REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS

THE SALK INSTITUTE FOR BIOLOGICAL STUDIES

June 30, 2021 and 2020

MOSSADAMS

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Report of Independent Auditors

The Board of Trustees
The Salk Institute for Biological Studies

Report on the Financial Statements

We have audited the accompanying financial statements of The Salk Institute for Biological Studies, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Salk Institute for Biological Studies as of June 30, 2021 and 2020, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Diego, California
October 15, 2021

(In Thousands)

	June 30, 2021	June 30, 2020
ASSETS		
Cash and cash equivalents	$ 30,566	$ 18,295
Receivables and other assets, net	28,862	23,163
Contributions receivable, net	20,637	16,249
Funds held by trustee	9,275	7,317
Investments	614,459	470,510
Assigned interest in limited partnership units	28,955	28,955
Property, net	70,180	66,880
Total assets	$ 802,934	$ 631,369
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 40,270	$ 28,638
Unexpended advances	22,799	28,912
Retirement obligations	6,202	5,849
Debt	64,113	64,550
Total liabilities	133,384	127,949
Commitments and Contingencies (Note 12)		
Net Assets		
Without donor restrictions	135,380	88,834
With donor restrictions	534,170	414,586
Total net assets	669,550	503,420
Total liabilities and net assets	$ 802,934	$ 631,369

See accompanying notes.

The Salk Institute for Biological Studies
Statement of Activities
(In Thousands)

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	$ 106,748	$ -	$ 106,748
Contributions	3,315	66,040	69,355
Other	6,269	-	6,269
Investment return designated for current operations	7,739	12,616	20,355
Net assets released from restrictions	25,783	(25,783)	-
Total revenues, gains, and other support	149,854	52,873	202,727
EXPENSES			
Research	124,553	-	124,553
Management and general	16,111	-	16,111
Fundraising	5,291	-	5,291
Total expenses	145,955	-	145,955
EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	3,899	52,873	56,772
INVESTMENT GAIN IN EXCESS OF AMOUNT DESIGNATED FOR CURRENT OPERATIONS UNDER SPENDING POLICY	44,085	66,711	110,796
POST-RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC BENEFIT COST	(362)	-	(362)
LOSS ON EXTINGUISHMENT OF DEBT	(1,076)	-	(1,076)
CHANGE IN NET ASSETS	46,546	119,584	166,130
NET ASSETS			
Beginning of year	88,834	414,586	503,420
End of year	$ 135,380	$ 534,170	$ 669,550

See accompanying notes.

(In Thousands)

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	$ 97,845	$ -	$ 97,845
Contributions	3,681	57,970	61,651
Other	4,381	-	4,381
Investment return designated for current operations	7,199	10,509	17,708
Net assets released from restrictions	28,557	(28,557)	-
Total revenues, gains, and other support	141,663	39,922	181,585
EXPENSES			
Research	122,095	-	122,095
Management and general	15,493	-	15,493
Fundraising	5,610	-	5,610
Total expenses	143,198	-	143,198
EXCESS (DEFICIENCY) OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	(1,535)	39,922	38,387
INVESTMENT GAIN IN EXCESS OF AMOUNT DESIGNATED FOR CURRENT OPERATIONS UNDER SPENDING POLICY	2,633	5,587	8,220
POST-RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC BENEFIT COST	(604)	-	(604)
CHANGE IN NET ASSETS	494	45,509	46,003
NET ASSETS			
Beginning of year	88,340	369,077	457,417
End of year	$ 88,834	$ 414,586	$ 503,420

See accompanying notes.

The Salk Institute for Biological Studies
Statements of Cash Flows
(In Thousands)

	Years Ended June 30, 2021	Years Ended June 30, 2020
OPERATING ACTIVITIES		
Change in net assets	$ 166,130	$ 46,003
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	11,306	10,875
Contribution of property	(688)	(847)
Contributions restricted for investment in perpetuity	(3,952)	(5,854)
Contribution of assigned interest in limited partnership units	-	(28,955)
Net gain on investments and funds held by trustee	(133,697)	(27,018)
Loss on extinguishment of debt	1,076	-
Changes in assets and liabilities		
Receivables and other assets	(5,699)	66
Contributions receivable	(10,280)	(715)
Accounts payable and accrued expenses	11,632	4,644
Unexpended advances	(6,113)	(1,906)
Retirement obligations	353	536
Net cash provided by (used in) operating activities	30,068	(3,171)
INVESTING ACTIVITIES		
Purchases of property	(13,877)	(6,032)
Purchases of investments and funds held by trustee	(83,815)	(164,370)
Proceeds from sales of investments and funds held by trustee	71,605	131,262
Net cash used in investing activities	(26,087)	(39,140)
FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment in perpetuity	8,641	43,769
Investment in plant	1,203	-
Debt proceeds	65,089	2,149
Repayment of debt	(64,425)	-
Scheduled principal payments on debt	(1,567)	(1,582)
Loan issue costs	(651)	-
Net cash provided by financing activities	8,290	44,336
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,271	2,025
CASH AND CASH EQUIVALENTS		
Beginning of year	18,295	16,270
End of year	$ 30,566	$ 18,295
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	$ 2,305	$ 2,364

See accompanying notes.

