

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

Cold Spring Harbor Laboratory

December 31, 2023 and 2022

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GRANT THORNTON LLP

445 Broad Hollow Road, Suite 300
Melville, NY 11747

D +1 631 249 6001
F +1 631 249 6144

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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits 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 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 1, 2024

Cold Spring Harbor Laboratory
CONSOLIDATED BALANCE SHEETS

December 31,

ASSETS	2023	2022
Cash and cash equivalents		
Board designated for capital expansion	\$ 19,547,834	\$ 33,415,601
Available for working capital	17,364,567	43,752,374
Grants receivable	9,278,903	9,660,138
Contributions receivable, net	139,232,929	107,020,461
Investments in certificates of deposit		
Board designated for capital expansion	58,330,665	39,302,433
Available for working capital	32,232,315	-
Investments	766,313,926	683,077,580
Investment in employee residences	6,809,903	6,588,394
Restricted use assets	545,643	3,015,801
Other assets	9,425,337	7,145,053
Land, buildings, and equipment, net	<u>318,368,175</u>	<u>307,777,062</u>
 Total assets	 <u><u>\$ 1,377,450,197</u></u>	 <u><u>\$ 1,240,754,897</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 11,285,519	\$ 11,471,782
Deferred revenue	22,376,812	34,208,363
Fair value of interest rate swap	12,189,072	12,586,718
Bonds payable	<u>96,139,041</u>	<u>96,072,771</u>
 Total liabilities	 <u>141,990,444</u>	 <u>154,339,634</u>
 Commitments and contingencies		
Net assets		
Without donor restrictions		
Undesignated	327,644,303	286,853,843
Board-designated	463,799,743	410,037,211
With donor restrictions	<u>444,015,707</u>	<u>389,524,209</u>
 Total net assets	 <u>1,235,459,753</u>	 <u>1,086,415,263</u>
 Total liabilities and net assets	 <u><u>\$ 1,377,450,197</u></u>	 <u><u>\$ 1,240,754,897</u></u>

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

Cold Spring Harbor Laboratory

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2023
(with summarized financial information for the year ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenue and other support				
Public support - contributions and nonfederal grant awards	\$ 45,688,095	\$ 68,766,741	\$ 114,454,836	\$ 82,017,715
Federal grant awards	35,774,511	-	35,774,511	39,188,764
Indirect cost allowances	33,311,621	-	33,311,621	30,876,743
Investment return utilized	39,546,774	-	39,546,774	34,493,868
Royalty and license revenue	18,445,260	-	18,445,260	10,165,173
Program fees	7,567,933	-	7,567,933	8,583,126
Publications sales	9,442,510	-	9,442,510	9,389,318
Dining services	5,335,060	-	5,335,060	4,895,902
Housing services	5,173,763	-	5,173,763	4,240,693
Miscellaneous	1,065,921	-	1,065,921	1,016,985
Net assets released from restrictions	43,040,442	(43,040,442)	-	-
Total revenue and other support	244,391,890	25,726,299	270,118,189	224,868,287
Expenses				
Research	114,218,434	-	114,218,434	111,828,147
Educational programs	20,906,758	-	20,906,758	18,789,514
Publications	10,571,538	-	10,571,538	10,202,241
Banbury Center conferences	2,513,128	-	2,513,128	2,323,893
DNA Learning Center programs	6,319,508	-	6,319,508	5,819,821
School of Biological Sciences programs	3,468,247	-	3,468,247	3,274,739
General and administrative	31,779,496	-	31,779,496	29,975,299
Total expenses	189,777,109	-	189,777,109	182,213,654
EXCESS OF REVENUE AND OTHER SUPPORT OVER EXPENSES	54,614,781	25,726,299	80,341,080	42,654,633
Other changes in net assets				
Investment income (loss) excluding amount utilized	39,540,565	28,765,199	68,305,764	(112,327,765)
Change in fair value of interest rate swap	397,646	-	397,646	21,327,803
Increase (decrease) in net assets	94,552,992	54,491,498	149,044,490	(48,345,329)
Net assets at beginning of year	696,891,054	389,524,209	1,086,415,263	1,134,760,592
Net assets at end of year	\$ 791,444,046	\$ 444,015,707	\$1,235,459,753	\$1,086,415,263

