



Reports of Independent Auditors and Financial Statements with
Federal Awards Supplementary Information

J. Craig Venter Institute

December 31, 2022 and 2021

Table of Contents

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	28
Report of Independent Auditors 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>	29
Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance	31
Schedule of Findings and Questioned Costs	34

Report of Independent Auditors

The Board of Trustees
J. Craig Venter Institute

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of J. Craig Venter Institute, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities 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 J. Craig Venter 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of J. Craig Venter 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 – Change in Accounting Principle

As discussed in Note 17 to the financial statements, in 2022, J. Craig Venter Institute adopted new accounting guidance Accounting Standards Codification Topic 842, *Leases*. 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 J. Craig Venter Institute's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 J. Craig Venter 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 J. Craig Venter 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of J. Craig Venter 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 J. Craig Venter 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 J. Craig Venter Institute's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Diego, California
September 29, 2023

Financial Statements

J. Craig Venter Institute
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,102,233	\$ 947,992
Accounts receivable	7,507	23,013
Grants and contracts receivable, net of allowance	3,548,196	5,077,654
Prepaid expenses and other current assets	311,397	588,140
Property held for sale	-	41,345,000
Investments	27,482,193	39,754,129
Total current assets	36,451,526	87,735,928
NON-CURRENT ASSETS		
Investments	689,927	1,125,276
Property and equipment, net	1,858,655	2,003,769
Promise to give, net	12,027,296	139,975
Right of use asset	2,554,463	-
Other	2,725,900	2,739,406
Total non-current assets	19,856,241	6,008,426
Total assets	\$ 56,307,767	\$ 93,744,354
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,689,803	\$ 3,496,589
Lease liability, short-term	439,851	-
Deferred revenue	2,973,249	2,778,999
Total current liabilities	6,102,903	6,275,588
LONG-TERM LIABILITIES		
Deferred rent	-	1,287,922
Long-term debt, net	-	24,971,402
Lease liability, long-term	3,299,712	-
Total long-term liabilities	3,299,712	26,259,324
Total liabilities	9,402,615	32,534,912
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS		
Without donor restrictions		
Undesignated	32,905,446	42,223,217
Designated for property and equipment	1,858,655	18,377,367
Total without restrictions	34,764,101	60,600,584
With donor restrictions	12,141,051	608,858
Total net assets	46,905,152	61,209,442
Total liabilities and net assets	56,307,767	\$ 93,744,354

See accompanying notes.

J. Craig Venter Institute
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Grants and contracts	\$ 16,172,598	\$ -	\$ 16,172,598	\$ 18,956,804	\$ -	\$ 18,956,804
Contributions	13,260	314,550	327,810	145,277	141,312	286,589
In-kind contributions	-	14,850,000	14,850,000	360,000	-	360,000
Other (loss)/income	(127,068)	-	(127,068)	168,767	-	168,767
Net assets released from restrictions	3,632,357	(3,632,357)	-	9,584	(9,584)	-
Total revenues, gains, and other support	<u>19,691,147</u>	<u>11,532,193</u>	<u>31,223,340</u>	<u>19,640,432</u>	<u>131,728</u>	<u>19,772,160</u>
EXPENSES						
Program expenses	14,648,293	-	14,648,293	16,422,756	-	16,422,756
Supporting services	10,917,080	-	10,917,080	11,843,938	-	11,843,938
Fundraising expenses	623,034	-	623,034	637,898	-	637,898
Total expenses	<u>26,188,407</u>	<u>-</u>	<u>26,188,407</u>	<u>28,904,592</u>	<u>-</u>	<u>28,904,592</u>
CHANGES IN NET ASSETS FROM OPERATIONS BEFORE NON-OPERATING ITEMS						
	<u>(6,497,260)</u>	<u>11,532,193</u>	<u>5,034,933</u>	<u>(9,264,160)</u>	<u>131,728</u>	<u>(9,132,432)</u>
Non-operating activity						
Investment income, net	1,062,703	-	1,062,703	864,519	-	864,519
Unrealized (losses)/gains on investments	(3,974,864)	-	(3,974,864)	1,017,500	-	1,017,500
Loss on disposal of building	(16,427,062)	-	(16,427,062)	-	-	-
Gain on forgiveness of debt	-	-	-	5,044,861	-	5,044,861
Total non-operating activity	<u>(19,339,223)</u>	<u>-</u>	<u>(19,339,223)</u>	<u>6,926,880</u>	<u>-</u>	<u>6,926,880</u>
CHANGE IN NET ASSETS	<u>(25,836,483)</u>	<u>11,532,193</u>	<u>(14,304,290)</u>	<u>(2,337,280)</u>	<u>131,728</u>	<u>(2,205,552)</u>
NET ASSETS						
Beginning of year	<u>60,600,584</u>	<u>608,858</u>	<u>61,209,442</u>	<u>62,937,864</u>	<u>477,130</u>	<u>63,414,994</u>
End of year	<u>\$ 34,764,101</u>	<u>\$ 12,141,051</u>	<u>\$ 46,905,152</u>	<u>\$ 60,600,584</u>	<u>\$ 608,858</u>	<u>\$ 61,209,442</u>

See accompanying notes.

