Consolidated Financial Statements and
Report of Independent Certified Public Accountants

COLD SPRING HARBOR LABORATORY

For the years ended December 31, 2022 and 2021

COLD SPRING HARBOR LABORATORY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Cold Spring Harbor Laboratory

Opinion
We have audited the consolidated financial statements of Cold Spring Harbor Laboratory (the "Laboratory"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Laboratory as of December 31, 2022 and 2021, and the changes in their net assets and their 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 Laboratory 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Laboratory's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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

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not a guarantee that an audit conducted in accordance with US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Laboratory's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Laboratory's ability to continue as a going concern for a reasonable period of time.

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

Grant Thornton LLP

Melville, New York
May 5, 2023

COLD SPRING HARBOR LABORATORY
Consolidated Balance Sheets
As of December 31, 2022 and 2021

ASSETS		2022		2021
Cash and cash equivalents	$	77,167,975	$	110,039,037
Grants receivable		9,660,138		11,023,970
Contributions receivable, net		107,020,461		109,223,435
Investments		683,077,580		785,156,520
Investments in certificate of deposits		39,302,433		-
Investment in employee residences		6,588,394		6,366,321
Restricted use assets		3,015,801		3,391,191
Other assets		7,145,053		7,585,315
Land, buildings, and equipment, net		307,777,062		286,004,083
Total assets	$	1,240,754,897	$	1,318,789,872
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$	11,471,782	$	11,290,659
Deferred revenue		34,208,363		42,817,598
Interest rate swap		12,586,718		33,914,521
Bonds payable		96,072,771		96,006,502
Total liabilities		154,339,634		184,029,280
Commitments and contingencies				
Net assets				
Without donor restrictions		696,891,054		695,295,250
With donor restrictions		389,524,209		439,465,342
Total net assets		1,086,415,263		1,134,760,592
Total liabilities and net assets	$	1,240,754,897	$	1,318,789,872

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

COLD SPRING HARBOR LABORATORY
Consolidated Statement of Activities
For the year ended December 31, 2022
(with summarized financial information for the year ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenue and other support				
Public support - contributions and nonfederal grant awards	$ 40,629,104	$ 41,388,611	$ 82,017,715	$ 70,945,564
Federal grant awards	39,188,764	-	39,188,764	38,821,308
Indirect cost allowances	30,876,743	-	30,876,743	30,972,451
Investment return utilized	34,493,868	-	34,493,868	32,860,963
Royalty & license revenue	10,165,173	-	10,165,173	14,066,754
Program fees	8,583,126	-	8,583,126	6,177,475
Publications sales	9,389,318	-	9,389,318	9,193,214
Dining services	4,895,902	-	4,895,902	416,061
Rooms and apartments	4,240,693	-	4,240,693	1,036,749
Miscellaneous	1,016,985	-	1,016,985	996,292
Net assets released from restrictions	44,574,731	(44,574,731)	-	-
Total revenue and other support	228,054,407	(3,186,120)	224,868,287	205,486,831
Expenses				
Research	111,828,147	-	111,828,147	110,705,498
Educational programs	18,789,514	-	18,789,514	13,781,654
Publications	10,202,241	-	10,202,241	9,555,000
Banbury Center conferences	2,323,893	-	2,323,893	1,327,685
DNA Learning Center programs	5,819,821	-	5,819,821	5,414,845
School of Biological Sciences programs	3,274,739	-	3,274,739	2,966,837
General and administrative	29,975,299	-	29,975,299	24,888,774
Total expenses	182,213,654	-	182,213,654	168,640,293
Excess (deficiency) of revenue and other support over expenses	45,840,753	(3,186,120)	42,654,633	36,846,538
Other changes in net assets				
Investment (loss) income excluding amount utilized	(65,572,752)	(46,755,013)	(112,327,765)	56,413,911
Change in fair value of interest rate swap	21,327,803	-	21,327,803	7,281,769
Increase (decrease) in net assets	1,595,804	(49,941,133)	(48,345,329)	100,542,218
Net assets at beginning of year	695,295,250	439,465,342	1,134,760,592	1,034,218,374
Net assets at end of year	$ 696,891,054	$ 389,524,209	$ 1,086,415,263	$ 1,134,760,592

The accompanying notes are an integral part of this consolidated financial statement.

COLD SPRING HARBOR LABORATORY
Consolidated Statement of Activities
For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Public support - contributions and nonfederal grant awards	$ 40,759,409	$ 30,186,155	$ 70,945,564
Federal grant awards	38,821,308	-	38,821,308
Indirect cost allowances	30,972,451	-	30,972,451
Investment return utilized	32,860,963	-	32,860,963
Royalty & license revenue	14,066,754	-	14,066,754
Program fees	6,177,475	-	6,177,475
Publications sales	9,193,214	-	9,193,214
Dining services	416,061	-	416,061
Rooms and apartments	1,036,749	-	1,036,749
Miscellaneous	996,292	-	996,292
Net assets released from restrictions	58,910,562	(58,910,562)	-
Total revenue and other support	234,211,238	(28,724,407)	205,486,831
Expenses			
Research	110,705,498	-	110,705,498
Educational programs	13,781,654	-	13,781,654
Publications	9,555,000	-	9,555,000
Banbury Center conferences	1,327,685	-	1,327,685
DNA Learning Center programs	5,414,845	-	5,414,845
School of Biological Sciences programs	2,966,837	-	2,966,837
General and administrative	24,888,774	-	24,888,774
Total expenses	168,640,293	-	168,640,293
Excess (deficiency) of revenue and other support over expenses	65,570,945	(28,724,407)	36,846,538
Other changes in net assets			
Investment income excluding amount utilized	24,282,348	32,131,563	56,413,911
Change in fair value of interest rate swap	7,281,769	-	7,281,769
Increase in net assets	97,135,062	3,407,156	100,542,218
Net assets at beginning of year	598,160,188	436,058,186	1,034,218,374
Net assets at end of year	$ 695,295,250	$ 439,465,342	$ 1,134,760,592

The accompanying notes are an integral part of this consolidated financial statement.

