



Report of Independent Auditors
and Financial Statements

The Salk Institute for Biological Studies

June 30, 2025 and 2024

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Report of Independent Auditors

Board of Trustees
The Salk Institute for Biological Studies

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Salk Institute for Biological Studies, which comprise the statements of financial position as of June 30, 2025 and 2024, 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 The Salk Institute for Biological Studies as of June 30, 2025 and 2024, and the results of its operations 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Salk Institute for Biological Studies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Salk Institute for Biological Studies' ability to continue as a going concern within 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 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, we:

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

Baker Tilly US, LLP

San Diego, California
October 16, 2025

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Financial Statements

The Salk Institute for Biological Studies
Statements of Financial Position
(In Thousands)
June 30, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 25,148	\$ 17,089
Receivables and other assets, net	29,901	28,291
Contributions receivable, net	18,861	25,789
Right-of-use assets - operating leases	2,804	3,842
Funds held by trustee	5,498	5,581
Investments	626,152	609,442
Assigned interest in limited partnership units	28,955	28,955
Restricted to building project		
Cash and cash equivalents	11,919	27,265
Investments	14,561	-
Property, net	72,349	76,524
Total assets	\$ 836,148	\$ 822,778
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 37,928	\$ 47,597
Unexpended advances	13,954	24,486
Operating lease liabilities	3,681	5,015
Retirement obligations	3,647	4,134
Debt	89,962	92,139
Total liabilities	149,172	173,371
Commitments and Contingencies (Note 12)		
Net assets		
Without donor restrictions	140,592	119,439
With donor restrictions	546,384	529,968
Total net assets	686,976	649,407
Total liabilities and net assets	\$ 836,148	\$ 822,778

See accompanying notes.

The Salk Institute for Biological Studies
Statement of Activities
(In Thousands)
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	\$ 116,703	\$ -	\$ 116,703
Contributions	9,758	28,156	37,914
Other	3,969	-	3,969
Investment return designated for current operations	10,176	16,092	26,268
Net assets released from restrictions	43,861	(43,861)	-
Total revenues, gains, and other support	<u>184,467</u>	<u>387</u>	<u>184,854</u>
EXPENSES			
Research	149,748	-	149,748
Management and general	19,830	-	19,830
Fundraising	5,597	-	5,597
Total expenses	<u>175,175</u>	<u>-</u>	<u>175,175</u>
EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	9,292	387	9,679
INVESTMENT GAIN IN EXCESS OF AMOUNT DESIGNATED FOR CURRENT OPERATIONS UNDER SPENDING POLICY	11,463	16,029	27,492
POST-RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC BENEFIT COST	398	-	398
CHANGE IN NET ASSETS	21,153	16,416	37,569
NET ASSETS			
Beginning of year	<u>119,439</u>	<u>529,968</u>	<u>649,407</u>
End of year	<u>\$ 140,592</u>	<u>\$ 546,384</u>	<u>\$ 686,976</u>

See accompanying notes.

The Salk Institute for Biological Studies
Statement of Activities
(In Thousands)
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	\$ 108,860	\$ -	\$ 108,860
Contributions	3,851	25,472	29,323
Other	3,155	-	3,155
Investment return designated for current operations	9,914	15,788	25,702
Net assets released from restrictions	45,112	(45,112)	-
	<u>170,892</u>	<u>(3,852)</u>	<u>167,040</u>
EXPENSES			
Research	148,282	-	148,282
Management and general	21,175	-	21,175
Fundraising	6,600	-	6,600
	<u>176,057</u>	<u>-</u>	<u>176,057</u>
DEFICIENCY OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	(5,165)	(3,852)	(9,017)
INVESTMENT GAIN IN EXCESS OF AMOUNT DESIGNATED FOR CURRENT OPERATIONS UNDER SPENDING POLICY	11,845	14,296	26,141
POST-RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC BENEFIT COST	(7)	-	(7)
CHANGE IN NET ASSETS	6,673	10,444	17,117
NET ASSETS			
Beginning of year	<u>112,766</u>	<u>519,524</u>	<u>632,290</u>
End of year	<u>\$ 119,439</u>	<u>\$ 529,968</u>	<u>\$ 649,407</u>

See accompanying notes.