J. Craig Venter Institute
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ (14,304,290)	\$ (2,205,552)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	558,116	1,923,422
Noncash rental expense	380,022	-
Unrealized losses/(gains) on investments	3,974,864	(1,017,500)
Realized (gains) on sale of investments	(432,423)	(128,123)
Gain on forgiveness of debt	-	(5,044,861)
Loss on disposal of building	16,427,062	-
Changes in assets and liabilities		
Accounts and grants and contracts receivable	1,544,964	(949,112)
Pledge receivable	(11,887,321)	(138,974)
Prepaid expenses and other assets	290,249	333,642
Accounts payable and accrued liabilities	(806,786)	403,140
Deferred revenue	194,250	425,954
Lease liabilities	(482,844)	(104,303)
Net cash used in operating activities	(4,544,137)	(6,502,267)
INVESTING ACTIVITIES		
Purchases of investments	(631,858)	(748,210)
Proceeds from sale of building	25,000,000	
Proceeds from sale of investments	9,796,702	6,598,582
Purchases of furniture, equipment, and building improvements	(466,466)	(593,760)
Net cash provided by investing activities	33,698,378	5,256,612
FINANCING ACTIVITIES		
Proceeds from loan payable	-	2,000,000
Net (payments)/proceeds from line of credit	-	(2,000,000)
Payments of long term debt	(25,000,000)	-
Payments under capital lease obligations	-	(28,438)
Net cash (used in)/provided by financing activities	(25,000,000)	(28,438)
INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	4,154,241	(1,274,093)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	947,992	2,222,085
End of year	\$ 5,102,233	\$ 947,992
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 45,000	\$ 981,955
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Gain on forgiveness of debt	\$ -	\$ (5,044,861)
Right of use asset, net of deferred rent	\$ 2,871,394	\$ -
Right of use liability	\$ 4,159,316	\$ -

See accompanying notes.

J. Craig Venter Institute

Notes to Financial Statements

Note 1 – Nature of Organization and Significant Accounting Policies

J. Craig Venter Institute (the “Institute”) is a not-for-profit organization with office and labs located in La Jolla, California, and Rockville, Maryland. The Institute’s efforts are devoted principally to the advancement of genomics.

The Institute is dependent upon grants and contracts from the federal government and foundations, contributions from other private sources, and earnings from its investments.

Basis of presentation – The financial statements have been prepared on the accrual basis of accounting.

Financial statement presentation – The Institute’s net assets are reported into separate classes based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions consist of net assets not subject to donor-imposed restrictions. Net assets with donor restrictions consist of contributions subject to donor-imposed restrictions that can be fulfilled by the performance of a future event or the passage of time or that have irrevocable donor restrictions requiring the assets be maintained in perpetuity. As of December 31, 2022 and 2021, there were no net assets required to be held in perpetuity. Non-operating activities includes investment income/losses, including realized and unrealized gains and losses and other gains and losses.

The costs of providing program and supporting services have been summarized on a functional expense basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. See Note 13.

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include cash on deposit and highly liquid investments with initial maturity dates of less than three months.

Accounts and grants and contracts receivable – Accounts receivable primarily include employee, dividend, and other receivables. Grants and contracts receivable include federal and non-federal receivables. The Institute recorded an allowance of approximately \$100,000 against its accounts receivable as of December 31, 2022 and 2021, based on its determination of the likelihood of collection for each receivable balance considering the age of the receivable and other factors impacting collection. Balances are written off against the allowance when deemed uncollectible.

J. Craig Venter Institute

Notes to Financial Statements

Promises to give – Unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The fair value was determined using a discount rate of 1.37 percent. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. No allowance has been recorded as of December 31, 2022 and 2021.

Investments – Investments are recorded in the financial statements at fair value. The fair values of publicly traded securities are based on quoted market prices. The fair values of government agency, corporate and international bonds, are determined based on discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuers. The fair values of nonmarketable securities are based on the valuations provided by third-party fund managers or general partners of the related investment partnerships. For these investments, the Institute uses the net asset value (NAV) provided by the fund manager or general partner to evaluate the fair value of the investments. See Note 3. These investments are generally less liquid than other investments and the values reported by the fund manager or general partner may differ from the values that would have been reported had a ready market for these securities existed. The Institute exercises due diligence in assessing the policies, procedures, and controls implemented by the fund managers and general partners and believes the carrying amount of these assets is a reasonable estimate of fair value.

Realized gains and losses are included in net investment income (loss) and unrealized gains and losses are presented separately on the accompanying statements of activities.

Property and equipment – Property and equipment, including building and improvements, furniture and equipment, vessels, leased property, land improvements, and construction in process is recorded at cost. All costs of property and equipment valued at \$5,000 or more and with an estimated useful life of three years or more are capitalized. Donated assets are recorded at an estimated fair value at the date of donation. Depreciation and amortization are computed using the straight-line or accelerated method over the estimated service lives or the terms of the leases, as applicable, ranging from 3 to 39 years.

The cost and related accumulated depreciation and amortization of assets sold, retired, or otherwise disposed of are removed from the respective accounts, and any resulting gains or losses are included in the statements of activities.

Property held for sale – Property held for sale represents the building and improvement for which a formal decision to sell has been approved and sales activities have commenced. It is recorded at the lower of its carrying value or fair value less costs to sell upon classification as held for sale. The property sale was completed in January 2022.

Impairment of long-lived assets – The Institute evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down is recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

J. Craig Venter Institute Notes to Financial Statements

Investments in affiliates – The Institute has investments in corporations. Investments in which a less-than-20-percent ownership interest is held by the Institute and the Institute does not exert significant influence over the investee are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. The equity method is applied to investments in which the Institute owns a less-than-20-percent ownership interest but can exert significant influence over the investee. See Note 2.

Grant and contract revenue – Revenue from grants and contracts consists of cost reimbursable, fixed price, and/or time and material awards from governmental agencies, private companies, universities, and foundations and fee for service contracts with private companies, higher education organizations, and not-for-profit organizations.

Conditional contributions:

Grants and contracts that are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses are accounted for as conditional contributions. Grant and contract awards are recognized as revenue when the Institute has met the conditions of the agreements by incurring expenditures in compliance with the grant and contract provisions.