COLD SPRING HARBOR LABORATORY
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
(Decrease) increase in net assets	$ (48,345,329)	$ 100,542,218
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Change in fair value of interest rate swap	(21,327,803)	(7,281,769)
Depreciation and amortization	16,456,459	16,065,677
Amortization of deferred bond costs	66,269	66,268
Net depreciation (appreciation) in fair value of investments	77,377,459	(73,881,062)
Contributions restricted for long-term investment or capital	(539,385)	(3,810,763)
Changes in assets and liabilities:		
Grants receivable	1,363,832	(2,125,152)
Contributions receivable, net	(751,688)	13,930,309
Restricted use assets	375,390	318,395
Other assets	440,262	(753,454)
Accounts payable and accrued expenses	(3,052,624)	(6,446,246)
Deferred revenue	(8,609,235)	(12,143,419)
Net cash provided by operating activities	13,453,607	24,481,002
Cash flows from investing activities		
Capital expenditures	(34,995,691)	(35,769,196)
Proceeds from sales and maturities of investments	214,969,326	123,699,817
Purchases of investments	(190,267,845)	(104,193,227)
Purchases of investments in certificate of deposits	(39,302,433)	-
Net change in investment in employee residences	(222,073)	54,015
Net cash used in investing activities	(49,818,716)	(16,208,591)
Cash flows from financing activities		
Contributions restricted for long-term investment	35,168	123,296
Contributions restricted for investment in capital	504,217	3,687,467
Decrease (increase) in contributions receivable	2,954,662	(11,034,865)
Net cash provided by (used in) financing activities	3,494,047	(7,224,102)
Net (decrease) increase in cash and cash equivalents	(32,871,062)	1,048,309
Cash and cash equivalents at beginning of year	110,039,037	108,990,728
Cash and cash equivalents at end of year	$ 77,167,975	$ 110,039,037
Supplemental disclosure:		
Interest paid	$ 3,675,221	$ 3,773,160
Purchases of capital expenditures in accounts payable	$ 4,400,815	$ 1,167,068
Operating cash flows from operating leases	$ 327,294	$ 317,790

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

1. DESCRIPTION OF BUSINESS

Discussion of Operations

Cold Spring Harbor Laboratory (the "Laboratory") is organized as an educational corporation under the laws of New York State. The Laboratory's primary objectives are to conduct research in cancer, neurobiology, bioinformatics, genomics, plants, and related subjects; to disseminate information; and to provide instruction and training through courses, meetings, publications, and a wide range of other educational activities. A significant portion of the Laboratory's revenue is derived from federal government grants, which are awarded on a competitive basis. If there were a significant cutback in federal government research funding, it could have a material impact on the operations and cash flows of the Laboratory.

The Laboratory operates a graduate education program and confers the degrees of Doctor of Philosophy, Master of Science, and Doctor of Science, Honorary. The program was approved by the Board of Regents of the State of New York and operates under the name "Cold Spring Harbor Laboratory, School of Biological Sciences" ("SBS"). Funding has been provided through the establishment of an endowment dedicated to the graduate school.

The consolidated financial statements of the Laboratory include two wholly owned subsidiaries. The first, the Robertson Research Fund, Inc. ("Robertson"), is a not-for-profit organization incorporated in Delaware in 1972 to provide funds for the benefit of the Laboratory on a continuing basis, unless the Laboratory ceases to be exempt from taxation under the Internal Revenue Code. Robertson is administered by a nine-member Board of trustees, five of whom represent the Laboratory. The Laboratory is entitled to receive all of the income of Robertson. In years when the distribution has been less than the total annual income of the fund, the difference has been reinvested along with the principal of the fund to offset the effects of inflation and to provide for future programs at the Laboratory.

The second, Cold Spring Harbor Asia (SIP) Ltd. ("CSH Asia"), is a wholly owned for-profit subsidiary established in Suzhou, People's Republic of China, in 2008. CSH Asia was created to expand the educational outreach of the Laboratory with the creation of a meetings and conferences program at a state-of-the-art conference center, owned by a private company, located in Suzhou. CSH Asia has an exclusive license to conduct scientific conferences and training courses in academic life sciences and applied biological sciences at the conference center. The license, originally a 10-year term expiring in 2018, was renewed for an additional 10-year term through December 31, 2028.

All intercompany accounts and transactions have been eliminated in consolidation.

Tax Status

The Laboratory and Robertson are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, they are not subject to income taxes except to the extent there is taxable income from activities that are not related to their exempt purposes. The Laboratory receives income from unrelated activities, including advertising income on its journals and various alternative investment vehicles. The Laboratory recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. CSH Asia was established as a taxable organization in China.

Provisions for both local and unrelated business income taxes are included in accounts payable and accrued expenses in the 2022 and 2021 consolidated balance sheets. The Laboratory estimates unrelated business income tax expense of $4,800 in 2022 and paid $1,000 in 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Laboratory prepares its consolidated financial statements on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board ("FASB") for external financial reporting by not-for-profit organizations. Those standards require the classification of activities and net assets into two classes of net assets as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions, including the carrying value of all land, buildings, and equipment. Items that affect this net asset category include revenue and expenses associated with the primary objectives of the Laboratory, as well as gifts without restrictions, including those designated by the Board of Trustees of the Laboratory ("Trustees") to function as endowments. In addition, changes to this category of net assets include gifts with restrictions whose donor-imposed restrictions were met in the year received, through the passage of time or through fulfillment of the restricted purpose.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that will be met by either the actions of the Laboratory or the passage of time. Expirations of donor restrictions on net assets are reported as net assets released from restrictions in the accompanying consolidated statement of activities. This category also includes net assets subject to donor-imposed restrictions to be maintained permanently by the Laboratory, the investment-related income from which is available to support research, education, and training. Realized and unrealized gains (losses) are added to (subtracted from) these net assets if so required by the donor. Absent specific donor requirements, gains are available to support research and educational activities.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of short-term money market funds and certificates of deposits that mature in three months or less. Cash equivalents approximated $74,789,400 and $83,837,900 at December 31, 2022 and 2021, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements, and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include the valuation of alternative investments, collectability of receivables, the interest rate swap liability, amortization of deferred revenue, the determination of medical and prescription benefit costs and the related liability, and the allocation of expenses to their functional classification.

Fair Value Measurements

The Laboratory classifies its assets and liabilities measured at fair value into three levels based on the inputs used to measure them (see Note 5):

Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. The Laboratory did not possess any Level 2 assets at December 31, 2022 or 2021.

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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the asset or liability, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset or the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Investments

Investments are stated at fair value. Contributions of investment securities are recorded at their fair value at the date of the gift and are sold as soon as practicable following receipt. Publicly traded investments are valued at the last reported sales price on the date of valuation, as quoted on major securities exchanges. Securities that are not traded on major securities exchanges are valued based on quotations received from leading vendors.

Pooled investments are funds that are not held at the Laboratory's or Robertson's custodian bank. These funds are part of multiple investors' commingled funds that are invested in one or more asset classes by a fund manager. The Laboratory and Robertson invest in limited partnerships, limited liability corporations, and offshore investment funds for the purpose of earning returns from alternative investment strategies. These investments are presented, under procedures established by the fund management, at net asset value or its equivalent, which generally represents the Laboratory's or Robertson's proportionate share of the net assets of the investment managers, as reported by them and reviewed by Laboratory management for reasonableness.