The Salk Institute for Biological Studies
Statements of Cash Flows
(In Thousands)
Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING ACTIVITIES		
Change in net assets	\$ 37,569	\$ 17,117
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	12,402	12,023
Contributions restricted for long-term assets	(9,608)	(7,079)
Net gain on investments and funds held by trustee	(44,602)	(45,913)
Amortization of the right-of-use assets - operating leases	1,038	1,403
Changes in assets and liabilities		
Receivables and other assets	(1,610)	(6,112)
Contributions receivable	4,354	(83)
Accounts payable and accrued expenses	(9,669)	5,684
Unexpended advances	(10,532)	(1,472)
Lease liabilities	(1,334)	(1,665)
Retirement obligations	(487)	(45)
Net cash used in operating activities	(22,479)	(26,142)
INVESTING ACTIVITIES		
Purchases of property	(8,206)	(13,785)
Purchases of investments and funds held by trustee	(156,954)	(256,150)
Proceeds from sales of investments and funds held by trustee	170,368	299,192
Net cash provided by investing activities	5,208	29,257
FINANCING ACTIVITIES		
Proceeds from contributions restricted for		
Investment in perpetuity	3,975	2,174
Investment in plant	8,208	8,410
Scheduled principal payments on debt	(2,199)	(2,120)
Net cash provided by financing activities	9,984	8,464
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(7,287)	11,579
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	44,354	32,775
End of year	\$ 37,067	\$ 44,354
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 3,016	\$ 3,096

See accompanying notes.

The Salk Institute for Biological Studies

(In Thousands)

Notes to Financial Statements

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. 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.

The Salk Institute for Biological Studies
(In Thousands)
Notes to Financial Statements

Cash, cash equivalents, and restricted cash – 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 restricted to the building project is excluded from this definition. 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.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows as of June 30:

	2025	2024
Cash and cash equivalents	\$ 25,148	\$ 17,089
Cash restricted to the building project	11,919	27,265
Total cash, cash equivalents, and restricted cash	\$ 37,067	\$ 44,354

Receivables and other assets – Receivables and other assets include amounts billed and unbilled on grants and other agreements through June 30. Estimated credit losses are recorded based on past experience. Accounts are written off against the estimate when deemed uncollectible. Management has determined that an estimate of \$15 and \$238 is necessary at June 30, 2025 and 2024, respectively.

Receivables and other assets include investments held under a nonqualified deferred compensation plan for certain eligible employees. The fair value of the investments totaled \$8,646 and \$7,351 at June 30, 2025 and 2024, 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 \$1,633 and \$1,458 at June 30, 2025 and 2024, respectively.

The Salk Institute for Biological Studies
(In Thousands)
Notes to Financial Statements

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 2.656 percent to 5.000 percent as of June 30, 2025 and 2024. Amortization of the discounts is included in contributions. Conditional promises to give are not recorded as revenue until the conditions are 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 \$0 and \$100 is necessary as of June 30, 2025 and 2024, respectively.

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, net of investment advisory fees, 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 \$5,498 and \$5,581 at June 30, 2025 and 2024, 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.

The Salk Institute for Biological Studies
(In Thousands)
Notes to Financial Statements

Assigned interest in limited partnership units – The Institute holds an assigned interest in limited partnership units originally received as a bequest and 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. The asset is evaluated for impairment annually. In the absence of a readily determinable fair value, the Institute uses 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.

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.

Leases – The Institute has entered into a variety of operating leases for building space. The obligations associated with these leases have been recognized as a liability in the statement of financial position based on future lease payments, discounted by the risk-free rate.