Total revenue from these grants and contracts recognized in the accompanying statements of activities in grants and contracts revenue is approximately \$11,682,000 and \$15,564,000 for the years ended December 31, 2022 and 2021, respectively.

Total receivables from these grants and contracts included in grants and contracts receivable in the accompanying statements of financial position as of December 31, 2022 and 2021, is approximately \$2,748,000 and \$4,052,000, respectively.

Amounts received prior to meeting the conditions of these grants and contracts by incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. The Institute received advances on grants of \$2,973,000 and \$2,778,000, which are reflected as deferred revenue as of December 31, 2022 and 2021, respectively, because qualifying expenditures had not yet been incurred.

As of December 31, 2022, certain executed grants and contracts include additional awarded amounts of approximately \$28,000,000, which are conditioned on qualifying expenditure of those amounts in years subsequent to 2022. No advance funding of these amounts had been received as of December 31, 2022.

As of December 31, 2021, certain executed grants and contracts include additional awarded amounts of approximately \$37,795,000, which are conditioned on qualifying expenditure of those amounts in years subsequent to 2021. No advance funding of these amounts had been received as of December 31, 2021.

J. Craig Venter Institute Notes to Financial Statements

Contracts with customers:

Revenue from fee for service and/or time and materials contracts with private companies and not-for-profit organizations are recognized over time as the performance obligations in the contract are met, which generally is when the specified research activities are performed and deliverables are available to the customer.

Total revenue from contracts recognized in the accompanying statements of activities in grants and contracts revenue is approximately \$4,490,000 and \$3,392,000, for the years ended December 31, 2022 and 2021, respectively.

Total receivables from these contracts included in grants and contracts receivable in the accompanying statements of financial position as of December 31, 2022 and 2021, is approximately \$1,030,000 and \$1,201,000, respectively. Receivables are due upon invoicing by the Institute.

Amounts received prior to meeting performance obligations under these contracts are reported as deferred revenue in the statements of financial position. The Institute received advances on contracts of approximately \$0 and \$188,000, which are reflected as deferred revenue as of December 31, 2022 and 2021, respectively, because the performance obligations have not been met.

Contributions – Contributions from individuals, corporations, and foundations are recorded as contribution revenue in the accompanying statements of activities at fair value when unconditionally pledged or when received. The donation of the free use of property is valued at the estimated fair value of rent for the property. The Institute reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reported in the statements of activities as net assets released from restrictions. Income on these net assets, if any, is classified as with or without donor restrictions in accordance with the donor's stipulation. Contributions for which the restrictions are satisfied in the same period in which contributions are made are classified as without donor restrictions.

Income taxes – The Institute is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Institute does not believe there are any material uncertain tax positions and accordingly, no provision for income taxes has been made in the accompanying financial statements. The Institute is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

Accounting standard adopted – The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which increases transparency and comparability among entities by recognizing right of use (ROU) assets and lease liabilities on the statement of financial position and requires disclosure of key information about leasing arrangements. The Institute adopted Accounting Standards Codification (ASC) Topic 842 effective January 1, 2022, using the modified retrospective transition method such that prior period amounts are not adjusted and continue to be reported in accordance with ASC 840, *Leases*. The new guidance was applied for all leases that existed at the date of initial application. Topic 842 provides for a number of practical expedients in transition. The Institute elected the package of practical expedient, which permits the Institute to not reassess under the new standard prior conclusion about lease identification, lease classification and initial direct costs.

J. Craig Venter Institute Notes to Financial Statements

Under Topic 842, the Institute determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized in the statement of financial position as a ROU asset and lease liabilities. ROU assets represent the Institute's right to use an underlying asset for the lease term and lease liabilities represent the Institute's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Institute considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Institute utilized the risk-free rate, a rate for U.S. Treasury security for a similar term, as permitted by Topic 842. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option.

The Institute has elected the short-term lease recognition exemption for certain leases which are less than 12 months in duration or month-to-month. This means, for those leases that qualify, ROU assets or lease liabilities will not be recognized.

In connection with its adoption of ASC Topic 842, on January 1, 2022, \$2,872,394 of ROU assets – operating lease and \$4,159,316 of lease liabilities – operating lease were recorded. See Note 17 for additional information on leases.

In September 2020, the FASB issued (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires not-for-profit entities to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The new standard was adopted by the Institute on January 1, 2022. The adoption of this standard did not have a material impact on the Institute's financial statements. The Institute receives use of space from UCSD without charge. The free use of this space is recorded as a contribution at fair value. Fair value is based on estimated rate per square foot. The value of the contribution is included in in-kind contributions and facilities expense.

J. Craig Venter Institute
Notes to Financial Statements

Note 2 – Investments and Investment in Affiliates

Investments consisted of the following as of December 31, 2022 and 2021:

	2022	2021
Cash equivalents	\$ 395,507	\$ 2,038,044
Fixed income securities		
U.S. government agencies	9,391,756	15,522,538
Corporate bonds	9,220,890	9,486,290
International bonds	977,535	3,115,482
Equities		
Domestic	6,449,735	6,941,372
International	952,228	1,368,625
Emerging markets	94,542	99,880
Private equity funds	689,927	1,125,276
Mutual funds		
Fixed income	-	1,181,898
Total current and non-current investments	\$ 28,172,120	\$ 40,879,405

Investment in affiliates as of December 31, 2022 and 2021, represents an investment in Human Longevity, Inc. (HLI) and Viridos (formerly Synthetic Genomics, Inc.)