The proportionate share of net assets subject to the investment manager's estimates of fair value may differ significantly, due to the inherent uncertainty of the valuations, from the values that would have been used had a ready market existed. The proportionate share of the change in fair values of the investment managers is recorded as an increase or a decrease in investment return, in other changes in net assets, in the consolidated statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Included in investments are common and preferred stocks that do not have a readily determinable fair value which were received by the Laboratory from biotechnology companies in return for various rights to Laboratory-developed intellectual property. Upon the receipt of founders stock from a newly formed company, the value of each share of stock is based on the amount paid per share by the outside investor(s). The amount is reduced by an appropriate valuation allowance, reflecting the high risk associated with start-up companies and limitations on the transferability of such stock, to arrive at the initial cost basis of the stock. The values of the stocks are not adjusted until either a) the company is determined to have no value, at which time the value of the stock is written off; b) the company is sold, at which time a gain or loss is recognized; or c) the company completes an initial public offering ("IPO") and its stock becomes publicly traded on a securities exchange. At the time of the IPO, the value of the stock is increased to fair value based on the quoted price of the stock. The fair value is reduced by an appropriate valuation allowance if the stock is restricted by governmental or contractual requirements or the Laboratory owns a large block of stock that could not be sold without potentially affecting the market price.

Investments in Certificate of Deposits

Certificate of deposits that have a maturity of greater that three months are included in investments in certificate of deposits and are valued based on cost plus accrued interest. As of December 31, 2022, all certificates of deposit will mature within one year.

Contributions Receivable

Contributions receivable are recorded at their estimated net realizable value (discounted to present value at a risk-adjusted rate), less a reserve for bad debts.

Land, Buildings, and Equipment

Land, buildings, and equipment are reported at cost. Donated books and periodicals and other assets are recorded at appraised value as of the date of gift. Depreciation is computed on the straight-line basis over the estimated useful lives (ranging from three to forty years) of all buildings and equipment. Land, buildings, and equipment and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Long-lived assets deemed to be permanently impaired are written down to fair value. There were no impairment charges in 2022 or 2021.

Derivative Instrument

The Laboratory measures its derivative instrument (interest rate swap) at fair value. The fair value of the derivative held is based upon values provided by third-party financial institutions. It is not held for speculation purposes.

Deferred Revenue

On June 12, 2018, the Laboratory entered into a royalty purchase agreement for the right, title and interest in, and to, the future sales ("Purchased Receivables") associated with a drug created based upon patented Laboratory technology. The Laboratory received a $127,500,000 upfront payment. The payment was distributed in accordance with the Laboratory's commercial relations policy. The Laboratory accounted for the retained portion of the sale of the Purchased Receivables in accordance with Accounting Standards Codification ("ASC") 470-10-25, *Sales of Future Revenues or Various Other Measures of Income*, which resulted in the deferral of revenue recognition over the life of the patent using the units of revenue method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future revenues require amortization for the period being calculated by computing a ratio of the proceeds received to the total payments expected to be made over the term of the agreement and then applying that ratio to the period's cash payment. The retained cash proceeds received from the investor were designated by the Trustees to function as an endowment, whereby the income generated from such funds will be used to support ongoing research programs. For the years ending December 31, 2022 and 2021, the Laboratory recognized approximately $10 million and $12 million a year, respectively, in royalty revenue pertaining to the Purchased Receivables.

A significant portion of the Laboratory's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Laboratory has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue (refundable advances) in the consolidated balance sheets. The Laboratory received advanced payments of approximately $2,402,200 and $370,400 for the years ended December 31, 2022 and 2021, respectively, recognized in the consolidated balance sheets as a refundable advance. Deferred revenue also includes amounts received for publication subscriptions and fees received but not yet earned. Revenue is recognized in future periods as fees are earned and publications are shipped or made available to the subscriber.

Revenue

The Laboratory receives grants and contributions from a number of sources, including the federal government, foreign governments, private foundations, and other donors in support of primary programs of research and education. The Laboratory recognizes government and private contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution or grant is received. Conditional contributions, including conditional promises to give, are recognized when they become unconditional, that is, when the conditions, such as a barrier and right of return or release, are substantially met. Grants are evaluated as to whether they qualify as exchange transactions or contributions. Grants that are treated as exchange transactions are reported as revenue without donor restrictions when performance obligations within the terms of the agreement are met. The excess of amounts received in exchange transactions over revenue recognized are classified as deferred revenue on the consolidated balance sheets.

If a contract or grant agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor and the agreement also contains a barrier to be overcome, the Laboratory recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Funds received in advance of conditions being met are reported as deferred revenue within the accompanying consolidated balance sheets. At December 31, 2022, the Laboratory did not have any conditional contributions from reimbursable federal contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the Laboratory receives payments from customers for goods or services associated with the educational programs offered by the Laboratory. Educational programs include programs through the Banbury Conference Center, DNA Learning Center, and the Meetings and Courses program. These programs generate revenues through program fees, dining services, and rooms and apartment fees. In accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Laboratory recognizes revenue when control of promised goods or services are transferred to outside parties in an amount that reflects the consideration the Laboratory expects to be entitled to in exchange for those goods or services.

Royalty and License Revenue

Royalty and license revenues result from the transfer of intellectual property rights developed by Laboratory employees. In accordance with the Laboratory's policy, royalty and license revenues are distributed to the inventor, author or collaborator, and the Laboratory using an income sharing formula. The portion retained and recognized by the Laboratory is recorded on the consolidated statements of activities as royalty and license revenue.

Indirect Cost Allowances

Indirect cost allowances recovered under certain government and other grants are accrued in the period the research and other services are performed. For federal grants, these accruals are based on an approved indirect cost rate negotiated with the cognizant government granting agency. In 2021, the Laboratory negotiated a new agreement establishing an unadjusted final rate for the year ended December 31, 2020 and establishing a provisional rate for the calendar years 2021 thru 2023. As required under the agreement, an indirect cost proposal for the year ended December 31, 2022 is due on June 30, 2023. The Laboratory believes that, except for unforeseen changes in the federal regulations, the Laboratory should not be subject to a revision of its indirect cost rate through the end of 2023. For nongovernment grants, indirect cost recoveries are accrued at various rates as allowed by the grantor.

Allocation of Expenses on a Functional Basis

Expenses are reported in the accompanying consolidated statements of activities by their programmatic classifications. The Laboratory's primary program services are research, education, instructional training through meetings, courses and conferences, and publications. Expenses reported as general and administrative are incurred in support of these primary program services.

The Laboratory allocates certain types of expenses that relate to more than one program or supporting activity. Expenses of this nature include, but are not limited to, depreciation, interest, operations and maintenance of plant, library, direct research support, and information technology. Amounts have been allocated to the specific programs and support services using methods such as square footage, usage, and other financial methods determined by management and are consistently applied.

