respectively.

Construction in progress for the year ended December 31, 2022, consists of building a biomedical lab. The project was completed as of February 2023, with a total cost of \$17,800,000.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 – Priority Credit Line

During the year ended December 31, 2021, the Institute entered into a priority credit line with a major financial institution and borrowed approximately \$2,980,000 for construction of the biomedical lab. During the year ended December 31, 2022, the Institute had approximately \$13,576,000 in additional borrowings. The balance outstanding on the priority credit line at December 31, 2022 was \$16,556,973. The Institute's investment portfolio is pledged as collateral against the priority credit line. The interest rate for the priority credit line is the prime rate minus 2.65% (7.50% as of December 31, 2022). The renovations were completed in February 2023.

NOTE 6 – Compensated Absences

Accrued vacation and sick pay consists of the portion of accumulated vacation and sick pay earned through past services rendered by the Institute's employees. Accrued vacation time is capped based upon the classification of the individual employee, length of service, and other factors. At December 31, 2022 and 2021, accrued compensated absences totaled \$954,437 and \$660,647, respectively.

NOTE 7 – Retirement Plan

The Institute sponsors a 401(k) profit-sharing plan (the Plan) covering substantially all employees who meet certain minimum plan eligibility requirements. The Plan contains two components, a 401(k) portion and a profit-sharing portion. The 401(k) portion of the Plan provides for voluntary salary deferrals for eligible employees. The Institute may make discretionary profit-sharing contributions as determined by the Board of Directors. The Plan also includes a safe harbor provision where the Institute contributes a certain percentage of eligible employee wages.

For the years ended December 31, 2022 and 2021, total contributions to the Plan amounted to \$97,194 and \$99,717, respectively. The Institute pays the administrative expenses associated with the Plan, which total approximately \$3,000 for the years ended December 31, 2022 and 2021, respectively; and are included in the accompanying statements of functional expenses.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 – Lease Arrangements

The Institute's policy for determining its lease discount rate used measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Institute has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Institute has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statement of activities in the period in which the obligation for the payments is incurred. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment.

The Institute leases its equipment under financing leases with three-year terms and minimum lease payments.

The following summarizes the line items in the statements of financial position, which include amounts for financing and operating leases as of December 31, 2022:

Financing lease right-of-use assets	<u>\$ 972,961</u>
Current portion of financing lease liabilities	\$ 347,936
Long-term portion of financing lease liabilities	<u>630,554</u>
	<u>\$ 978,490</u>

The components of financing lease expenses that are included in "Operating expenses" in the statements of activities for the year ended December 31, 2022 were as follows:

Operating lease costs	\$ 103,084
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TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 – Lease Arrangements (Continued)

The following summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 97,555
Noncash investing and financing activity	
Right-of-use assets obtained in exchange for new operating lease liabilities in adoption of ASC 842:	\$ 1,076,045

The weighted-average lease term and discount rate were as follows:

Weighted-average remaining lease term - operating leases	2.72 years
Weighted-average discount rate - operating leases	4.17%

The maturities of financing and operating lease liabilities as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2023	\$ 380,823
2024	380,823
2025	<u>271,526</u>
Total minimum lease payments	1,033,172
Less amount representing interest	<u>(54,682)</u>
Present value of minimum lease payments	978,490
Less current portion	<u>(347,936)</u>
	<u><u>\$ 630,554</u></u>

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 9 – Related-Party Transactions

The Institute occupies office space and facilities located in Los Angeles, California, owned by Nogan LLC and 1018-1024 Westwood LLC, companies in which the Institute’s treasurer is the sole member for each. No rental payment is required for the lease of the offices. Management calculated an imputed in-kind rent contribution of \$2,020,272 for these transactions (see Note 10).

Subsequent to year-end, the Institute began occupying office space and facilities owned by 21100 Erwin Street, LLC, a company in which the Institute’s treasurer is the sole member for each. No rental payment is required for the lease of the space.

During the year ended December 31, 2021, the Institute received stocks totaling \$262,630 donated from The Terasaki Nibei Foundation, an organization with common board members as the Institute. There were no stock donations during the year ended December 31, 2022.

During the year ended December 31, 2022, the Institute invested in a privately held company that is affiliated with the Chief Executive Officer of the Institute. The investment at December 31, 2022 was \$1,562,503 and included in investments on the statements of financial position.

NOTE 10 – Contributions - In-Kind

The Institute receives significant amounts of contributed rent from related parties. Management estimates that the value of these services at December 31, 2022 was \$2,020,272. During the year ended December 31, 2022, contributions – in-kind included in the accompanying statements of activities consisted of the following:

	Revenue Recognized 2022	Valuation Techniques and Inputs
Contributed rent	\$ 2,020,272	Valued at a range of \$4.00 - \$5.50 per square foot multiplied by the square footage of the space utilized. The rate used to value the space is based off of appraisals made by a third-party valuation specialist.