As of December 31, 2022 and 2021, JCVI owns 2,637,478 shares (less than 2 percent) of HLI. Upon the adoption of ASU 2016-01, the Institute's investment in HLI is recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. This accounting is based on the lack of a readily determinable fair value. As of December 31, 2022 and 2021, the Institute's total investment in HLI is recorded at \$0.

JCVI has received donations of shares of common stock of Synthetic Genomics, Inc (SGI) from Dr. Venter and other board members over the years. SGI changed its name during 2021 and is now called Viridos. The Institute's investment in Viridos was recorded under the equity method due to management overlap in the Institute and Viridos. The Institute's total investment in Viridos represented 11,094,817 shares (15.17 percent) as of December 31, 2021. The investment in Viridos was recorded at \$0 as of December 31, 2021. Subsequent to December 31, 2022, JCVI tendered all of its shares of common stock to Viridos in exchange for royalty interests and milestone payments on a contract between Viridos and a vendor.

J. Craig Venter Institute

Notes to Financial Statements

Note 3 – Fair Value Measurements

The fair value of a financial instrument is defined in FASB ASC 820-10-30, *Fair Value Measurements and Disclosure*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10-30 established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Institute would use in pricing the Institute's assets or liabilities based on independency derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Institute are traded.

The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail significant degree of judgment.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability, directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Valuation based on inputs that are unobservable and are significant to the fair value of the assets or liabilities and are supported by little or no market activity.

The following table presents the Institute's assets measured at fair value on a recurring basis, as of December 31, 2022 and 2021:

	2022			
	Level 1	Level 2	NAV	Total
Cash equivalents	\$ 395,507	\$ -	\$ -	\$ 395,507
Fixed income securities				
U.S. government agencies	-	9,391,756	-	9,391,756
Corporate bonds	-	9,220,890	-	9,220,890
International bonds	-	977,535	-	977,535
Equities				
Domestic	6,449,735	-	-	6,449,735
International	952,228	-	-	952,228
Emerging markets	94,284	-	-	94,542
Fixed income	-	-	-	-
Private equity funds	-	-	689,927	689,927
Total investments	<u>\$ 7,891,754</u>	<u>\$ 19,590,181</u>	<u>\$ 689,927</u>	<u>\$ 28,172,120</u>

J. Craig Venter Institute
Notes to Financial Statements

	2021			
	Level 1	Level 2	NAV	Total
Cash equivalents	\$ 2,038,044	\$ -	\$ -	\$ 2,038,044
Fixed income securities				
U.S. government agencies	-	15,522,538	-	15,522,538
Corporate bonds	-	9,486,290	-	9,486,290
International bonds	-	3,115,482	-	3,115,482
Equities				
Domestic	6,941,372	-	-	6,941,372
International	1,368,625	-	-	1,368,625
Emerging markets	99,880	-	-	99,880
Mutual funds				
Fixed income	1,181,898	-	-	1,181,898
Private equity funds	-	-	1,125,276	1,125,276
Total investments	\$ 11,629,819	\$ 28,124,310	\$ 1,125,276	\$ 40,879,405

The following table presents information about the Institute's investments in private equity funds as of December 31, 2022:

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	\$ 689,927	\$ 352,000	Not redeemable	Not redeemable
	\$ 689,927	\$ 352,000		

Private equity funds are comprised of two funds that invest in domestic and international limited partnerships. These funds are not redeemable by the Institute; distributions are received through the liquidation of the underlying assets of the underlying funds as determined by the issuers. The funds are winding down and will continue until the last investment is sold and then liquidation will occur. The underlying funds' fair values may be estimated using recent observable transaction information for similar investments and nonbinding bids received from potential buyers.

Note 4 – Property and Equipment

Property and equipment consisted of the following as of December 31, 2022 and 2021:

	2022	2021
Building and improvements	\$ 1,395,244	\$ 1,424,994
Furniture and equipment	13,469,535	15,736,610
Land improvements	-	380,940
Accumulated depreciation and amortization	(13,006,124)	(15,538,775)
Total property and equipment, net	\$ 1,858,655	\$ 2,003,769

J. Craig Venter Institute Notes to Financial Statements

Note 5 – Other Assets

In 2005, the Institute purchased an archive collection of scientific papers of great interest to the Institute and the research community. The asset is recorded at its cost of \$2,000,000. The asset has no determinable useful life and is not depreciated or amortized.

In October 2015, a Nobel Prize winner, who is a current employee of the Institute, donated his Nobel Prize medal in Physiology and Medicine received in 1978 to the Institute. This donation was recorded at fair value of \$545,000 when received based on retail replacement value as determined by an independent appraiser. The asset has no determinable useful life and is not depreciated or amortized.

Note 6 – Long-Term Debt and Loan Payable

In December 2019, the Institute entered into a commercial loan agreement with Bank of America for \$25,000,000 with a fixed rate of interest of 3.6 percent. Principal on the commercial loan was payable on or before December 26, 2022, with interest only payable monthly during the loan's three-year term. The loan proceeds were used to refund outstanding bonds.

The loan was secured by Institute investments as defined in the pledge agreement between the Institute and Bank of America and held at the bank.

Long-term debt consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Bank of America term loan	\$ -	\$ 25,000,000
Less: debt issuance costs	-	(28,598)
Total	<u>\$ -</u>	<u>\$ 24,971,402</u>

On January 18, 2022, the Institute paid off the Bank of America \$25 million bank term loan. Approximately \$221,000 of prepayment penalties were paid in connection with the transaction.

For the years ended December 31, 2022 and 2021, interest expense was approximately \$45,000 and \$912,500, respectively.