Note 1 – Nature of the Institute

The Salk Institute for Biological Studies, San Diego, California (the “Institute”) conducts basic biomedical research funded primarily with grants and contributions from agencies of the United States government, foundations, and the general public.

The Institute is a California not-for-profit public benefit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Income determined to be unrelated business income is taxable.

Note 2 – Significant Accounting Policies

General – The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and activities are presented based on related donor restrictions or lack of such restrictions. Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions. Net assets with donor restrictions consist of contributed funds whose use is limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of the Institute pursuant to the stipulations. Also included in this category are net assets subject to irrevocable donor restrictions requiring the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund research and other activities.

The costs of providing program services and other activities are summarized on a functional basis in the statements of activities and, accordingly, certain costs have been allocated among the activities benefited (Note 11).

Revenue Recognition:

Grants – Grant revenue includes support under agreements with governmental and private sources, which are generally considered non-exchange transactions. Grants that are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses are accounted for as conditional gifts. Grant revenue is recognized when conditions under the agreements are met, typically when qualifying expenses are incurred. Unspent grant funds received in advance of the related expenditures are reported as unexpended advances. Reimbursement for indirect expenses on certain research grants is based on specified rates applied to allowable direct expenses.

Contributions – Contributions are recorded as revenue at fair value when unconditionally pledged or when received, whichever is earlier. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as contributions with donor restrictions. When a donor restriction expires or is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Note 2 – Significant Accounting Policies (continued)

Contributions (continued) – Contributions of equipment or other long-lived assets are recognized when unconditionally pledged or received, whichever is earlier, and recorded at the fair value of the contributed asset at the time of donation. If donors stipulate how long the assets must be used, the gifts are recorded as contributions with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as contributions without donor restrictions.

Cash and cash equivalents – Cash and cash equivalents are defined as cash on hand and in banks, plus highly liquid investments, which fund the daily operating activities of the Institute and have a maturity, at the date of purchase, of three months or less. Cash and cash equivalents held within the investment portfolio as part of the Institute's investment strategy are included in investments on the statements of financial position.

Receivables and other assets – Receivables and other assets include amounts billed and unbilled on grants and other agreements through June 30. An allowance for estimated uncollectible accounts is recorded based on past experience and an analysis of current receivable balances. Accounts are written off against the allowance when deemed uncollectible. Management has determined that an allowance of $15 is necessary at June 30, 2021 and 2020.

Receivables and other assets include investments held under a nonqualified deferred compensation plan for certain eligible employees. The fair value of the investments totaled $6,545 and $4,565 at June 30, 2021 and 2020, respectively. The related liability is included in accounts payable and accrued expenses on the statements of financial position.

Also included in receivables and other assets is the Institute's beneficial interest in split-interest agreements which provide for the payment of distributions to the donor or other designated beneficiaries over the split-interest agreement's term (usually the beneficiary's lifetime). At the end of a split-interest agreement's term, the remaining assets are available for use by the Institute for the purpose specified by the donor. The portion of the assets attributable to the fair value of the future benefits to be received by the Institute is recorded on the statement of activities as contribution revenue with donor restrictions in the year the split-interest agreement is established. The fair value of the Institute's beneficial interest in split-interest agreements totaled $2,648 and $2,446 at June 30, 2021 and 2020, respectively.

Contributions receivable – Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at fair value when the promise is made, based on a discounted cash flow model. The discounts on these amounts are computed using risk-free rates established at the time those promises are received. The discount rates for the contributions receivable range from 1.110 percent to 2.854 percent as of June 30, 2021 and 2020. Amortization of the discounts is included in contributions. Conditional promises to give are not recorded as revenue until the conditions are substantially met. An allowance for estimated uncollectible contributions receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Accounts are written off against the allowance when deemed uncollectible. Management has determined that an allowance for uncollectible contributions receivable of $300 and $1,910 is necessary as of June 30, 2021 and 2020, respectively.

Note 2 – Significant Accounting Policies (continued)

Investments – Investments in marketable securities are carried at their fair values based on quoted prices in an active market. Alternative investments for which quoted market prices are not available are valued at fair value by third-party fund managers or the general partners of the related investment partnerships, based on factors deemed relevant by the third-party fund managers or the general partners including, but not limited to, market conditions, purchase price, estimated liquidation value, restrictions on transfer, and meaningful third-party transactions in the private market. The Institute's Finance Department, under the supervision of the Chief Financial Officer, determines the investment fair value measurement policies and procedures in consultation with the Institute's independent professional investment manager. These policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information. The Institute reviews and evaluates the values provided by third-party fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of alternative investments. For these investments, the Institute uses the net asset value (NAV) provided by the investment fund managers to evaluate the fair value of the investments (see Notes 5 and 10). The NAV may be adjusted based on liquidity factors or other information about the investments that management considers significant to the valuation of the investments.