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

Cold Spring Harbor Laboratory

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support			
Public support - contributions and nonfederal grant awards	\$ 40,629,104	\$ 41,388,611	\$ 82,017,715
Federal grant awards	39,188,764	-	39,188,764
Indirect cost allowances	30,876,743	-	30,876,743
Investment return utilized	34,493,868	-	34,493,868
Royalty and license revenue	10,165,173	-	10,165,173
Program fees	8,583,126	-	8,583,126
Publications sales	9,389,318	-	9,389,318
Dining services	4,895,902	-	4,895,902
Housing services	4,240,693	-	4,240,693
Miscellaneous	1,016,985	-	1,016,985
Net assets released from restrictions	<u>44,574,731</u>	<u>(44,574,731)</u>	<u>-</u>
 Total revenue and other support	 <u>228,054,407</u>	 <u>(3,186,120)</u>	 <u>224,868,287</u>
Expenses			
Research	111,828,147	-	111,828,147
Educational programs	18,789,514	-	18,789,514
Publications	10,202,241	-	10,202,241
Banbury Center conferences	2,323,893	-	2,323,893
DNA Learning Center programs	5,819,821	-	5,819,821
School of Biological Sciences programs	3,274,739	-	3,274,739
General and administrative	<u>29,975,299</u>	<u>-</u>	<u>29,975,299</u>
 Total expenses	 <u>182,213,654</u>	 <u>-</u>	 <u>182,213,654</u>
 EXCESS (DEFICIENCY) OF REVENUE AND OTHER SUPPORT OVER EXPENSES	 <u>45,840,753</u>	 <u>(3,186,120)</u>	 <u>42,654,633</u>
Other changes in net assets			
Investment loss excluding amount utilized	(65,572,752)	(46,755,013)	(112,327,765)
Change in fair value of interest rate swap	<u>21,327,803</u>	<u>-</u>	<u>21,327,803</u>
 Increase (decrease) in net assets	 1,595,804	 (49,941,133)	 (48,345,329)
 Net assets at beginning of year	 <u>695,295,250</u>	 <u>439,465,342</u>	 <u>1,134,760,592</u>
 Net assets at end of year	 <u>\$ 696,891,054</u>	 <u>\$ 389,524,209</u>	 <u>\$1,086,415,263</u>

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

Cold Spring Harbor Laboratory

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 149,044,490	\$ (48,345,329)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Change in fair value of interest rate swap	(397,646)	(21,327,803)
Depreciation and amortization	16,042,189	16,456,459
Amortization of deferred bond costs	66,270	66,269
Net (appreciation) depreciation in fair value of investments	(93,096,715)	77,377,459
Contributions restricted for long-term investment or capital	(850,661)	(539,385)
Changes in assets and liabilities:		
Grants receivable	381,235	1,363,832
Contributions receivable, net	(29,126,241)	(751,688)
Restricted use assets	2,470,158	375,390
Other assets	(2,280,284)	440,262
Accounts payable and accrued expenses	1,892,217	(3,052,624)
Deferred revenue	(11,831,551)	(8,609,235)
	32,313,461	13,453,607
Cash flows from investing activities:		
Capital expenditures	(28,711,782)	(34,995,691)
Proceeds from sales and maturities of investments	185,800,136	214,969,326
Purchases of investments	(175,939,767)	(190,267,845)
Purchases of investments in certificate of deposits	(51,260,547)	(39,302,433)
Net change in investment in employee residences	(221,509)	(222,073)
	(70,333,469)	(49,818,716)
Cash flows from financing activities:		
Contributions restricted for long-term investment	260,500	35,168
Contributions restricted for investment in capital	590,161	504,217
(Increase) decrease in contributions receivable	(3,086,227)	2,954,662
	(2,235,566)	3,494,047
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,255,574)	(32,871,062)
Cash and cash equivalents at beginning of year	77,167,975	110,039,037
Cash and cash equivalents at end of year	\$ 36,912,401	\$ 77,167,975
Supplemental disclosure:		
Interest paid	\$ 3,581,394	\$ 3,675,221
Purchases of capital expenditures in accounts payable	\$ 2,322,335	\$ 4,400,815
Operating cash flows from operating leases	\$ 337,095	\$ 327,294