Lease terms may include options to extend or terminate certain leases. The terms of a lease are reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

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 130 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 endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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;

The Salk Institute for Biological Studies
(In Thousands)
Notes to Financial Statements

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.

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 4.7 percent and 4.8 percent for the years ended June 30, 2025 and 2024, respectively. 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.

The Salk Institute for Biological Studies
(In Thousands)
Notes to Financial Statements

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 16, 2025, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability of Financial Assets

As of June 30, 2025 and 2024, the financial assets and liquidity resources available within one year for general expenditure were as follows:

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 25,148	\$ 17,089
Receivables and other assets, net	13,949	14,871
Short-term investments	-	11,527
Board-designated endowments	22,702	14,361
Investment income appropriations without donor-imposed restrictions	15,831	16,393
Total financial assets available within one year	77,630	74,241
Liquidity resources		
Bank line of credit	-	10,000
Total financial assets and liquidity resources available within one year	\$ 77,630	\$ 84,241

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 investments including U.S. Treasury securities, U.S. Government agency notes and bonds, and/or corporate bonds.

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.

The Salk Institute for Biological Studies
(In Thousands)
Notes to Financial Statements

Note 4 – Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2025	2024
Contributions receivable to be paid in		
Less than one year	\$ 11,492	\$ 11,461
One to five years	8,360	16,041
	19,852	27,502
Less		
Unamortized discount	(991)	(1,613)
Reserve for uncollectible pledges	-	(100)
Total contributions receivable, net	\$ 18,861	\$ 25,789

At June 30, 2025 and 2024, net contributions receivable of \$10,251 and \$11,429, respectively, are from members of the Board.

At June 30, 2025, the Institute has received \$250,908 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

Investments consist of the endowment portfolio, which includes general funds of the Institute, and short-term investments. The Institute's endowment 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.

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 4.7 percent and 4.8 percent in 2025 and 2024, respectively.

The Institute uses short-term investments to manage liquidity surrounding large gifts received that are expected to be spent in the next six months to two years.

The Salk Institute for Biological Studies
(In Thousands)
Notes to Financial Statements

Investments are summarized as follows at June 30:

	2025			2024
	Short-term Investments	Endowment Portfolio	Total	
Marketable securities				
Cash and cash equivalents	\$ -	\$ 17,682	\$ 17,682	\$ 18,100
U.S. Treasury securities	15,779	51,671	67,450	88,019
Commodities – allocated gold	-	23,662	23,662	16,777
Exchange-traded fund – digital assets	-	3,029	3,029	-
Total marketable securities	15,779	96,044	111,823	122,896
Alternative investments				
Global equity funds	-	216,045	216,045	186,681
Private equity funds	-	188,164	188,164	165,690
Real assets funds	-	47,165	47,165	51,475
Global multi-strategy funds	-	25,127	25,127	23,213
Fixed income funds	-	17,249	17,249	23,178
Long/short equity funds	-	15,887	15,887	19,407
Distressed securities funds	-	2,359	2,359	5,189
Emerging markets funds	-	-	-	4,556
Long only equity funds	-	-	-	4,067
Other funds	-	2,333	2,333	3,090
Total alternative investments	-	514,329	514,329	486,546
Total investments	\$ 15,779	\$ 610,373	\$ 626,152	\$ 609,442

The Salk Institute for Biological Studies
(In Thousands)
Notes to Financial Statements

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.

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

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

Fixed income funds – Investment-grade debt and fixed income securities and fixed- and floating-rate debt securities.

Long/short equity funds – Global investments in equities and derivatives on both the long and short side.

Emerging markets funds – Pooled investment vehicles that invest in equity of companies located in developing countries.

Distressed securities funds – Investments in distressed debt and securities.

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

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.