Measure of Operations

The Laboratory includes in its definition of operations all revenues and expenses associated with its primary program services, which include research, education, instructional training through meetings, courses and conferences, and publications. Investment return excluding amounts utilized and change in fair value of interest rate swap agreements are excluded from the measure of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Update

In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets. The new guidance requires contributed nonfinancial assets to be presented as a separate line item on the consolidated statement of activities, apart from cash and other financial asset contributions. This guidance also requires disclosure of the types of contributed nonfinancial assets and, whether the assets were monetized or utilized, a description of the policies for such assets, a description of donor-imposed restrictions on the contributions, and a description of the valuation techniques used to arrive at a fair value measure at initial recognition. The Laboratory adopted ASU No. 2020-07 during the year ending December 31, 2022. ASU No. 2020-07 did not have a material effect on the consolidated financial statements.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Laboratory regularly monitors the availability of resources required to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Laboratory considers all expenditures related to its ongoing activities of research, educational programs and publications, as well as, the conduct of services to support those activities.

The Laboratory's Trustees have designated a portion of its net assets without donor restrictions for endowment and other purposes. These amounts are identified in the table below as Board designated funds. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Trustees.

In addition to financial assets available to meet general expenditures over the next 12 months, the Laboratory operates with a balanced budget and anticipates collecting sufficient revenue, including federal funds, to cover general expenditures not covered by donor-restricted resources. The Laboratory typically generates positive cash flows from operations, as evidenced by the consolidated statements of cash flows for 2022 and 2021.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

As of December 31, 2022, financial assets and liquidity resources available within one year for general expenditure were as follows:

	2022
Financial assets due within one year:	
Cash and cash equivalents	$ 77,167,975
Grants receivable, net	9,660,138
Contributions receivable due within one year	34,181,778
Investments	683,077,580
Investments in certificate of deposits	39,302,433
	843,389,904
Less:	
Amounts unavailable for general expenditures within one year due to:	
Donor-restricted gifts for research programs	18,059,926
Donor-restricted gifts for capital projects	150,000
Donor-restricted gifts for educational programs	1,473,365
Restricted by donor in perpetuity	119,524,930
Unappropriated accumulated endowment gains	169,071,074
Total amounts unavailable due to donor restrictions or law	308,279,295
Total financial assets available to management for general expenditure before amounts subject to the Trustees' approval	535,110,609
Less Board designated funds:	
Quasi-endowment	410,037,211
Reserve for recruiting	5,174,384
Reserve for capital expansion	90,709,590
	505,921,185
Total financial assets available for general expenditure before endowment draw	29,189,424
Plus:	
Amounts authorized for appropriation within one year	31,894,190
Total financial assets available for general expenditure within one year	$ 61,083,614

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

As of December 31, 2021, financial assets and liquidity resources available within one year for general expenditure were as follows:

	2021
Financial assets due within one year:	
Cash and cash equivalents	$ 110,039,037
Grants receivable, net	11,023,970
Contributions receivable due within one year	30,405,648
Investments	785,156,520
	936,625,175
Less:	
Amounts unavailable for general expenditures within one year due to:	
Donor-restricted gifts for research programs	22,511,908
Donor-restricted gifts for capital projects	1,825,000
Donor-restricted gifts for educational programs	1,916,517
Restricted by donor in perpetuity	119,489,763
Unappropriated accumulated endowment gains	215,826,095
Total amounts unavailable due to donor restrictions or law	361,569,283
Total financial assets available to management for general expenditure before amounts subject to the Trustees' approval	575,055,892
Less board designated funds:	
Quasi-endowment	451,942,397
Reserve for recruiting	5,165,303
Reserve for capital expansion	80,110,891
	537,218,591
Total financial assets available for general expenditure before endowment draw	37,837,301
Plus:	
Amounts authorized for appropriation within one year	30,821,617
Total financial assets available for general expenditure within one year	$ 68,658,918

4. INVESTMENTS

Fair value of investments at December 31 is as follows:

	2022	2021
Mutual funds:		
Money market	$ 75,914,141	$ 51,163,410
Large/mid cap growth	36,810,228	90,830,923
Diversified fixed income	63,118,350	34,387,995
Stocks - domestic	1,127,678	2,834,308
Alternative investments:		
Multi-strategy, fund of funds, and absolute return	121,491,630	137,690,996
Long/short equity	264,640,901	322,531,042
Global/international equity	88,878,121	109,620,035
Emerging markets	22,730,253	28,856,099
Private investments	8,366,278	7,241,712
	$ 683,077,580	$ 785,156,520

Money market mutual funds represent cash held for investment on a short-term basis as part of the investment portfolio, which will be invested upon the direction of the Investment Committees of the Laboratory or of Robertson, as applicable.

Stocks principally include publicly traded common stock holdings in domestic organizations. Also included are the Laboratory's investments in common and preferred stock holdings in biotechnology companies principally received for Laboratory-developed intellectual property, as discussed in Note 2. The biotechnology companies have a fair value of approximately $494,000 and $532,000, respectively, for years ended December 31, 2022 and 2021, net of a valuation allowance of approximately $1,744,000 and $2,088,000, respectively, on the shares that do not have a readily determinable fair value.

The alternative investment portfolio includes limited partnerships, limited liability corporations, and offshore investment funds. The underlying investments include, among other financial instruments, futures and forward contracts, options, and securities sold but not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments involve varying degrees of off-balance sheet risk. All investments are exposed to various risks, such as interest rate, market, and credit risks.

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the consolidated balance sheets.

4. INVESTMENTS (CONTINUED)

Alternative investments are diversified across five basic investment strategies as follows (amounts included are as of December 31, 2022):

Multi-strategy, fund of funds, and absolute return ($121,491,630) - represent investments in a broad range of investment strategies that seek to exploit opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies. This category includes managers that utilize a fund of funds philosophy.

Long/short equity ($264,640,901) - primarily investments in funds that, in turn, invest in liquid marketable securities, attempting to realize gains through the identification of mispriced securities, involving buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value.

Global/international equity ($88,878,121) - consists of investments in both growth and value oriented equity securities of companies located outside the United States. Investment instruments include convertible investment grade securities, options, warrants, physical currencies, spot and forward currency contracts. At December 31, 2022, the Laboratory did not have any outstanding commitments.

Emerging markets ($22,730,253) - an absolute return focused investment in debt and equity securities in emerging markets. Debt securities include both dollar-denominated and local currency sovereign debt, corporate debt, and inflation-protected securities.

Private investments ($8,366,278) - consists of investments in private funds, including buyouts and growth capital, international private equity, and other stressed and distressed opportunities. At December 31, 2022, the Laboratory had outstanding commitments of $7,020,000.

Alternative investments contain various redemption restrictions with required written notice ranging from five to seventy-five days. In addition, certain of these investments are restricted by initial lockup periods.