Realized and unrealized gains and losses are included in investment return in the change in net assets on the accompanying statements of activities by donor restriction or without donor restriction.

Funds held by trustee – Funds held by trustee include $9,275 and $7,317 at June 30, 2021 and 2020, respectively, held primarily in mutual funds in a rabbi trust to pay the benefits provided by the Institute's retiree health plan (Note 9). Funds held by trustee held in fixed income, global equity, and large cap equity mutual funds are carried at their fair value based on quoted prices in an active market.

Assigned interest in limited partnership units – During the year ended June 30, 2020, the Institute received a bequest in the form of an assigned interest in limited partnership units which was recorded at fair value at the date of receipt. Distributions from the partnership are available for general operations. The limited partnership units subject to the Institute's assigned interest represent less than a 20 percent ownership in the partnership. In future years, in the absence of a readily determinable fair value, the Institute will use the measurement alternative of cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar assets of the partnership. The asset will be evaluated for impairment annually.

Property – Property, including land, buildings, and equipment, is carried at cost. The Institute capitalizes acquisitions of property of $5 or more. Depreciation and amortization are recorded using the straight-line method over estimated useful lives of the assets ranging from 3 to 50 years.

Note 2 – Significant Accounting Policies (continued)

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 will be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Endowments – The Institute's endowment consists of over 125 individual funds established to support research and operations. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees (the "Board") to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Institute classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. In accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purposes of the Institute and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the Institute; and
7) The investment policies of the Institute.

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Institute's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is a total return, over rolling ten-year periods, which exceeds biomedical research inflation by an average of 5 percent per year. Actual returns in any given year may vary from this amount.

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

Note 2 – Significant Accounting Policies (continued)

The Institute has a policy of appropriating for distribution each year a percentage of its endowment funds' average fair value over the prior 12 quarters. The percentage distribution is determined annually by the Board in the budget approval process and was 5 percent for each of the years ended June 30, 2021 and 2020. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long-term, the Institute expects the current spending policy to allow its endowment to grow at an average of the biomedical research inflation rate annually. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets with the goal of meeting current and future cash flow requirements, as well as to provide additional real growth through new gifts.

Use of estimates – The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and uncertainties – The Institute invests in various types of securities which are exposed to various risks such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the statement of financial position.

Reclassifications – Certain reclassifications, including the deferred compensation plan investments and related liability previously reported net and currently reported as gross amounts in assets and liabilities, have been made to the 2020 statement of financial position, statement of activities, and statement of cash flows in order to conform to the presentation as of and for the year ended June 30, 2021, with no impact to net assets.

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 through October 15, 2021, which is the date the financial statements were available to be issued.

Recent accounting pronouncements – During 2021, the Institute adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement*. As a result of the adoption, the Institute removed or modified certain fair value disclosures. The ASU was adopted retrospectively and did not have a material impact to the financial statements or disclosures.

(In Thousands)

Note 3 – Liquidity and Availability of Financial Assets

As of June 30, 2021 and 2020, the financial assets and liquidity resources available within one year for general expenditure were as follows:

	2021	2020
Financial assets		
Cash and cash equivalents	$ 30,566	$ 18,295
Receivables and other assets, net	12,812	10,139
Board-designated endowments	6,978	5,168
Investment income appropriations without donor-imposed restrictions	13,692	12,031
Total financial assets available within one year	64,048	45,633
Liquidity resources		
Bank line of credit	10,000	15,000
Total financial assets and liquidity resources available within one year	$ 74,048	$ 60,633

The Institute's cash flows have seasonal variations during the year attributable to a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the Institute invests excess cash in short-term treasury instruments. In the event of an unanticipated liquidity need, the Institute has a committed line of credit in the amount of $10,000 (also see Note 12).

As discussed in Note 2, the Institute's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. Although the Institute does not intend to spend funds functioning as endowments other than amounts appropriated for general expenditure, amounts from its Board-designated endowments could be made available if necessary.

(In Thousands)

Note 4 – Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2021	2020
Contributions receivable to be paid in		
Less than one year	$ 8,924	$ 9,196
One to five years	12,372	9,085
More than five years	250	500
	21,546	18,781
Less		
Unamortized discount	(609)	(622)
Reserve for uncollectible pledges	(300)	(1,910)
Total contributions receivable, net	$ 20,637	$ 16,249

At June 30, 2021 and 2020, net contributions receivable of $8,187 and $8,158, respectively, are from members of the Board.

At June 30, 2021, the Institute has received $275,590 of promises to give that are generally conditional upon incurring qualifying expenses. These amounts will primarily be recognized as grants revenue in the periods in which the conditions are fulfilled.