The Salk Institute for Biological Studies
(In Thousands)
Notes to Financial Statements

The nature and risks of the alternative investments as of June 30, 2025, 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	\$ 216,045	\$ 3,393	weekly, monthly, quarterly, semi-annually	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 3-year rolling lock up, up to a 25% fund level gate, and/or a 50% share class gate.
Private equity funds					
Active	188,119	40,467	n/a	n/a	Not eligible for redemption. \$13,848 in funds for which there is no limit on the remaining life. \$174,271 in funds with remaining lives of 2 to 19 years.
Liquidating	45	-	n/a	n/a	Not eligible for redemption.
Real assets funds					
Active	4,770	6,007	quarterly	90 days	Subject to the suspension of redemption rights if in the best interest of the fund. Partial redemption must exceed \$5,000 and remaining units must be valued at \$10,000 or more.
Non-redeemable	42,395	13,225	n/a	n/a	Not eligible for redemption. \$5,206 funds for which there is no limit on the remaining life. \$37,189 in funds with remaining lives of 1 to 11 years.
Global multi-strategy funds	25,127	-	quarterly	60 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund. Redemptions subject to a 10% fund level gate and a 25% investor level gate per quarter.
Fixed income funds	17,249	9,579	n/a	n/a	Not eligible for redemption. Remaining lives of the funds 1 to 10 years.
Long/short equity funds	15,887	-	quarterly, semi-annually	60–90 days	Generally, subject to the suspension of redemption rights if in the best interest of the fund. \$5,313 in a fund subject to a 5% audit holdback and a 25% investor level gate.
Distressed securities funds					
Non-redeemable	2,324	-	n/a	n/a	Not eligible for redemption. Remaining life of the fund 3 years.
Liquidating	35	-	n/a	n/a	Distributions to be completed on or before December 31, 2027.
Other funds	2,333	-	semi-annually	120 days	n/a
	<u>\$ 514,329</u>	<u>\$ 72,671</u>			

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

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 5,167	\$ 7,188	\$ 12,355
Net gain	16,472	24,933	41,405
Investment return	21,639	32,121	53,760
Investment return designated for current operations	10,176	16,092	26,268
Investment gain in excess of amounts designated for current operations	\$ 11,463	\$ 16,029	\$ 27,492
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 4,054	\$ 4,089	\$ 8,143
Net gain	17,705	25,995	43,700
Investment return	21,759	30,084	51,843
Investment return designated for current operations	9,914	15,788	25,702
Investment gain in excess of amounts designated for current operations	\$ 11,845	\$ 14,296	\$ 26,141

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Note 6 – Property

Property is summarized as follows at June 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 1,154	\$ 1,154
Buildings and improvements	168,648	164,310
Laboratory equipment	86,803	84,015
Other equipment	21,920	21,408
Construction in progress	<u>15,180</u>	<u>16,039</u>
	293,705	286,926
Less accumulated depreciation and amortization	<u>(221,356)</u>	<u>(210,402)</u>
Total property, net	<u>\$ 72,349</u>	<u>\$ 76,524</u>

Included in total expenses is depreciation expense of \$12,380 and \$12,001 for the years ended June 30, 2025 and 2024, respectively.

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Note 7 – Debt

In March 2021, the Institute and a bank completed a \$98,000 state tax-exempt direct placement loan through the California Statewide Communities Development Authority (2021 Loan) to be used for the refinancing of the 2014, 2018, and 2019 loans, for the renovation, restoration, and equipping of the Institute's campus facilities, and for other general purposes. The 2014, 2018, and 2019 loans were issued primarily to fund the research buildings expansion project, a new research facility, and the renewal and expansion of the central plant and electrical distribution infrastructure. The 2021 Loan provides for level debt service at a fixed interest rate of 3.25 percent with a final maturity of March 1, 2051. The outstanding balance of the 2021 Loan was \$90,518 and \$92,717 at June 30, 2025 and 2024, respectively.