As of December 31, 2022, the following table summarizes the composition of the alternative investments at fair value of such investments by the various redemption provisions and lockup periods:

Redemption Period	Amount
Weekly-Monthly	$ 207,168,253
Two to three months	88,757,567
Semiannual	35,056,772
Annual	124,710,938
Lockups expiring 2023-2024	41,998,792
No redemptions	8,414,861
	$ 506,107,183

5. FAIR VALUE OF FINANCIAL ASSETS

The following tables present the Laboratory's fair value hierarchy for those assets measured at fair value on an annual basis as of December 31:

	2022			
Financial Assets	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investment in employee residences	$ 6,588,394	$ -	$ -	$ 6,588,394
Limited liability partnership (1)	246,000	-	-	246,000
Investment in trust assets (2)	16,207,138	-	-	16,207,138
Investments:				
Mutual funds:				
Money market	75,914,141	75,914,141	-	-
Large/mid cap growth	36,810,228	36,810,228	-	-
Diversified fixed income	63,118,350	63,118,350	-	-
Stocks - domestic	1,127,678	633,892	-	493,786
Subtotal	176,970,397	176,476,611	-	493,786
Investments at net asset value ("NAV"):				
Alternative investments:				
Multi-strategy, fund of funds, and absolute return	121,491,630	-	-	-
Long/short equity	264,640,901	-	-	-
Global/international equity	88,878,121	-	-	-
Emerging markets	22,730,253	-	-	-
Private investments	8,366,278	-	-	-
Subtotal	506,107,183	-	-	-
Total investments	683,077,580	176,476,611	-	493,786
Total assets at fair value	$ 706,119,112	$ 176,476,611	$ -	$ 23,535,318

(1) Included in other assets on the consolidated balance sheets.

(2) Included in contributions receivable on the consolidated balance sheets.

5. FAIR VALUE OF FINANCIAL ASSETS (CONTINUED)

	2021			
Financial Assets	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investment in employee residences	$ 6,366,321	$ -	$ -	$ 6,366,321
Limited liability partnership (1)	246,000	-	-	246,000
Investment in trust assets (2)	18,213,275	-	-	18,213,275
Investments:				
Mutual funds:				
Money market	51,163,410	51,163,410	-	-
Large/mid cap growth	90,830,923	90,830,923	-	-
Diversified fixed income	34,387,995	34,387,995	-	-
Stocks - domestic	2,834,308	2,302,316	-	531,992
Subtotal	179,216,636	178,684,644	-	531,992
Investments at net asset value ("NAV"):				
Alternative investments:				
Multi-strategy, fund of funds, and absolute return	137,690,996	-	-	-
Long/short equity	322,531,042	-	-	-
Global/international equity	109,620,035	-	-	-
Emerging markets	28,856,099	-	-	-
Private investments	7,241,712	-	-	-
Subtotal	605,939,884	-	-	-
Total investments	785,156,520	178,684,644	-	531,992
Total assets at fair value	$ 809,982,116	$ 178,684,644	$ -	$ 25,357,588

(1) Included in other assets on the consolidated balance sheets.

(2) Included in contributions receivable on the consolidated balance sheets.

6. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, consist of the following at December 31:

	2022	2021
Contributions receivable	$ 94,930,693	$ 93,917,225
In-kind receivable	20,359,318	21,120,414
	115,290,011	115,037,639
Less: discount to present value at rates ranging from 0.20% to 4.17%	(7,070,550)	(4,838,204)
Reserve for bad debts	(1,199,000)	(976,000)
Contributions receivable, net	$ 107,020,461	$ 109,223,435

6. CONTRIBUTIONS RECEIVABLE, NET (CONTINUED)

Contributions receivable are expected to be collected as follows:

	2022	2021
Within one year	$ 34,181,778	$ 30,405,648
One to five years	40,826,219	39,064,384
More than five years	40,282,014	45,567,607
	$ 115,290,011	$ 115,037,639

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue. Contributions receivable at December 31, 2022 included twenty-seven individual pledges, five of which represent approximately 74% of the amount due, with a total of $38 million due from a single donor, and $57.4 million due from Trustees. Contributions receivable at December 31, 2021 included twenty-five individual pledges, four of which represent approximately 78% of the amount due, with a total of $50 million due from a single donor, and $61.3 million due from Trustees.

A donor has established and funded a gift instrument which is administered by the donor's investment firm. Under the terms of this agreement, the Laboratory has the irrevocable right to receive all the assets at the end of the agreement in 2040. The Laboratory does not control the assets. The Laboratory records the value of the assets as increases in net assets with donor restrictions at the fair value of the assets. Adjustments to the assets to reflect changes in the fair value are reported in the consolidated statements of activities as an investment return excluding amount utilized. The change in fair value reported for the years ended December 31, 2022 and 2021 were ($2,006,137) and $14,935,774, respectively.

Also included in contributions receivable is the Laboratory's interest in charitable remainder unitrusts. In accordance with the terms of the trusts, the Laboratory will receive a defined interest upon the death of the designated beneficiaries. The Laboratory's interest, net of the present value discount, approximated $8,043,000 and $10,595,000 at December 31, 2022 and 2021, respectively.

On October 1, 2019, the Laboratory entered into a lease agreement with a third-party to open the DNA Learning Center at City Tech in Brooklyn, New York. The agreement provides for the Laboratory to make below market rental payments through September 30, 2049. The Laboratory is recording this lease as an in-kind pledge receivable. For the years ended December 31, 2022 and 2021, the net fair market value of the in-kind lease pledge is valued at $12,135,046 and $12,393,400, respectively.

7. RESTRICTED USE ASSETS

Restricted use assets principally include a supplemental executive retirement plan ("SERP") established by the Laboratory for certain members of its management and scientific staff. The Laboratory has established a grantor trust, whereby the assets and income of the trust are assets and income of the Laboratory. At December 31, 2022 and 2021, the fair value of the assets in the trust was $2,607,829 and $2,913,542, respectively.

8. INVESTMENT IN EMPLOYEE RESIDENCES

Investment in employee residences consists of (a) notes receivable collateralized by mortgages on residential properties owned by several senior employees; and (b) the Laboratory's percentage ownership in residences inhabited by employees. Upon sale of these residences, the Laboratory will either share in market value fluctuations of the real estate in proportion to its ownership in the residence or receive reimbursement of the outstanding mortgage balance. These investments were authorized by the Trustees to enable such employees to purchase local residences. All costs of property ownership, including real estate taxes, are borne by the employees.

9. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at December 31 consist of the following:

	2022	2021
Land and land improvements	$ 31,727,785	$ 18,785,953
Buildings	364,853,861	351,062,364
Furniture, fixtures, and equipment	33,721,404	33,323,779
Laboratory equipment	78,675,831	76,455,532
Library books and periodicals	365,630	365,630
Construction in progress	28,190,806	22,014,676
	537,535,317	502,007,934
Less accumulated depreciation and amortization	(229,758,255)	(216,003,851)
Land, buildings, and equipment, net	$ 307,777,062	$ 286,004,083

Construction in progress at December 31, 2022 represents the cost of various campus renovations ongoing at the Laboratory, of which, one is a large multi-year construction project. The large multi-year project is the beginning of the Foundations for the Future project; which is a major expansion adding multiple buildings to the campus to support the research, education and housing programs. There was $26.1 million included in construction in progress for this project at December 31, 2022. Also in 2022, the Laboratory completed and placed in service the renovation of the six housing cabins and the renovation of the Laboratory's seawall project and capitalized approximately $6.9 million and $13.1 million, respectively.