Note 5 – Investments

The Institute's portfolio is managed by an independent professional investment manager subject to direction and oversight by a committee of the Board. The manager is authorized to invest in alternative investments to increase portfolio diversification and return and to reduce volatility. Investment return is presented net of investment advisory fees.

Investments include endowment funds and general funds of the Institute. The Board has designated a portion of the Institute's cumulative investment return on general funds to be used for support of current operations. Under the Institute's spending policy, the Board determines annually a percentage of the average of the fair value of the Institute's general fund investment balances for the previous 12 quarters for appropriation to support current operations. The spending rate was 5 percent in 2021 and 2020.

(In Thousands)

Note 5 – Investments (continued)

Investments are summarized as follows at June 30:

	2021	2020
Marketable securities		
Cash and cash equivalents	$ 21,699	$ 24,008
U.S. Treasury securities	33,992	15,195
Commodities – allocated gold	24,672	24,741
Equity securities	22,106	14,655
Total marketable securities	102,469	78,599
Alternative investments		
Global equity funds	134,572	100,396
Private equity funds	111,654	53,125
Global multi-strategy funds	56,540	51,139
Emerging markets funds	49,306	38,014
Fixed income funds	41,208	42,070
Long only equity funds	37,952	30,154
Long/short equity funds	35,227	46,782
Real assets funds	32,227	20,785
Distressed securities funds	10,304	9,446
Other funds	3,000	-
Total alternative investments	511,990	391,911
Total investments	$ 614,459	$ 470,510

Note 5 – Investments (continued)

Alternative investments – Alternative investments are generally less liquid than the Institute's other investments and invest primarily in the following:

Global equity funds – shares of companies listed on stock exchanges worldwide.

Private equity funds – pooled investment vehicles which purchase minority or majority interests in operating businesses in a wide range of sectors including software, technology, media, telecom, financial services, consumer, healthcare, biotechnology, pharmaceutical, medical devices, insurance, and industrials.

Global multi-strategy funds – performing debt, distressed debt, hedge/arbitrage positions, merger arbitrage, equity-oriented positions, basis trading, portfolio volatility protection positions, commodities, and real estate.

Emerging markets funds – financial markets of developing countries.

Fixed income funds – investment-grade debt and fixed income securities, fixed- and floating-rate debt securities, and debt obligations of governments or government-related issuers worldwide.

Long only equity funds – long only investments in publicly traded equity securities and derivatives.

Long/short equity funds – global investments in equities, commodities, currencies, and derivatives on both the long and short side.

Real assets funds – investments in global agriculture and timber, North American oil and gas, and a broad range of real estate in the U.S., Europe, and Asia.

Distressed securities funds – investments in distressed debt and securities.

Other funds – pooled investment vehicle investing in digital assets.

The fair values of the alternative investments have been estimated using the NAV of the Institute's ownership interest in the funds or the Institute's share of partners' capital.

(In Thousands)

Note 5 – Investments (continued)

The nature and risks of the alternative investments as of June 30, 2021, are summarized as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if eligible)	Redemption Notice Period	Additional Redemption Terms and Restrictions (if any)
Global equity funds	$ 134,572	$ -	weekly, bi-monthly, monthly, quarterly	3-120 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund. Redemptions subject to redemption fees, early redemption penalties, anti-dilution levies, up to a 5-year rolling lock up, up to a 25% fund level gate, and/or a 50% share class gate.
Private equity funds					
Active	111,368	55,081	n/a	n/a	Not eligible for redemption. $3,145 in funds for which there is no limit on the remaining life. $108,223 in funds with remaining lives of 6 to 22 years.
Liquidating	286	415	n/a	n/a	Not eligible for redemption.
Global multi-strategy funds	56,540	-	quarterly, semi-annually	60 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund. Redemptions subject to a 2-year lock up for each contribution, 50% of the account balance, a 10% fund level gate, and/or a 25% investor level gate per quarter.
Emerging markets funds	49,306	-	quarterly	45-90 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund. $20,486 in a fund for which redemptions are subject to a 20% master fund level gate. $12,895 in a fund subject to a redemption minimum of $1M and maximum of 17% of the shareholding per 6 month period.
Fixed income funds					
Active	22,124	-	daily	2 days	Subject to the suspension of redemption rights if in the best interest of the fund and a 25% fund level gate.
Non-redeemable	19,084	10,512	n/a	n/a	Not eligible for redemption. Remaining lives of the funds 5 to 14 years.
Long only equity funds	37,952	-	monthly, quarterly	30-45 days	Generally subject to the suspension of redemption rights if in the best interest of the fund. $17,531 in a fund for which redemptions are subject to a 25% fund level gate.
Long/short equity funds					
Active	35,165	-	quarterly, semi-annually	45-90 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund. Redemptions subject to an early redemption fee, a 12-month lock up, a 5% audit holdback, and/or 25% investor level gate.
Liquidating	62	-	n/a	n/a	Not eligible for redemption.
Real assets funds	32,227	11,709	n/a	n/a	Not eligible for redemption. $3,097 in a fund for which there is no limit on the remaining life. $29,130 in funds with remaining lives of 3 to 15 years.
Distressed securities funds					
Non-redeemable	10,151	9,046	n/a	n/a	Not eligible for redemption. Remaining lives of funds 1 to 7 years.
Liquidating	153	-	n/a	n/a	Distributions may extend through February 1, 2025.
Other funds	3,000	-	semi-annually	120 days	Redemptions subject to a 2-year lock-up period.
	$ 511,990	$ 86,763			