Issuance costs related to the Institute's debt are being amortized over the life of the loan. Unamortized costs of issuance were \$556 and \$578 at June 30, 2025 and 2024, respectively. Amortization expense related to the issuance costs was \$22 for the years ended June 30, 2025 and 2024.

The future annual principal payments under the 2021 Loan are as follows:

Years Ending June 30,		
2026	\$	2,272
2027		2,348
2028		2,419
2029		2,508
2030		2,592
Thereafter		<u>78,379</u>
Total	<u>\$</u>	<u>90,518</u>

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 \$2,969 and \$2,877 for the years ended June 30, 2025 and 2024, respectively.

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Note 8 – Net Assets

Net assets at June 30 are summarized as follows:

	2025	2024
Without donor restrictions	\$ 140,592	\$ 119,439
With donor restrictions		
Subject to expenditure for specified purpose		
Research	175,777	166,978
Building project	42,386	43,972
Appreciation on general use endowments	37,803	32,302
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	156,640	155,605
General use	104,823	102,156
Total with donor restrictions	546,384	529,968
Total net assets	\$ 686,976	\$ 649,407

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

	2025	2024
Research	\$ 37,363	\$ 38,689
General use	6,498	6,423
Total releases from restriction	\$ 43,861	\$ 45,112

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

	2025	2024
Board-designated endowment net assets		
Research	\$ 2,220	\$ 2,134
General use	20,482	12,227
Total board-designated endowment net assets	\$ 22,702	\$ 14,361

The changes in the Institute's Board-designated and donor-restricted endowment net assets are as follows for the years ended June 30, 2025 and 2024:

	Without Donor Restrictions	With Donor Restrictions			Total
		Accumulated Endowment Earnings	Original Gift Amount	Total With Donor Restrictions	
Endowment net assets at June 30, 2023	\$ 10,914	\$ 84,588	\$ 255,600	\$ 340,188	\$ 351,102
Investment return					
Interest and dividends	125	3,666	-	3,666	3,791
Net gains	967	25,346	-	25,346	26,313
Total investment return	1,092	29,012	-	29,012	30,104
Contributions	-	-	2,161	2,161	2,161
Amounts appropriated for expenditure	(313)	(14,903)	-	(14,903)	(15,216)
Board designations of net assets	2,668	-	-	-	2,668
Endowment net assets at June 30, 2024	14,361	98,697	257,761	356,458	370,819
Investment return					
Interest and dividends	275	6,122	-	6,122	6,397
Net gains	1,258	24,812	-	24,812	26,070
Total investment return	1,533	30,934	-	30,934	32,467
Contributions	-	-	3,702	3,702	3,702
Amounts appropriated for expenditure	(386)	(15,333)	-	(15,333)	(15,719)
Board designations of net assets	7,194	-	-	-	7,194
Endowment net assets at June 30, 2025	\$ 22,702	\$ 114,298	\$ 261,463	\$ 375,761	\$ 398,463

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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 such deficiencies at June 30, 2025 and 2024.

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 \$4,918 and \$4,875 for the years ended June 30, 2025 and 2024, 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:

	2025	2024
Benefit obligation, beginning of year	\$ 4,134	\$ 4,179
Service cost	13	18
Interest cost	182	197
Actuarial gain	(590)	(155)
Benefits paid	(92)	(105)
Benefit obligation, end of year	\$ 3,647	\$ 4,134
Funded status of plan, end of year	\$ (3,647)	\$ (4,134)
Rabbi trust investments, end of year	\$ 5,498	\$ 5,581

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

	<u>2025</u>	<u>2024</u>
Service cost	\$ 13	\$ 18
Interest cost	182	197
Amortization of net gain	<u>(192)</u>	<u>(162)</u>
Net periodic post-retirement benefit cost	<u>\$ 3</u>	<u>\$ 53</u>

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:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 3,163	\$ 3,170
Actuarial gain	590	155
Amortization	<u>(192)</u>	<u>(162)</u>
Balance, end of year	<u>\$ 3,561</u>	<u>\$ 3,163</u>

The net actuarial gains included in net assets without donor restrictions at June 30, 2025, that are expected to be recognized in net periodic post-retirement benefit cost during the year ending June 30, 2026, are \$179.