The Institute obtained a \$3,044,861 Paycheck Protection Program loan ("PPP loan") on April 28, 2020, through the United States Small Business Administration (SBA) under the Coronavirus Aid Relief and Economic Security (CARES) Act. The loan is forgivable to the extent it is used for certain allowable uses during the 24 weeks after funding. Allowable costs include payroll, interest on covered debt, rent on covered obligations, and payments for covered utilities. To the extent it is not forgiven, the loan would bear interest at one percent and have a maturity date of May 1, 2022. The full amount of the loan was formally forgiven by the SBA on June 6, 2021, and was recorded as a gain on forgiveness of debt in the statements of activities.

J. Craig Venter Institute

Notes to Financial Statements

On February 2, 2021, the Institute obtained a second \$2,000,000 PPP loan through the SBA under the CARES Act. The loan is forgivable to the extent it is used for certain allowable uses during the 24 weeks after funding. Allowable costs include payroll, interest on covered debt, rent on covered obligations, and payments for covered utilities. To the extent it is not forgiven, the loan would bear interest at one percent and have a maturity date of February 2, 2023. Equal monthly payments of principal and interest are due beginning six months from the date of the loan to the extent it is not forgiven. The full amount of the loan was formally forgiven by the SBA on December 30, 2021, and is recorded as a gain on forgiveness of debt in the statements of activities.

Note 7 – Line of Credit

In December 2019, the Institute entered into a commercial loan agreement with Bank of America. The loan consists of a \$2,000,000 line of credit with an interest rate of LIBOR Daily Floating Rate plus 1.75 percent. The line of credit was in place through December 26, 2021. The line of credit was secured by Institute investments in addition to the investments that collateralize the loan with Bank of America described in Note 6. The line of credit was not renewed in December 2022.

For the years ended December 31, 2021, interest expense on the line of credit was approximately \$69,000.

Note 8 – Retirement Plans

The J. Craig Venter Institute, Inc. 401(k) plan (the “Plan”) is a defined contribution plan sponsored by the Institute for the benefit of all eligible employees of the Institute. The Plan is a safe harbor plan, providing matching contributions equal to 100 percent of the elective deferrals up to three percent of the plan compensation and an additional 50 percent on deferrals for the next two percent of the plan compensation. Employees are immediately vested in 100 percent of all employer contributions. The Institute’s matching contributions for the years ended December 31, 2022 and 2021, were approximately \$355,000 and \$416,000, respectively.

Note 9 – Commitments and Contingencies

Ground lease – The land in La Jolla, California, on which the Institute’s main campus is located is owned by The Regents of the University of California (“University of California”). The right to develop, use, and occupy the land has been conveyed to the Institute by University of California pursuant to a 52-year ground lease (the “Ground Lease”) entered into by the Institute and University of California with an effective date of September 1, 2011.

To the extent that the land including the related improvements and fixtures is used and operated for certain research programs that have significant linkage with current and/or proposed research and/or instruction at certain entities related to University of California, University of California may grant a ground rent credit to the Institute equal to the amount of ground rent payable by the Institute or a portion thereof. Per the terms of the Ground Lease, rent became payable beginning three years after the completion of the receipt of the certificate of occupancy for the constructed facility on the land which was received on November 18, 2013.

J. Craig Venter Institute

Notes to Financial Statements

A report with a detailed written description of the activities and programs the Institute provided during the three years prior to rent commencement and that it plans to provide in the next three years, for the purposes defined in the Ground Lease, is due to University of California within 60 days after the end of the year which is the third anniversary of the rent commencement date and every three years thereafter. University of California will determine the amount of the ground rent credit after review of this report.

In November 2017, the Institute received correspondence from University of California confirming the research linkage and confirmed that no rent payments were due by the Institute under the Ground Lease through December 1, 2019. In November 2020, the Institute received correspondence from University of California confirming the research linkage and confirmed that no rent payments were due by the Institute under the Ground Lease through March 1, 2021, while the Ground Lease terms are under review by University of California. The Ground Lease was terminated with the sale of the building.

Upon termination of the Ground Lease, title to all fixtures and land improvements will pass unencumbered to University of California.

The Institute has recorded an in-kind contribution of free rent and rent expense of \$360,000 for the year ended December 31, 2021, for the Ground Lease which is included on the accompanying statements of activities.

If the Institute does not occupy the entire constructed facility for research as specified in the Ground Lease, it may sublease any excess space first to University of California, and then to any other tenant, for uses acceptable to and approved by University of California ("Approved Uses"). Ground rent payable to University of California by the Institute for subleased space for other than Approved Uses will be priced at fair value, as determined by an appraisal. There are no commitments for the use of space for other than Approved Uses as of December 31, 2021.

Federal grants and contracts – Federal grant and contract revenue and receivables are recognized based upon actual program expenses incurred as well as allowable indirect cost as per the award agreements which are subject to final approval by federal grantors and could be adjusted upon the results of these reviews. In the normal course of business, the Institute is subject to grant compliance audits. In management's opinion, the results of any such audits will not have a material effect on the Institute's financial position.

Note 10 – Related Parties

For the year ended December 31, 2022 and 2021, the Institute received contributions of approximately \$200,000 and \$249,000, respectively, from Board of Trustee members.

Note 11 – Concentrations of Credit Risk

Financial instruments that potentially subject the Institute to concentrations of credit risk consist principally of cash deposits at financial institutions and investments. At times, balances in the Institute cash and investment accounts exceed the Federal Deposit Insurance Corporation or Securities Investors Protection Corporation insurance limits. The Institute has not experienced any losses in such accounts.

J. Craig Venter Institute Notes to Financial Statements

Investments are exposed to various risks such as interest rates, market, and credit risk. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near term could materially affect the amounts reported in the financial statements. Consequently, the fair value of the Institute's investments is exposed to market volatility, which could result in a reduction in the future fair value of certain investments from the amounts reported as of December 31, 2022 and 2021.