(In Thousands)

Note 5 – Investments (continued)

The composition of investment return includes the following for the years ended June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 608	$ 985	$ 1,593
Net gain	51,216	78,342	129,558
Investment return	51,824	79,327	131,151
Investment return designated for current operations	7,739	12,616	20,355
Investment gain in excess of amounts designated for current operations	$ 44,085	$ 66,711	$ 110,796

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 542	$ 635	$ 1,177
Net gain	9,290	15,461	24,751
Investment return	9,832	16,096	25,928
Investment return designated for current operations	7,199	10,509	17,708
Investment gain in excess of amounts designated for current operations	$ 2,633	$ 5,587	$ 8,220

(In Thousands)

Note 6 – Property

Property is summarized as follows at June 30:

	2021	2020
Land	$ 1,154	$ 1,154
Buildings and improvements	164,451	163,286
Laboratory equipment	83,115	75,500
Other equipment	16,318	15,840
Construction in progress	5,690	784
	270,728	256,564
Less accumulated depreciation and amortization	(200,548)	(189,684)
Total property, net	$ 70,180	$ 66,880

Included in total expenses is depreciation expense of $11,265 and $10,825 for the years ended June 30, 2021 and 2020, respectively.

(In Thousands)

Note 7 – Debt

The Institute issued debt primarily to fund the construction, renovation, and equipping of various facilities on its campus. The outstanding debt at June 30 is comprised of the following:

Debt Issue	Purpose	Terms	Total Debt Issue	Outstanding Balance 2021	Outstanding Balance 2020
2014 tax-exempt direct placement loan through the California Statewide Communities Development Authority ("2014 Loan")	Renovation, restoration, improvement, and equipping of the Institute's campus facilities; refinance the 2005 bonds that had been issued to refinance the 1994 bonds that funded the construction of the research buildings expansion project.	Funds drawn monthly as needed for loan purposes through December 31, 2017; final maturity on July 1, 2044; 3.4 percent fixed interest rate.	$ 31,190	$ -	$ 28,393
2018 taxable direct placement loan ("2018 Loan")	Refinance 2010 Certificates of Participation that had been issued to refinance the 2000 Certificates of Participation that funded the construction of a new research facility.	Repayment at level debt service with the 2014 Loan, with final maturity on July 1, 2040; 3.75 percent fixed interest rate.	36,360	-	34,918
2019 state tax-exempt direct placement loan through the California Statewide Communities Development Authority ("2019 Loan")	Renovation, restoration, improvement, and equipping of the Institute's campus facilities.	Funds may be drawn monthly as needed for loan purposes through May 31, 2021; repayment at level debt service with the 2014 Loan and the 2018 Loan, with final maturity on June 1, 2043; 4.235 percent fixed interest rate.	20,000	-	2,349
2021 state tax-exempt direct placement loan through the California Statewide Communities Development Authority ("2021 Loan")	Refinance 2014, 2018, and 2019 Loans. Renovation, restoration, and equipping of the Institute's campus facilities and other general corporate purposes.	Funds may be drawn monthly as needed for loan purposes through February 28, 2023; repayment at level debt service, with final maturity on March 1, 2051; 3.25 percent fixed interest rate.	98,000	64,757	-
	Subtotal			64,757	65,660
	Unamortized costs of issuance			(644)	(1,110)
	Total debt			$ 64,113	$ 64,550

Issuance costs related to the Institute's debt are being amortized over the lives of the respective debt instruments. Amortization expense related to the issuance costs was $41 and $50 for the years ended June 30, 2021 and 2020, respectively.

After full funding of the 2021 Loan, net of principal payments of $333 for the year ended June 30, 2021, the future annual principal payments under the 2021 Loan are as follows:

Years ending June 30,	
2022	$ 1,301
2023	2,031
2024	2,099
2025	2,177
2026	2,250
Thereafter	87,809
Total	$ 97,667

(In Thousands)

Note 7 – Debt (continued)

The Institute's debt is collateralized by the revenue of the Institute and further secured by a deed of trust on the Institute's main campus. Under the terms of the Institute's debt, the Institute is subject to compliance with certain covenants, including restrictions on additional indebtedness.

Interest expense related to the Institute's debt was $2,300 and $2,362 for the years ended June 30, 2021 and 2020, respectively.