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,	
2026	\$ 315
2027	304
2028	303
2029	299
2030	285
Thereafter	<u>1,321</u>
Total	<u>\$ 2,827</u>

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Contributions to the Health Benefits Plan are expected to equal benefit payments. For the years ended June 30, 2025 and 2024, employer contributions were \$92 and \$104, respectively, and participant contributions were \$203 and \$198, 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:

	2025	2024
Discount rate	5.40%	5.20%
Rate of compensation increase	not applicable	not applicable

The amounts reported are affected by the healthcare trend assumptions. The assumed healthcare cost trend rate used in measuring the accumulated benefit obligation was 10.20 percent and 2.90 percent for 2025 and 2024, respectively, and is assumed to fluctuate to 3.70 percent through 2101 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, 2025 and 2024, would be increased by approximately \$5 and \$20, 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 \$1 for the years ended June 30, 2025 and 2024. If the healthcare cost trend assumptions were decreased by 1 percent, the accumulated post-retirement benefit obligation as of June 30, 2025 and 2024, would be decreased by approximately \$5 and \$17, 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 \$1 for the years ended June 30, 2025 and 2024.

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.

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Notes to Financial Statements

The following tables present information about each major category of the Institute's financial assets measured at fair value on a recurring basis:

	Fair Value Measurement at June 30, 2025			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Cash and cash equivalents	\$ 17,986	\$ -	\$ -	\$ 17,986
U.S. Treasury securities				
U.S. Treasury bills	25,257	-	-	25,257
U.S. Treasury notes and bonds	56,754	-	-	56,754
Total U.S. Treasury securities	82,011	-	-	82,011
Commodities – allocated gold	23,662	-	-	23,662
Mutual funds				
Domestic equity	5,947	-	-	5,947
Global equity	2,482	-	-	2,482
Fixed income	1,422	-	-	1,422
Other	3,989	-	-	3,989
Total mutual funds	13,840	-	-	13,840
Exchange-traded fund - digital assets	3,029			3,029
Total marketable securities	140,528	-	-	140,528
Beneficial interest in split-interest agreements	-	-	1,633	1,633
	<u>\$ 140,528</u>	<u>\$ -</u>	<u>\$ 1,633</u>	<u>142,161</u>
Investments measured at net asset value				
Alternative investments				
Global equity funds				216,045
Private equity funds				188,164
Real assets funds				47,165
Global multi-strategy funds				25,127
Fixed income funds				17,249
Long/short equity funds				15,887
Distressed securities funds				2,359
Other funds				2,333
Total investments measured at net asset value				<u>514,329</u>
				<u>\$ 656,490</u>

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	Fair Value Measurement at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Cash and cash equivalents	\$ 18,468	\$ -	\$ -	\$ 18,468
U.S. Treasury securities				
U.S. Treasury bills	25,357	-	-	25,357
U.S. Treasury notes and bonds	62,662	-	-	62,662
Total U.S. Treasury securities	88,019	-	-	88,019
Commodities – allocated gold	16,777	-	-	16,777
Mutual funds				
Domestic equity	4,969	-	-	4,969
Global equity	2,761	-	-	2,761
Fixed income	1,149	-	-	1,149
Other	3,685	-	-	3,685
Total mutual funds	12,564	-	-	12,564
Total marketable securities	135,828	-	-	135,828
Beneficial interest in split-interest agreements	-	-	1,458	1,458
	<u>\$ 135,828</u>	<u>\$ -</u>	<u>\$ 1,458</u>	<u>\$ 137,286</u>
Investments measured at net asset value				
Alternative investments				
Global equity funds				186,681
Private equity funds				165,690
Global multi-strategy funds				51,475
Real assets funds				23,213
Fixed income funds				23,178
Long/short equity funds				19,407
Emerging markets funds				5,189
Distressed securities funds				4,556
Long only equity funds				4,067
Other funds				3,090
Total investments measured at net asset value				<u>486,546</u>
				<u>\$ 623,832</u>

The change in the fair value of the Institute's Level 3 classified assets, the beneficial interest in split-interest agreements, was \$175 and (\$170) for the years ended June 30, 2025 and 2024, respectively. The change in the value of the beneficial interest in split-interest agreements is included in contributions on the statements of activities.