At December 31, 2022, amounts committed for construction contracts was approximately $3,100,000.

10. BONDS PAYABLE

Bonds payable at December 31 consist of the following:

	2022	2021
Nassau County Industrial Development Agency ("NCIDA") Bonds, Series 1999. (a)	$ 42,200,000	$ 42,200,000
NCIDA Bonds, Series 2006. (b)	55,000,000	55,000,000
	97,200,000	97,200,000
Less bond issuance costs	(1,127,229)	(1,193,498)
	$ 96,072,771	$ 96,006,502

(a) On April 1, 1999, the Laboratory executed an agreement to obtain $42.2 million of bond financing through the Nassau County Industrial Development Agency ("NCIDA"). Approximately $15 million of the proceeds were used to finance the purchase and renovation of a building located in Woodbury, New York. The remaining $27 million of the proceeds were used to refund $20 million 1989 Series bonds and $7 million 1993 Series bonds issued through the NCIDA. The bonds require principal payments only at maturity on January 1, 2034; bear interest at a variable daily rate, which is payable on a monthly basis (4.39% and .09% as of December 31, 2022 and 2021, respectively); and are secured by a liquidity facility agreement issued by a financial institution scheduled to expire on June 24, 2026. The interest rate is negotiated with the bondholders by the remarketing agent. The agreement contains certain covenants, including those relating to net worth as defined, restrictions of additional liens on certain Laboratory property, and assumption of additional debt. The Laboratory was in compliance with the required covenants as of December 31, 2022 and 2021.

(b) On June 27, 2006, the Laboratory executed an agreement to obtain $55 million of bond financing through the NCIDA for the purpose of paying a portion of the cost of construction, installation, and equipping of six research buildings and a chiller building, consisting of approximately 120,000 square feet of space, on the Laboratory's main campus in Laurel Hollow. On April 2, 2020, the entire outstanding principal amount was purchased by a single financial institution under an agreement that terminates on June 19, 2025, unless extended. The bonds bear interest at a fixed percent of the sum of the federal funds rate (reported daily as H.15), plus a spread. The agreement contains certain covenants, including those relating to net worth as defined, restrictions of additional liens on certain Laboratory property, and assumption of additional debt. The Laboratory was in compliance with the required covenants as of December 31, 2022 and 2021. Upon termination of the agreement, the bonds may thereafter be converted in whole or in part to bear interest at any of the acceptable rates of interest under the bond documents until maturity on January 1, 2042. The bonds require annual principal payments beginning January 1, 2035 through maturity at amounts between $6 million to $8 million. Interest is payable the first business day of each month, and the interest rate resets at the end of each month (3.37% and 0.66% as of December 31, 2022 and 2021, respectively).

10. BONDS PAYABLE (CONTINUED)

In April 2006, the Laboratory entered into an interest rate swap agreement with a notional principal amount of \$97.2 million to mitigate the risk of interest rates associated with the Series 1999 and Series 2006 bond issues. Under the terms of the original agreement, the Laboratory paid interest at a predetermined fixed rate of 3.81% and received 68% of one-month LIBOR on the notional principal amount. The swap agreement had an effective date of October 1, 2006 and a termination date of January 1, 2042. On December 10, 2008, the swap agreement was amended and the Laboratory paid interest at a predetermined fixed rate of 3.80% and received 68% of 3-month LIBOR on the notional principal amount. On October 18, 2018, the swap agreement was amended, and the Laboratory now pays interest at a predetermined fixed rate of 3.80% and receives 68% of the federal funds rate (reported daily as H.15), plus a spread on the notional principal amount.

The fair value of the interest rate swap was a liability of \$12,586,718 and \$33,914,521 at December 31, 2022 and 2021, respectively. The fair value of the interest rate swap was determined using pricing models developed based on the federal funds rate and other observable market data (Level 2 inputs). The change in fair value is reported as other changes in net assets in the accompanying consolidated statements of activities. According to the agreement with JPMorgan Chase Bank, N.A., when the fair value of the liability exceeds \$40 million, the Laboratory is required to post collateral equal to the amount in excess.

In connection with the bond issues, financing costs of approximately \$2,357,000 are being reported as a direct deduction of the face amount of the related bond and are amortized over the life of the bonds. Financing costs, net of amortization, were \$1,127,229 and \$1,193,498 at December 31, 2022 and 2021, respectively. Interest expense on bonds outstanding during 2022 and 2021 was approximately \$3,703,600 and \$3,764,200, respectively. The effective average interest rate on all of the bonds outstanding during 2022 and 2021 approximated 3.81% and 3.87%, respectively.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are available for the following purposes or periods as follows:

	2022	2021
Net assets subject to expenditure for specified purposes or time periods:		
Capital projects	$ 249,522	$ 2,223,047
Research programs	17,613,996	24,163,893
Educational programs	13,608,422	14,309,917
Time restricted	69,456,265	63,452,627
Total subject to expenditure for specified purposes or time periods	100,928,205	104,149,484
Endowments subject to the Laboratory's spending policy:		
Donor contributions to be maintained in perpetuity:		
Primary program services	75,672,526	75,737,527
School of Biological Sciences programs	42,340,600	42,240,432
Operation and improvement of Banbury Center facilities	1,511,804	1,511,804
Total donor contributions to be maintained in perpetuity	119,524,930	119,489,763
Unappropriated income on endowment funds available to support:		
Primary program services	138,263,955	172,537,154
School of Biological Sciences programs	15,023,700	24,848,098
Operation and improvement of Banbury Center facilities	15,783,419	18,440,843
Total unappropriated income on endowment funds	169,071,074	215,826,095
Total endowment subject to appropriation under the Laboratory's spending policy	288,596,004	335,315,858
Total net assets with donor restrictions	$ 389,524,209	$ 439,465,342

The following table summarizes the net assets released from restrictions for the years ended December 31:

	2022	2021
Purpose restrictions accomplished	$ 19,122,097	$ 26,584,639
Time restriction expired	25,452,634	32,325,923
	$ 44,574,731	$ 58,910,562

12. INVESTMENT RETURN UTILIZED

Investment return utilized includes amounts appropriated from donor-restricted endowment funds, as reported in Note 13, and investment return on working capital funds. The following tables summarize the Laboratory's total investment return for the years ended December 31:

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Net investment income	$ 3,226,312	$ 923,069	$ 4,149,381
Net depreciation of investments	(47,051,661)	(34,931,617)	(81,983,278)
Total net investment loss	(43,825,349)	(34,008,548)	(77,833,897)
Investment return utilized	(21,747,403)	(12,746,465)	(34,493,868)
Investment return excluding amount utilized	$ (65,572,752)	$ (46,755,013)	$ (112,327,765)

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Net investment expense	$ (610,681)	$ (638,642)	$ (1,249,323)
Net appreciation of investments	57,753,992	32,770,205	90,524,197
Total net investment gain	57,143,311	32,131,563	89,274,874
Investment return utilized	(32,860,963)	-	(32,860,963)
Investment return excluding amount utilized	$ 24,282,348	$ 32,131,563	$ 56,413,911

13. ENDOWMENT FUNDS

The Laboratory's endowment, including Robertson, consists of approximately 180 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with the endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Laboratory's management and investment of donor-restricted endowment funds are subject to the provisions of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Laboratory adopted NYPMIFA as of December 31, 2010 for all institutional endowment assets. The Laboratory and Robertson have interpreted the law as not requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Laboratory classifies as endowment funds within 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 explicit direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the net assets with donor restrictions within the endowment fund are those net assets that have not yet been appropriated for expenditure by the Laboratory in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Laboratory's investment policy for its endowment and similar funds emphasizes long-term capital appreciation as a primary source of return while balancing the dual objectives of growth in capital and principal preservation. Investments are expected to earn long-term returns sufficient to maintain or grow the purchasing power of assets, net of spending and investment expenses, within acceptable risk parameters. The portfolio is invested in domestic and international equities, private, and other nontraditional investments, broadly diversified fixed income and cash equivalents. The portfolio is expected to earn returns higher than the "market" as represented by a benchmark constructed as a blended rate of indices. The portfolio oversight rests with the Investment Committees of the Laboratory and Robertson, including the selection of external managers, the allocation of investments, and the type of investments.

The following factors are considered 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 Laboratory and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation or deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Laboratory
(7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure
(8) The investment policies of the Laboratory

In accordance with the spending policies of the Laboratory and Robertson, the Trustees authorized a 4.5% spend-down on endowment funds based on a 12-quarter moving average of the market value of endowment investments. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year earnings. If investment return is in excess of the authorized spending level, the balance is reinvested.

13. ENDOWMENT FUNDS (CONTINUED)

In accordance with the above spending, $30,929,768 and $28,439,435 were made available to support operations of the Laboratory for the years ended December 31, 2022 and 2021, respectively. The total planned appropriation for expenditure for the year ending December 31, 2023 is $31,894,190.

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 NYPMIFA requires the Laboratory to maintain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions and totaled $1,999,637 and $1,013,162 at December 31, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs that was deemed prudent by the Trustees. Amounts included in reported deficiencies, which resulted from specific language of the gift instrument requiring appropriation regardless of fund balance were $1,675,229 and $688,755 at December 31, 2022 and 2021, respectively.

The following table presents endowment net asset composition by type of fund as of December 31:

	2022				
		With Donor Restrictions			Total
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Endowment Funds
Donor-restricted:					
Underwater	$ -	$ 8,907,732	$ (1,999,637)	$ 6,908,095	$ 6,908,095
Other	-	110,617,198	171,070,711	281,687,909	281,687,909
Board-designated	410,037,211	-	-	-	410,037,211
Total endowment funds	$ 410,037,211	$ 119,524,930	$ 169,071,074	$ 288,596,004	$ 698,633,215

13. ENDOWMENT FUNDS (CONTINUED)

The following table presents the changes in endowment net assets for the year ended December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 451,942,397	$ 335,315,859	$ 787,258,256
Net investment income	1,347,571	923,069	2,270,640
Net depreciation (realized and unrealized)	(48,737,020)	(34,931,627)	(83,668,647)
Total investment return	(47,389,449)	(34,008,558)	(81,398,007)
Contributions	-	35,168	35,168
Appropriation of endowment assets for expenditure	(18,183,303)	(12,746,465)	(30,929,768)
Transfer to board-designated endowment	23,667,566	-	23,667,566
Endowment net assets at end of year	$ 410,037,211	$ 288,596,004	$ 698,633,215

Included in amounts above is approximately $16.5 million in pledges receivable.

	2021				
		With Donor Restrictions			Total
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Endowment Funds
Donor-restricted:					
Underwater	$ -	$ 8,407,732	$ (1,013,162)	$ 7,394,570	$ 7,394,570
Other	-	111,082,030	216,839,259	327,921,289	327,921,289
Board-designated	451,942,397	-	-	-	451,942,397
Total endowment funds	$ 451,942,397	$ 119,489,762	$ 215,826,097	$ 335,315,859	$ 787,258,256

13. ENDOWMENT FUNDS (CONTINUED)

The following table presents the changes in endowment net assets for the year ended December 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 418,937,403	$ 303,061,000	$ 721,998,403
Net investment expense	(920,528)	(638,642)	(1,559,170)
Net appreciation (realized and unrealized)	53,642,312	32,770,205	86,412,517
Total investment return	52,721,784	32,131,563	84,853,347
Contributions	-	123,296	123,296
Appropriation of endowment assets for expenditure	(28,439,435)	-	(28,439,435)
Transfer to board-designated endowment	8,722,645	-	8,722,645
Endowment net assets at end of year	$ 451,942,397	$ 335,315,859	$ 787,258,256

Included in amounts above is approximately $18.6 million in pledges receivable.

14. CONTRIBUTED NONFINANCIAL ASSETS

For the year ended December 31, 2022, the Laboratory recognized a contributed nonfinancial asset of approximately $503,000 for the below market rental payments on the DNA Learning Center. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The contributed use of the DNA Learning Center will be utilized for Laboratory educational programs. In valuing the below market rental payments, the Laboratory estimated the fair value on the basis of comparable rental values with the same geographic area.

15. ALLOCATED EXPENSES

Expenses are reported in the accompanying consolidated statements of activities by their program classifications. The Laboratory's primary program services are research, education, instructional training through meetings, courses and conferences, and publications. Expenses reported as general and administrative are incurred in support of these primary program services.

The Laboratory allocates certain types of expenses that relate to more than one program or supporting activity. Expenses of this nature include, but are not limited to, depreciation, interest, operations and maintenance of plant, library, direct research support, and information technology. Amounts have been allocated to the specific programs and support services using methods such as square footage, usage, and other financial methods determined by management and are consistently applied.