Note 8 – Net Assets

Net assets at June 30 are summarized as follows:

	2021	2020
Without Donor Restrictions	$135,380	$ 88,834
With Donor Restrictions		
Subject to expenditure for specified purpose		
Research	209,443	131,162
Appreciation on general use endowments	41,972	14,966
Assigned interest in limited partnership units (Note 2)	28,955	28,955
Subject to the Institute's spending policy and appropriation		
Investment in perpetuity		
Research	151,852	137,886
General use	101,948	101,617
Total with donor restrictions	534,170	414,586
Total net assets	$ 669,550	$ 503,420

Net assets were released from restrictions by satisfying donor restrictions for the following purposes during the years ended June 30:

	2021	2020
Research	$ 21,231	$ 25,876
General use	4,552	2,681
Total releases from restriction	$ 25,783	$ 28,557

(In Thousands)

Note 8 – Net Assets (continued)

The Institute's Board has designated, from net assets without donor restrictions, net assets for the following purposes:

	2021	2020
Board-designated endowment net assets		
Research	$ 2,293	$ 1,854
General use	4,825	3,314
Total board-designated endowment net assets	$ 7,118	$ 5,168

The changes in the Institute's Board-designated and donor-restricted endowment net assets are as follows for the years ended June 30:

		With Donor Restrictions			
	Without Donor Restrictions	Accumulated Endowment Earnings	Original Gift Amount	Total With Donor Restrictions	Total
Endowment net assets at July 1, 2019	$ 4,575	$ 48,859	$ 233,401	$ 282,260	$ 286,835
Investment return					
Interest and dividends	12	635	-	635	647
Net gains	268	15,344	-	15,344	15,612
Total investment return	280	15,979	-	15,979	16,259
Contributions	-	-	6,102	6,102	6,102
Amounts appropriated for expenditure	(165)	(10,343)	-	(10,343)	(10,508)
Board designations of net assets	478	-	-	-	478
Endowment net assets at June 30, 2020	5,168	54,495	239,503	293,998	299,166
Investment return:					
Interest and dividends	19	985	-	985	1,004
Net gains	1,501	78,301	-	78,301	79,802
Total investment return	1,520	79,286	-	79,286	80,806
Contributions	-	-	14,297	14,297	14,297
Amounts appropriated for expenditure	(200)	(12,312)	-	(12,312)	(12,512)
Board designations of net assets	630	-	-	-	630
Endowment net assets at June 30, 2021	$ 7,118	$ 121,469	$ 253,800	$ 375,269	$ 382,387

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies as of June 30, 2021 and 2020.

(In Thousands)

Note 9 – Employee Benefit Plans

Retirement plan – The Institute has an employee retirement plan (the “Retirement Plan”) for certain of its employees. The Retirement Plan is a defined-contribution plan under which the Institute contributes a percentage of the participant’s annual compensation. The Institute’s contributions are made in accordance with Section 403(b) of the Internal Revenue Code. Total contributions expense related to the Retirement Plan was $4,617 and $4,432 for the years ended June 30, 2021 and 2020, respectively.

Retiree health benefits plan – The Institute sponsors a defined-benefit plan (the “Health Benefits Plan”) that provides for retirees’ health and related benefits. Employees hired prior to June 30, 1993, may become eligible for these post-retirement benefits upon attainment of age 60 with 10 years of service. The Health Benefits Plan includes cost-sharing features such as deductibles, coinsurance, and contributions, which can be adjusted annually, and the Institute’s policy is to pay these benefits through a rabbi trust. The Institute uses a June 30 measurement date for the Health Benefits Plan.

The changes in the accumulated post-retirement benefit obligation at June 30 for the Health Benefits Plan are as follows:

	2021	2020
Benefit obligation, beginning of year	$ 5,849	$ 5,313
Service cost	46	30
Interest cost	151	172
Actuarial loss	332	496
Benefits paid	(176)	(162)
Benefit obligation, end of year	$ 6,202	$ 5,849
Funded status of plan, end of year	$ (6,202)	$ (5,849)
Rabbi trust investments, end of year	$ 9,244	$ 7,304

For the years ended June 30, the components of the net periodic post-retirement benefit cost are:

	2021	2020
Service cost	$ 46	$ 30
Interest cost	151	172
Amortization of net gain	(30)	(108)
Net periodic post-retirement benefit cost	$ 167	$ 94

(In Thousands)

Note 9 – Employee Benefit Plans (continued)

The deferred actuarial gains are not reflected in net periodic post-retirement benefit cost and are included in net assets without donor restrictions at June 30. The changes in the deferred actuarial gains are as follows:

	2021	2020
Balance, beginning of year	$ 1,558	$ 2,162
Actuarial (loss)	(332)	(496)
Amortization	(30)	(108)
Balance, end of year	$ 1,196	$ 1,558

The net actuarial gains included in net assets without donor restrictions at June 30, 2021, that are expected to be recognized in net periodic post-retirement benefit cost during the year ended June 30, 2022, are $33.