The Institute receives funds under various research grants from federal and non-federal agencies. Funding from the National Institutes of Health, the Department of Energy, and the University of Chicago represents approximately 41 percent of total grant and contract revenue for the year ended December 31, 2022, and funding from the National Institutes of Health and the Department of Energy, and the University of Chicago represents approximately 49 percent of total grant and contract revenue for the year ended December 31, 2021.

Receivables from the National Institutes of Health, the Department of Energy, and the University of Chicago represents approximately 44 percent of grant and contract receivables as of December 31, 2022, and receivables from the National Institutes of Health, the Department of Energy, and the University of Chicago represents approximately 41 percent of grant and contract receivables as of December 31, 2021.

Note 12 – Liquidity

The following table reflects the Institute's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year. Amounts not available include investments restricted as collateral for the commercial bank loan, a restricted cash reserve for bond payments, investments in private equity funds, and cash and investments not available for general use based on donor-imposed restrictions.

	2022	2021
Cash and cash equivalents	\$ 5,102,233	\$ 947,992
Accounts receivable	7,507	23,013
Pledge receivable	12,027,296	139,975
Grants and contracts receivable, net of allowance	3,548,196	5,077,654
Investments	28,172,120	40,879,405
Total financial assets	48,857,352	47,068,039
Pledge receivable	(11,880,000)	(139,975)
Restricted investments – collateral requirement	-	(30,660,000)
Private equity funds – nonredeemable	(689,927)	(1,125,276)
Net assets with donor restrictions	(261,051)	(468,883)
Financial assets available to meet cash needs for general expenditures within one year	\$ 36,026,374	\$ 14,673,905

J. Craig Venter Institute

Notes to Financial Statements

The Institute is primarily supported by revenue generated from grants and contracts, contributions from individuals, and investment income. The Institute structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. Excess cash from operations is invested in money market and short-term investment accounts to maximize investment income.

Note 13 – Classification of Expenses

The following reflects the classification of the Institute’s expenses by both the underlying nature of the expense and function for the years ended December 31, 2022 and 2021. An individual expense is allocated to the underlying activity to which it was incurred. Certain expenses are allocated on a reasonable basis, which has been consistently applied. Allocated expenses are facility costs and fringe benefits. Facility costs include, but are not limited to, rent, utilities, equipment costs, depreciation, facility bond interest, maintenance, supplies, security, labor, and fringe for facility staff. Facility costs and fringe benefits are allocated based on headcount by personnel employment function.

Expenses for the years ended December 31, are as follows:

	2022			
	Program	Supporting Services	Fundraising	Total
Salaries and benefits	\$ 7,224,400	\$ 6,615,574	\$ 536,792	\$ 14,376,766
Subcontractors	2,934,839	-	-	2,934,839
Supplies and services	829,729	977,684	18,637	1,826,050
Depreciation and amortization	457,953	98,315	1,848	558,116
Office and occupancy	2,917,595	2,035,009	55,617	5,008,221
Interest	29,972	15,000	556	45,528
Business insurance	22,176	397,697	230	420,103
Legal and consultants	39,708	681,482	-	721,190
Other	69,699	80,164	492	150,355
Travel and meetings	122,222	16,155	8,862	147,239
	\$ 14,648,293	\$ 10,917,080	\$ 623,034	\$ 26,188,407

J. Craig Venter Institute
Notes to Financial Statements

	2021			
	Program	Supporting Services	Fundraising	Total
Salaries and benefits	\$ 8,806,026	\$ 7,413,658	\$ 573,680	\$ 16,793,364
Subcontractors	2,966,984	-	-	2,966,984
Supplies and services	1,785,283	1,427,305	1,627	3,214,215
Depreciation and amortization	1,104,974	801,247	17,201	1,923,422
Office and occupancy	940,007	665,371	32,702	1,638,080
Interest	565,353	406,246	9,919	981,518
Business insurance	134,165	376,226	2,139	512,530
Legal and consultants	69,865	596,768	-	666,633
Other	7,832	150,306	6	158,144
Travel and meetings	42,267	6,811	624	49,702
	\$ 16,422,756	\$ 11,843,938	\$ 637,898	\$ 28,904,592

Note 14 – Net Assets with Donor Restrictions

Net assets are restricted for the following as of December 31,

	2022	2021
Subject to expenditure for specified purpose		
Research	\$ 113,755	\$ 468,883
Diversity, equity and inclusion		
Promises to give, the proceeds from which have been restricted by donors	147,296	139,975
Subject to the passage of time		
Use of building and improvement	11,880,000	-
	\$ 12,141,051	\$ 608,858

Note 15 – Property Sale

On January 14, 2022, the Institute sold its main campus building to University of California for \$25 million. Simultaneously, the Institute entered into a five-year lease agreement with University of California to use the building through January 2027 without cost. The fair value of the lease was recorded as a time restricted contribution. Each year the balance of the promise to give will be reduced and rent expense will be recorded.

J. Craig Venter Institute
Notes to Financial Statements

Note 16 – Promise to Give

Unconditional promises to give are estimated to be collected as follows at December 31,

	<u>2022</u>	<u>2021</u>
Within one year	\$ -	\$ -
In one to five years	12,087,296	139,975
Over five years	<u>-</u>	<u>-</u>
	12,087,296	139,975
Less discount to net present value at rate of 1.37%	<u>60,000</u>	<u>-</u>
	<u>\$ 12,027,296</u>	<u>\$ 139,975</u>

Note 17 – Leases

Operating leases – The Institute leases space in Rockville, Maryland, for staff on the East Coast. The lease agreement and amendment, entered into in 2017, requires no rent to be paid for the first 12 months and 50 percent rent payments for an additional six months. The lease provides for a tenant improvement allowance of \$80 per square foot less a one percent landlord administrative fee for a net \$1,118,225. The lease has a term of 147 months; however, it can be terminated by the Institute after the 113th full calendar month following the lease commencement date provided that a termination notice is submitted on or before the last day of the 99th full calendar month.