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

Cold Spring Harbor Laboratory

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 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, related subjects; to disseminate information; and to provide instruction and training through courses, meetings, publications, and a wide range of other educational activities.

The Laboratory, through its School of Biological Sciences ("SBS"), operates a graduate education program and confers the degrees of Doctor of Philosophy, Master of Science, and Doctor of Science, Honorary. These programs have been approved by the Board of Regents of the State of New York and the SBS is accredited by the New England Commission of Higher Education. 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;

- 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.
- 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. CSH Asia was established as a taxable organization in China. 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.

Provisions for both local and unrelated business income taxes are included in accounts payable and accrued expenses in the 2023 and 2022 consolidated balance sheets. The Laboratory recorded unrelated business income tax expense of \$4,800 and \$4,500 in 2023 and 2022, respectively.

Cold Spring Harbor Laboratory

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements are prepared 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 consolidated statements 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 \$33,914,400 and \$74,789,400 at December 31, 2023 and 2022, respectively.

Certificates of deposits that have a maturity of greater than three months are included in investments in certificates of deposits and are valued based on cost plus accrued interest. As of December 31, 2023, all certificates of deposit will mature within one year and some are designated by the Trustees for the Foundations for the Future capital project, which is in progress.

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 related liability, and the allocation of expenses to functional classifications.

Cold Spring Harbor Laboratory

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

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.
- 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 hold any Level 2 assets at December 31, 2023 or 2022.
- 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 include investments 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 fair value of investments 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.

Cold Spring Harbor Laboratory

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

The Laboratory's investments include 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.

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 2023 or 2022.

Interest Rate Swap

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 using patented Laboratory technology. The Laboratory received a \$127,500,000 up-front 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.

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, 2023 and 2022, the Laboratory recognized approximately \$18 million and \$10 million a year, respectively, in royalty revenue pertaining to the Purchased Receivables.

Cold Spring Harbor Laboratory

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

A significant portion of the Laboratory's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. If a contract or grant agreement is conditioned upon the achievement of certain significant milestones, the Laboratory will only recognize revenue to the extent those milestones or barriers have been achieved or overcome. Amounts received prior to meeting the milestones are reported as deferred revenue in the consolidated balance sheets. The Laboratory received advanced payments of approximately \$1,640,000 and \$2,402,200 for the years ended December 31, 2023 and 2022, respectively, recognized on the consolidated balance sheets as a deferred revenue. 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 its mission, 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 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 either a right of return or release to the grantor, as well as a barrier to be overcome, the Laboratory recognizes revenue for these conditional contributions when the barrier 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, 2023, the Laboratory did not have any conditional contributions from reimbursable federal contracts.

The Laboratory receives payments from customers for goods or services associated with its educational programs offered through its Banbury Conference Center, DNA Learning Center, and the Meetings and Courses division. These programs generate revenues through program fees, dining services, and housing services. 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 as revenue on the consolidated statements of activities.

Cold Spring Harbor Laboratory

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

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 2023, the Laboratory negotiated a new agreement establishing an unadjusted final rate for the year ended December 31, 2022 and establishing a provisional rate for the calendar years 2023 thru 2025. As required under the agreement, an indirect cost proposal for the year ended December 31, 2023 is due on June 30, 2024. 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 2025. 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 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 are research, education and publications. Investment return excluding amounts utilized and change in fair value of the interest rate swap agreement is excluded from the measure of operations.