The benefits expected to be paid from the Health Benefits Plan in each of the next five years and in the aggregate for the following five years are as follows:

Years ending June 30,	
2022	$ 413
2023	395
2024	376
2025	372
2026	363
Thereafter	1,653
Total	$ 3,572

Contributions to the Health Benefits Plan are expected to equal benefit payments. For the years ended June 30, 2021 and 2020, employer contributions were $176 and $162, respectively, and participant contributions were $179 and $200, respectively.

The Health Benefits Plan's weighted-average assumptions used to determine net periodic post-retirement benefit cost for the years ended June 30 were as follows:

	2021	2020
Discount rate	2.50%	3.35%
Rate of compensation increase	5.00%	5.00%

Note 9 – Employee Benefit Plans (continued)

The amounts reported are affected by the healthcare trend assumptions. The assumed healthcare cost trend rate used in measuring the accumulated benefit obligation was 0 percent and 5.00 percent for 2021 and 2020, respectively, and is assumed to fluctuate to 3.70 percent through 2095 and remain at that level thereafter. If the healthcare cost trend assumptions were increased by 1 percent, the accumulated post-retirement benefit obligation at June 30, 2021 and 2020, would be increased by approximately $93 and $17, respectively. The effect of this change would increase the aggregate of the service and interest cost components of the net periodic post-retirement benefit cost by approximately $3 and $1 for the years ended June 30, 2021 and 2020, respectively. If the healthcare cost trend assumptions were decreased by 1 percent, the accumulated post-retirement benefit obligation as of June 30, 2021 and 2020, would be decreased by approximately $78 and $20, respectively. The effect of this change would reduce the aggregate of the service and interest cost components of the net periodic post-retirement benefit cost by approximately $3 and $1 for the years ended June 30, 2021 and 2020, respectively.

Self-insured health plan – The Institute self-insures hospitalization and medical coverage under two of the health plans offered to its employees. The Institute limits its losses through the use of a stop-loss policy with a deductible of $175 per covered participant and a maximum liability of 125 percent of the estimated aggregate claims.

Note 10 – Fair Value of Financial Instruments

Authoritative guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date and establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

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; and

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

(In Thousands)

Note 10 – Fair Value of Financial Instruments (continued)

The following table presents information about each major category of the Institute's financial assets measured at fair value on a recurring basis at June 30:

	Fair Value Measurement at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Cash and cash equivalents	$ 22,563	$ -	$ -	$ 22,563
U.S. Treasury securities	33,992	-	-	33,992
Commodities – allocated gold	24,672	-	-	24,672
Equity securities				
Information technology	12,669	-	-	12,669
Industrial	6,570	-	-	6,570
Other	2,867	-	-	2,867
Total equity securities	22,106	-	-	22,106
Mutual funds				
Domestic equity	6,469	-	-	6,469
Global equity	2,683	-	-	2,683
Fixed income	2,658	-	-	2,658
Other	3,146	-	-	3,146
Total mutual funds	14,956	-	-	14,956
Total marketable securities	118,289	-	-	118,289
Beneficial interest in split-interest agreements	-	-	2,648	2,648
	$ 118,289	$ -	$ 2,648	120,937
Investments measured at net asset value				
Alternative investments				
Global equity funds				134,572
Private equity funds				111,654
Global multi-strategy funds				56,540
Emerging markets funds				49,306
Fixed income funds				41,208
Long only equity funds				37,952
Long/short equity funds				35,227
Real assets funds				32,227
Distressed securities funds				10,304
Other funds				3,000
Total investments measured at net asset value				511,990
				$ 632,927

(In Thousands)

Note 10 – Fair Value of Financial Instruments (continued)

The following table presents information about each major category of the Institute's financial assets measured at fair value on a recurring basis at June 30:

	Fair Value Measurement at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Cash and cash equivalents	$ 24,734	$ -	$ -	$ 24,734
U.S. Treasury securities	15,195	-	-	15,195
Commodities – allocated gold	24,741	-	-	24,741
Equity securities				
Information technology	10,911	-	-	10,911
Industrial	3,353	-	-	3,353
Other	391	-	-	391
Total equity securities	14,655	-	-	14,655
Mutual funds				
Domestic equity	4,438	-	-	4,438
Fixed income	2,403	-	-	2,403
Global equity	1,998	-	-	1,998
Other	2,317	-	-	2,317
Total mutual funds	11,156	-	-	11,156
Total marketable securities	90,481	-	-	90,481
Beneficial interest in split-interest agreements	-	-	2,446	2,446
	$ 90,481	$ -	$ 2,446	92,927
Investments measured at net asset value				
Alternative investments				
Global equity funds				100,396
Private equity funds				53,125
Global multi-strategy funds				51,139
Long/short equity funds				46,782
Fixed income funds				42,070
Emerging markets funds				38,014
Long only equity funds				30,154
Real assets funds				20,785
Distressed securities funds				9,446
Total investments measured at net asset value				391,911
				$ 484,838

(In Thousands)

Note 10 – Fair Value of Financial Instruments (continued)

The change in the fair value of the Institute's Level 3 classified assets, the beneficial interest in split-interest agreements, was $202 and $697 for the years ended June 30, 2021 and 2020, respectively. The change in the value of the beneficial interest in split-interest agreements is included in contributions on the statements of activities.