In the event of termination, the Institute shall compensate the landlord for three months' rent, unamortized transaction costs, and imputed interest on the transaction costs at a rate of seven percent per annum. Monthly base rent payments under this lease range from \$36,180 to \$50,101 per month. Prior to the implementation of ASC 842, rent expense on this lease was recorded on a straight-line basis over the lease terms. Deferred rent was recorded for the difference between rent paid and rent expense. Deferred rent of approximately \$1,288,000 was recorded as of December 31, 2021, and is included in deferred rent on the accompanying statements of financial position.

The Institute incurred amortization expense of approximately \$380,000 during the year ended December 31, 2022, and rent expense of approximately \$456,000 during the year ended December 31, 2021.

J. Craig Venter Institute
Notes to Financial Statements

Supplemental information related to operating leases for the purpose of the measurement of lease liability at or for the year ended December 31, 2022, are as follows:

The future minimum annual rental payments for these leases as of December 31, 2022, are as follows:

Years Ending December 31,		
2023	\$	482,844
2024		509,765
2025		523,784
2026		538,188
2027		552,988
Thereafter		<u>1,351,081</u>
Total undiscounted lease payments		3,958,650
Less: present value discount		<u>219,087</u>
Total lease liability	\$	<u><u>3,739,563</u></u>
Remaining lease term		7.3 years
Discount rate		1.59%

Total rent expense for years ended December 31,

	<u>2022</u>	<u>2021</u>
Rockville, Maryland	\$ 380,022	\$ 456,383
La Jolla, California	2,970,000	-
Ground lease	<u>-</u>	<u>360,000</u>
	<u><u>\$ 3,350,022</u></u>	<u><u>\$ 816,383</u></u>

Note 18 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Institute recognizes in the financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Institute's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued. The Institute has evaluated subsequent events for recognition and disclosure through September 29, 2023, which is the date of the financial statements were available to be issued.

Supplementary Information

J. Craig Venter Institute
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	ALN Number	Pass-through Entity Identifying Number	Amounts Passed-through to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
U.S. Department of Energy				
Direct programs				
Office of Science Financial Assistance Program	81.049	n/a	\$ 735,418	\$ 1,546,933
Renewable Energy Research & Development	81.087	n/a	<u>282,746</u>	<u>515,096</u>
Subtotal direct programs			<u>1,018,164</u>	<u>2,062,029</u>
Pass-through Global Algae Innovations				
Renewable Energy Research & Development	81.087	171039	-	(3,933)
Subtotal pass-through programs			-	(3,933)
Total U.S. Department of Energy			<u>1,018,164</u>	<u>2,058,096</u>
U.S. Department of Defense				
Direct programs				
Basic Scientific Research	12.431	n/a	-	25,818
Subtotal direct programs			-	25,818
Pass-through San Diego State University Research Foundation				
Draper MetaSyn (Draper - 1) Program	12.RD	SC001-0000001392	-	604,031
DARPA LEIDOS-JCVI	12.RD	P010255133	-	226,830
Basic and Applied Scientific Research	12.300	SA0000735	-	81,603
Subtotal pass-through programs			-	912,464
Total U.S. Department of Defense			-	938,282
U.S. Department of Health and Human Services				
Direct programs				
National Center for Advancing Translation Sciences	93.350	n/a	-	30,027
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	n/a	20,942	275,132
Oral Diseases and Disorders Research	93.121	n/a	-	(1,324)
Environmental Health	93.113	n/a	303,650	706,858
Oral Diseases and Disorders Research	93.121	n/a	-	143,652
Allergy and Infectious Diseases Research	93.855	n/a	-	453,045
Allergy and Infectious Diseases Research	93.855	n/a	-	41,560
Allergy and Infectious Diseases Research	93.855	n/a	-	84,919
Allergy and Infectious Diseases Research	93.855	n/a	22,919	143,044
Drug Abuse and Addiction Research Programs	93.855	n/a	26,098	124,003
Drug Abuse and Addiction Research Programs	93.279	n/a	55,278	202,710
Oral Diseases and Disorders Research	93.121	n/a	-	212,536
Allergy and Infectious Diseases Research	93.855	n/a	-	92,682
Allergy and Infectious Diseases Research	93.855	n/a	-	10,416
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084	n/a	452,692	955,174
Subtotal direct programs			<u>881,579</u>	<u>3,474,434</u>