	2022			2021		
	Direct Program Expenses	Allocated Expenses	Total	Direct Program Expenses	Allocated Expenses	Total
Research	$ 72,846,970	$ 38,981,177	$ 111,828,147	$ 74,074,302	$ 36,631,196	$ 110,705,498
Educational programs	14,065,909	4,723,605	18,789,514	9,860,650	3,921,004	13,781,654
Publications	9,133,708	1,068,533	10,202,241	8,621,736	933,264	9,555,000
Banbury Center conferences	1,203,104	1,120,789	2,323,893	672,475	655,210	1,327,685
DNA Learning Center programs	4,953,383	866,438	5,819,821	4,689,142	725,703	5,414,845
SBS programs	3,251,000	23,739	3,274,739	2,944,594	22,243	2,966,837
General and administrative	23,031,047	6,944,252	29,975,299	18,834,886	6,053,888	24,888,774
	$ 128,485,121	$ 53,728,533	$ 182,213,654	$ 119,697,785	$ 48,942,508	$ 168,640,293

16. FUNCTIONAL EXPENSES

The following table represents functional expenses by natural category reported for research, educational, and publication, general and administrative and fundraising categories, including direct conduct or management of those programs. Included in general and administrative costs are all other unallocated costs associated with administration, accounting, human resources, sponsored programs, communications and dining. The salary and benefits of the chief executive officer are allocated 50% to research programs, 40% to general and administrative costs and 10% to fundraising based on estimated time and effort throughout the year. These allocations are determined by management to be of a reasonable basis and are consistently applied.

16. FUNCTIONAL EXPENSES (CONTINUED)

The following table presents the functional expenses for the year ended December 31, 2022:

	Research	Educational Programs/ Conferences	Publications	General and Administrative	Fundraising	Total
Salaries, benefits and taxes	$ 53,571,361	$ 13,845,714	$ 5,182,486	$ 17,776,009	$ 1,413,383	$ 91,788,953
Supplies and office expense	18,334,562	4,072,548	141,207	2,100,046	47,952	24,696,315
Third party costs	13,795,447	-	-	-	-	13,795,447
Service contracts and repairs	1,260,736	1,285,046	87,035	483,602	190	3,116,609
Professional services	1,333,990	900,138	166,353	1,774,396	50,175	4,225,052
Printing and publications	1,681,393	254,301	2,824,510	185,949	22,230	4,968,383
Software licensing	1,102,842	476,893	89,955	208,517	-	1,878,207
Travel	505,098	843,664	38,084	60,907	13,695	1,461,448
Conferences	233,407	3,729,743	178	19,253	-	3,982,581
Occupancy	4,826,886	1,900,993	263,132	854,191	6	7,845,208
Interest	2,894,989	238,271	100,154	658,180	-	3,891,594
Depreciation	11,416,050	2,194,655	253,867	2,591,887	-	16,456,459
Miscellaneous	871,386	466,001	1,055,280	1,676,293	38,438	4,107,398
	$ 111,828,147	$ 30,207,967	$ 10,202,241	$ 28,389,230	$ 1,586,069	$ 182,213,654

The following table presents the functional expenses for the year ended December 31, 2021:

	Research	Educational Programs/ Conferences	Publications	General and Administrative	Fundraising	Total
Salaries, benefits and taxes	$ 51,500,263	$ 12,719,359	$ 4,973,113	$ 15,618,673	$ 1,461,951	$ 86,273,359
Supplies and office expense	18,239,314	3,373,853	113,596	922,782	36,272	22,685,817
Third party costs	13,828,729	-	-	-	-	13,828,729
Service contracts and repairs	3,495,912	191,257	52,837	266,451	109	4,006,566
Professional services	1,077,431	502,101	108,836	1,370,644	51,741	3,110,753
Printing and publications	1,387,987	138,675	2,548,100	129,155	26,349	4,230,266
Software licensing	1,381,932	615,137	117,053	284,495	-	2,398,617
Travel	72,011	110,833	12,084	12,408	1,348	208,684
Conferences	72,621	1,510,670	302	9,350	100	1,593,043
Occupancy	4,360,332	1,721,167	245,348	765,218	-	7,092,065
Interest	2,966,599	247,599	107,345	683,232	-	4,004,775
Depreciation	12,069,255	1,879,111	189,732	1,927,579	-	16,065,677
Miscellaneous	253,112	481,259	1,086,654	1,295,282	25,635	3,141,942
	$ 110,705,498	$ 23,491,021	$ 9,555,000	$ 23,285,269	$ 1,603,505	$ 168,640,293

17. RETIREMENT PLAN

The Laboratory's employees are covered under a 401(a) defined-contribution retirement plan (the "Plan"). The Laboratory remits contributions to the Plan at Fidelity Investments based on a predetermined percentage of the participants' salaries. Total contributions under the Plan approximated $4,998,300 and $5,021,600 for the years ended December 31, 2022 and 2021, respectively.

18. COMMITMENTS AND CONTINGENCIES

The Laboratory has an operating lease for office space at 50 Gordon Drive, Syosset, New York. The lease does not contain any material residual value guarantees or material restrictive covenants and has a remaining lease term of two years. The right-of-use asset and lease liability were recognized at the lease commencement date based on the present value of the lease payments over the lease term. A risk adjusted rate of 2.69% was used to determine the present value of the lease payments, which are recognized on a straight-line basis over the lease term. The operating lease cost was approximately $288,700 and $317,800 for the years ended December 31, 2022 and 2021, respectively. Additionally, the lease arrangement requires the Laboratory to make variable payments outside of the regular rent payment to cover such things as property taxes, utilities and property maintenance. Included in the consolidated balance sheets at December 31, 2022 and 2021 are a right-of-use asset of approximately $272,300 and $535,800, respectively, which is reported in other assets. The related lease liability of approximately $333,000 and $535,800, respectively, is included in accounts payable and accrued expenses at December 31, 2022 and 2021. The future minimum rental payments required under the lease as of December 31, 2022 are approximately $337,100 for the remaining year through December 31, 2023.

The Laboratory is self-insured for employee medical and prescription benefits beginning January 1, 2008. Under the provisions of this plan, an insurance carrier provided claims processing and administration functions, as well as stop-loss coverage over a stipulated level of claims for the twelve month period ended December 31, 2022. The expense for the program was approximately $12,601,000 and $12,310,000 for the years ended December 31, 2022 and 2021, respectively. The Laboratory accrued approximately $1.1 million for liabilities relating to claims incurred but not reported which are included in accounts payable and accrued expenses for both the years ended December 31, 2022 and 2021.

The Laboratory is currently, and has in the past been, a party to routine litigation incidental to its business. The impact of the final resolution of these matters on the Laboratory's change in net assets or liquidity in a particular reporting period is not known. Management is of the opinion, however, that the ultimate outcome of such matters will not have a materially adverse effect upon the Laboratory's financial condition or liquidity.

19. SUBSEQUENT EVENTS

The Laboratory evaluated events subsequent to December 31, 2022 through May 5, 2023, the date on which the consolidated financial statements were issued for inclusion or disclosure in the consolidated financial statements and noted there were no subsequent events to disclose.