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

Asset/Liability	Fair Value as of June 30, 2025	Valuation Technique	Unobservable Input(s)	Rate (Wtd. Avg.)
Beneficial interest in split-interest agreements	\$ 1,633	Discounted cash flow	Discount rate Mortality tables	5.0% (5.0%)

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 agreements.

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.

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Expenses for the years ended June 30 consist of the following:

	2025			
	Research	Management & General	Fundraising	Total
Salaries and wages	\$ 58,569	\$ 9,044	\$ 3,060	\$ 70,673
Employee benefits	16,294	2,550	891	19,735
Research supplies	17,000	-	-	17,000
Graduate program and outside services	13,217	989	134	14,340
Scientific subcontracts	18,462	-	-	18,462
Depreciation and amortization	11,301	991	110	12,402
Occupancy	9,191	2,396	420	12,007
Information technology	2,753	913	260	3,926
Professional fees	576	976	8	1,560
Other	2,385	1,971	714	5,070
	<u>\$ 149,748</u>	<u>\$ 19,830</u>	<u>\$ 5,597</u>	<u>\$ 175,175</u>
	2024			
	Research	Management & General	Fundraising	Total
Salaries and wages	\$ 60,814	\$ 10,091	\$ 3,755	\$ 74,660
Employee benefits	15,722	2,018	972	18,712
Research supplies	16,457	-	-	16,457
Graduate program and outside services	12,299	1,217	330	13,846
Scientific subcontracts	17,621	-	-	17,621
Depreciation and amortization	10,996	925	102	12,023
Occupancy	8,637	2,314	405	11,356
Information technology	2,765	996	278	4,039
Professional fees	325	1,575	13	1,913
Other	2,646	2,039	745	5,430
	<u>\$ 148,282</u>	<u>\$ 21,175</u>	<u>\$ 6,600</u>	<u>\$ 176,057</u>

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Note 12 – Commitments and Contingencies

Commitments – At June 30, 2025, contractual commitments on purchases pending or in process are \$15,208.

Leases – The Institute has entered into operating leases for building space that expire through March 2028. Lease expense totaled \$2,614 and \$2,603 for the years ended June 30, 2025 and 2024, respectively.

Aggregate future payments required under non-cancelable operating leases that have remaining lease terms in excess of one year as of June 30, 2025, are as follows:

Years Ending June 30,		
2026	\$	1,893
2027		1,630
2028		<u>642</u>
Total lease payments		4,165
Less: amounts representing interest		<u>(484)</u>
Lease liabilities	\$	<u><u>3,681</u></u>

Other information related to leases as of June 30 is as follows:

	<u>2025</u>	<u>2024</u>
Weighted-average discount rate	3.30%	3.30%
Weighted-average remaining lease term (years)	2.2	3.2

Federal funding exposure – In the first quarter of 2025, the new U.S. federal administration issued several Executive Orders and took various actions that may affect the funding for federal grant recipients. The Institute continues to monitor these developments and will assess any potential implications for its federal awards and future funding.

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, 2025 and 2024.

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.

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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, 2025 and 2024.

Note 13 – Concentrations of Credit Risk

Cash in bank deposit accounts and the investment portfolio exceeds federally insured deposit limits. The Institute has not experienced losses 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 75.6 percent and 71.8 percent of total grant revenue for the years ended June 30, 2025 and 2024, respectively.

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