There were no donor-imposed restrictions associated with the donated rental.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 – Supplemental Disclosures of Cash and Noncash Flow Information

	For the Year Ended	
	December 31,	
	2022	2021
Cash paid during the year:		
Excise taxes	\$ -	\$ 10,000
Interest expense	\$ 259,428	\$ 6,922
Noncash Investing Activities		
Accrual of property and equipment in accounts payable	\$ 2,233,409	\$ -

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

INTERNAL CONTROL AND COMPLIANCE REPORTS

December 31, 2022

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**INDEPENDENT AUDITORS' 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***

To the Board of Directors of
Terasaki Institute for Biomedical Innovation
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Terasaki Institute for Biomedical Innovation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2023.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Terasaki Institute for Biomedical Innovation'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 Terasaki Institute for Biomedical Innovation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Terasaki Institute for Biomedical Innovation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Long Beach, California
September 25, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Terasaki Institute for Biomedical Innovation
Los Angeles, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Terasaki Institute for Biomedical Innovation'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 Terasaki Institute for Biomedical Innovation's major federal programs for the year ended December 31, 2022. Terasaki Institute for Biomedical Innovation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Terasaki Institute for Biomedical Innovation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended 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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Terasaki Institute for Biomedical Innovation 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 Terasaki Institute for Biomedical Innovation'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 Terasaki Institute for Biomedical Innovation's federal programs.

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Terasaki Institute for Biomedical Innovation'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 Terasaki Institute for Biomedical Innovation'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 Terasaki Institute for Biomedical Innovation'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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Terasaki Institute for Biomedical Innovation as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon dated September 25, 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.

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.

Winder, Inc.

Long Beach, California
September 25, 2023

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures	Amounts Provided to Subrecipients
RESEARCH AND DEVELOPMENT - CLUSTER:			
U. S. Department of Health and Human Services			
National Institute of Health			
National Institute of General Medical Sciences	93.859	\$ 443,000	\$ 172,017
Pass Through:			
Univeristy of Connecticut Health Center	93.859	45,019	-
		<u>488,019</u>	<u>172,017</u>
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846	348,634	186,476
Pass Through:			
The Board of Trustees of the University of Illinois	93.846	18,510	-
The Brigham and Women's Hospital, Inc.	93.846	49,589	-
		<u>416,733</u>	<u>186,476</u>
National Heart, Lung, and Blood Institute			
Pass Through:			
The Regents of University of California, Los Angeles	93.837	107,463	-
Mayo Clinic Arizona	93.837	23,758	-
Mayo Clinic Arizona	93.839	61,186	-
		<u>192,407</u>	<u>-</u>
National Institute of Biomedical Imaging and Bioengineering			
Pass Through:			
The Regents of University of California, Los Angeles	93.286	142,630	-
		<u>142,630</u>	<u>-</u>
National Cancer Institute			
Pass Through:			
The Brigham and Women's Hospital, Inc.	93.396	132,613	-
Mayo Clinic Arizona	93.394	242,833	-
The University of Texas Southwestern Medical Center	93.396	59,537	-
		<u>660,485</u>	<u>-</u>
National Center for Advancing Translational Sciences			
Pass Through:			
The Regents of University of California, Los Angeles	93.350	98,355	-
		<u>98,355</u>	<u>-</u>
National Institute of Diabetes and Digestive and Kidney Diseases	93.847	111,861	13,950
Pass Through:			
Duke University	93.847	12,530	-
Mayo Clinic Arizona	93.847	228,330	-
		<u>352,721</u>	<u>13,950</u>

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures	Amounts Provided to Subrecipients
National Institute of Neurological Disorders and Stroke			
Pass Through:			
Cedars-Sinai Medical Center	93.853	<u>80,420</u>	-
		<u>80,420</u>	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>2,431,770</u>	<u>372,443</u>
National Science Foundation			
Translational Impacts			
Pass Through:			
The Regents of University of California, Los Angeles	47.084	<u>1,632</u>	-
U.S. Department of Defense			
Basic Applied Research in Science and Technology			
Pass Through:			
Advanced Regenerative Manufacturing Institute, Inc.	12.630	<u>308,603</u>	<u>161,902</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 2,742,005</u>	<u>\$ 534,345</u>

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**NOTES TO THE 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 Terasaki Institute for Biomedical Innovation under programs of the federal government for the year ended December 31, 2022. The information in the 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 Terasaki Institute for Biomedical Innovation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Terasaki Institute for Biomedical Innovation.

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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Terasaki Institute for Biomedical Innovation has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

TERASAKI INSTITUTE FOR BIOMEDICAL INNOVATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

The auditors' report expresses an unmodified opinion on whether the financial statements of Terasaki Institute for Biomedical Innovation were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Noncompliance material to financial statements noted? – No

Federal awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Type of auditors' report issued on compliance for major programs – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? – No
5. Identification of major programs: Research and Development - Cluster, AL No. Various
6. Dollar threshold used to distinguish between type A and type B programs was \$750,000.
7. Auditee qualified as low-risk auditee? – No

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONS COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None