The following table presents information about significant unobservable inputs for Level 3 assets and liabilities:

Asset/Liability	Fair Value as of June 30, 2021	Valuation Technique	Unobservable Input(s)	Rate (Wtd. Avg.)
Beneficial interest in split-interest agreements	$ 2,648	Discounted cash flow	Discount rate Mortality tables	1.2% (1.2%)

Increases (decreases) in the discount rate or life expectancy based on mortality tables would result in decreases (increases) in the fair value of the beneficial interest in split-interest agreements. An increase (decrease) in the fair value of the assets in the related trust or the increase in the Institute's percentage ownership will increase (reduce) the fair value of the Institute's beneficial interest in the split-interest agreement.

(In Thousands)

Note 11 – Classification of Expenses

The costs of providing program services and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among research and supporting services benefited. Such allocations were determined by management using a variety of cost allocation techniques such as square footage, full-time equivalent, and estimated time and effort.

Expenses for the years ended June 30, 2021 and 2020, consist of the following:

	2021			
	Research	Management & General	Fundraising	Total
Salaries and wages	$ 55,330	$ 7,746	$ 3,507	$ 66,583
Employee benefits	15,361	2,346	996	18,703
Research supplies	17,335	-	-	17,335
Graduate program and outside services	11,840	640	254	12,734
Scientific subcontracts	5,115	-	-	5,115
Depreciation and amortization	10,465	787	54	11,306
Occupancy	6,123	1,714	95	7,932
Information technology	1,852	736	200	2,788
Professional fees	293	981	14	1,288
Other	839	1,161	171	2,171
Total expenses	$ 124,553	$ 16,111	$ 5,291	$ 145,955

	2020			
	Research	Management & General	Fundraising	Total
Salaries and wages	$ 54,431	$ 7,467	$ 3,492	$ 65,390
Employee benefits	14,518	2,064	948	17,530
Research supplies	16,128	-	-	16,128
Graduate program and outside services	10,407	908	567	11,882
Scientific subcontracts	7,015	-	-	7,015
Depreciation and amortization	9,914	829	132	10,875
Occupancy	5,609	1,193	146	6,948
Information technology	1,692	522	183	2,397
Professional fees	420	1,223	27	1,670
Other	1,961	1,287	115	3,363
Total expenses	$ 122,095	$ 15,493	$ 5,610	$ 143,198

(In Thousands)

Note 12 – Commitments and Contingencies

Commitments – At June 30, 2021, contractual commitments on purchases pending or in process are $11,885.

Leases – The Institute has entered into operating leases for building space that expire through September 2027. Rent expense totaled $1,605 and $666 for the years ended June 30, 2021 and 2020, respectively. Future minimum rental payments required under non-cancelable operating leases that have remaining lease terms in excess of one year as of June 30, 2021, are as follows:

Years ending June 30,		
2022	$	1,498
2023		1,445
2024		1,343
2025		1,362
2026		1,104
Thereafter		1,424
	$	8,176

Line of credit – The Institute has an unsecured line of credit loan agreement with a bank providing up to $10,000 for general working capital purposes. The agreement expires on November 1, 2021 and provides for monthly interest at the prime rate (3.25 percent on June 30, 2021) on the outstanding balance. At June 30, 2021, the Institute had no balance outstanding on the line of credit.

Grants – The Institute has grants with various organizations and government agencies which are subject to audit. Management believes that any liability which may result from these audits would not be material.

Income taxes – The Institute has no unrecognized tax benefits as of June 30, 2021 and 2020.

Legal – The Institute is party to certain legal actions arising in the ordinary course of business. In the opinion of management, additional liabilities, if any, under these actions will not result in material charges against net assets.

Guarantees and indemnities – From time to time, the Institute enters into certain types of contracts that contingently require the Institute to indemnify parties against third-party claims. These contracts primarily relate to: (i) certain technology transfer/license agreements under which the Institute may be required to indemnify licensees; and (ii) certain agreements with the Institute's officers, directors, and employees, under which the Institute may be required to indemnify such persons for liabilities arising out of their employment relationship. The terms of such obligations vary by contract and, in most instances, a specific or maximum dollar amount is not explicitly stated therein. Generally, amounts under those contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, no liabilities have been recorded for these obligations in the Institute's statements of financial position at June 30, 2021 and 2020.

Note 13 – Concentrations of Credit Risk

Cash in bank deposit accounts and the investment portfolio exceeds federally-insured deposit limits. No losses have been experienced related to cash in such accounts.

The Institute receives funds under various research grants from federal and non-federal agencies. Funding from the National Institutes of Health represents approximately 60.9 percent and 63.5 percent of total grant revenue for the years ended June 30, 2021 and 2020, respectively.