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

J. Craig Venter Institute
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2022

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	ALN Number	Pass-through Entity Identifying Number	Amounts Passed-through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Pass-through La Jolla Institute				
Allergy and Infectious Diseases Research	93.855	20040-31-381	-	23,701
Pass-through Northeastern University				
Allergy and Infectious Diseases Research	93.855	500481-78050	-	191,948
Pass-through University of Cape Town				
Allergy and Infectious Diseases Research	93.855	28592	-	100,112
Pass-through University of Pittsburgh				
Allergy and Infectious Diseases Research	93.855	0051368 (128019-1)	-	(41)
Allergy and Infectious Diseases Research	93.855	AWD00002449 (134667-1)	-	29,350
Allergy and Infectious Diseases Research	93.855	AWD00003686 (135730-1)	-	17,188
Pass-through Johns Hopkins University				
Allergy and Infectious Diseases Research	93.855	2004447962	-	6,649
Allergy and Infectious Diseases Research	93.855	2004209905	-	206,104
Pass-through University of Chicago				
Allergy and Infectious Diseases Research	93.855	AWD100477-SUB00000139	34,829	2,059,866
Pass-through Emory University				
Influenza A Viruses	93.CTR	A131821	-	(1,666)
Pass-through University of California, Irvine				
COVID-19 - National Center for Advancing Translational Sciences	93.350	2020-1387	-	32,539
Pass-through Allen Institute				
Mental Health Research Grants	93.242	2020-0522	-	207,593
Pass-through University of Michigan				
Allergy and Infectious Diseases Research	93.855	SUBK00009135	-	27,171
Pass-through Indiana University				
Allergy and Infectious Diseases Research	93.855	8576	-	15,255
Pass-through University of California, San Diego				
Research Related to Deafness and Communication Disorders	93.173	KR 704130	-	31,864
Alcohol Research Programs	93.273	89096410-003	-	5,603
Alcohol Research Programs	93.273	112419174(S9002198)	-	57,085
Research Related to Deafness and Communication Disorders	93.173	705217	-	1,627
Alcohol Research Programs	93.273	705527	-	8,933
Pass-through Boston University				
Drug Abuse and Addiction Research Programs	93.279	4500003799	-	(603)
Drug Abuse and Addiction Research Programs	93.279	4500003726	-	36,576
Drug Abuse and Addiction Research Programs	93.279	4500003714	-	39,731
Drug Abuse and Addiction Research Programs	93.279	4500003979	-	13,668
Pass-through Washington University in St. Louis				
Allergy and Infectious Diseases Research	93.855	WU-23-0174	-	51,041
Pass-through University of Texas				
Refugee and Entrant Assistance Wilson/Fish Program	93.583	GMO 210609	-	211,115
Pass-through University of Pennsylvania				
Trans-NIH Research Support	93.310	57681/00 10080210	-	119,694
Pass-through Redeemer's University				
Trans-NIH Research Support	93.310	ACEGID	-	206,185
Pass-through Digital Infuzion				
Digital Infuzion	93.CTR	CEIRR-IDPCC-0842021-03-JC\	-	511,301
Pass-through Forsyth Institute				
Oral Diseases and Disorders Research	93.121	JCVI016937ADMINS-2720A	-	520,294
Subtotal pass-through programs			<u>34,829</u>	<u>4,729,883</u>
Total U.S. Department of Health and Human Services			<u>916,408</u>	<u>8,204,317</u>

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

J. Craig Venter Institute
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2022

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	ALN Number	Pass-through Entity Identifying Number	Amounts Passed-through to Subrecipients	Total Federal Expenditures
National Science Foundation				
Direct programs				
Geosciences	47.050	n/a	\$ -	\$ 36,489
Biological Sciences	47.074	n/a	254,620	281,195
Biological Sciences	47.074	n/a	120,675	199,023
Biological Sciences	47.074	n/a	217,001	547,907
Biological Sciences	47.074	n/a		65,050
Subtotal direct programs			<u>592,296</u>	<u>1,129,664</u>
Pass-through University of Illinois				
Biological Sciences	47.074	092605-17119	-	330
Subtotal pass-through programs			<u>-</u>	<u>330</u>
Total National Science Foundation			<u>592,296</u>	<u>1,129,994</u>
National Aeronautics and Space Administration				
Direct programs				
Science	43.001	n/a	-	39,679
Space Operations	43.007	n/a	-	24,617
Exploration	43.003	n/a	-	41,936
Subtotal direct programs			<u>-</u>	<u>106,232</u>
Department of Homeland Security				
Pass-through University of Maryland				
COVID-19 - COVID Research Services	97.RD	N304003-1 UMB Ref: 4193	-	4,551
Total research and development cluster and expenditures of federal awards			<u>\$ 2,526,868</u>	<u>\$ 12,441,472</u>

See accompanying notes to the schedule of expenditures of federal awards.

J. Craig Venter Institute
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of J. Craig Venter 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, or cash flows of the Institute. Therefore, some amounts presented in the Schedule may differ from amounts presented in the financial statements.

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 allowed or are limited as to reimbursement.

J. Craig Venter Institute has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

Report of Independent Auditors 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*

The Board of Trustees
J. Craig Venter Institute

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 J. Craig Venter Institute, which comprise the statements of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered J. Craig Venter 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 J. Craig Venter Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of J. Craig Venter 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether J. Craig Venter Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Diego, California
September 29, 2023

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees
J. Craig Venter Institute

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited J. Craig Venter 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 J. Craig Venter Institute's major federal program for the year ended December 31, 2022. J. Craig Venter Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, J. Craig Venter Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2022.

Basis for Opinion on the 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 (*Government Auditing Standards*); 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 J. Craig Venter 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 the major federal program. Our audit does not provide a legal determination of J. Craig Venter 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 J. Craig Venter Institute's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on J. Craig Venter 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 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 J. Craig Venter Institute's compliance with the requirements of the 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 J. Craig Venter 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 J. Craig Venter 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 J. Craig Venter 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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Diego, California
September 29, 2023

J. Craig Venter Institute
Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes No

Federal Award

Internal control over the major federal program:

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

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

Yes No

Identification of the Major Federal Program and Type of Auditor’s Report Issued on Compliance for the Major Federal Program

Assistance Listing Number	Name of Federal Program or Cluster	Type of auditor’s report issued on compliance for the major federal program
Various	Research and Development Cluster	Unmodified

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

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Section II – Financial Statement Findings

None reported.

J. Craig Venter Institute
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2022

Section III – Federal Award Findings and Questioned Costs

None reported.