Reclassifications

Certain amounts from the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation. However, there was no impact on total assets, liabilities, net assets, revenues, or expenses as a result of these reclassifications.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE 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 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 2023 and 2022.

As of December 31, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure were as follows:

	<u>2023</u>	<u>2022</u>
Liquidity/financial assets, net of certain items with donor restrictions:		
Cash and cash equivalents	\$ 16,648,491	\$ 20,586,434
Grants receivable, net	9,278,903	9,660,138
Contributions receivable due within one year	13,251,291	34,181,778
Investments	766,313,926	683,077,580
Investments in certificates of deposit	<u>32,232,315</u>	<u>-</u>
	837,724,926	747,505,930
Less: liquidity/financial assets restricted as to time or purpose:		
Endowed	317,621,708	288,596,004
Restricted	18,466,690	19,683,291
Board-designated	<u>468,974,264</u>	<u>410,037,211</u>
	805,062,662	718,316,506
Thereof, available for spending within one year	<u>32,792,363</u>	<u>31,894,190</u>
Total liquidity/financial assets	<u>\$ 65,454,627</u>	<u>\$ 61,083,614</u>

Cold Spring Harbor Laboratory

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE 4 - INVESTMENTS

The fair value of investments at December 31 is as follows:

	2023	2022
Mutual funds:		
Money market	\$ 96,844,737	\$ 75,914,141
Large/mid cap growth	107,833,933	36,810,228
Diversified fixed income	25,868,837	63,118,350
Stocks - domestic	767,016	1,127,678
Alternative investments:		
Multi-strategy, fund of funds, and absolute return	123,073,316	121,491,630
Long/short equity	256,336,348	264,640,901
Global/international equity	122,819,570	88,878,121
Emerging markets	16,494,722	22,730,253
Private investments	12,275,447	8,366,278
Investment redemption receivable	4,000,000	-
	\$ 766,313,926	\$ 683,077,580

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

Stocks 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 as of both December 31, 2023 and 2022, net of a valuation allowance of approximately \$1,744,000 on the shares that do not have a readily determinable fair value.

The Laboratory submitted a redemption request relative to an investment fund, which remained outstanding as of December 31, 2023. This redemption receivable continues to be reflected as part of investments on the accompanying consolidated balance sheets and was collected in full subsequent to year-end.

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 some risk including 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 financial statements.

Alternative investments are diversified across five basic investment strategies as follows (amounts included are as of December 31, 2023):

Multi-strategy, fund of funds, and absolute return (\$123,073,316) - 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Long/short equity (\$256,336,348) - 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 (\$122,819,570) - 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, 2023, the Laboratory did not have any outstanding commitments.

Emerging markets (\$16,494,722) - 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 (\$12,275,447) - consists of investments in private funds, including buyouts and growth capital, international private equity, and other stressed and distressed opportunities. At December 31, 2023, the Laboratory had outstanding commitments to private investment managers totaling \$6,589,000.

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, 2023, the following table summarizes the composition of the alternative investments at fair value of such investments by the various redemption provisions and lockup periods:

<u>Redemption Period</u>	<u>Amount</u>
Weekly to one month	\$ 255,864,626
Two to three months	74,711,177
Semi-annual	51,883,316
Annual	79,713,842
Lockups expiring 2024-2025	56,538,102
No redemptions	12,288,340
	<u>\$ 530,999,403</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE 5 - FAIR VALUE OF FINANCIAL ASSETS

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

Financial Assets	2023			
	Fair Value	Level 1	Level 2	Level 3
Investment in trust assets ⁽¹⁾	\$ 19,328,907	\$ -	\$ -	\$ 19,328,907
Investments:				
Mutual funds:				
Money market	96,844,737	96,844,737	-	-
Large/mid cap growth	107,833,933	107,833,933	-	-
Diversified fixed income	25,868,837	25,868,837	-	-
Stocks – domestic	767,016	273,230	-	493,786
Investments at net assets value ("NAV"):				
Alternative investments				
Multi-strategy, fund of funds, and absolute return	123,073,316	-	-	-
Long/short equity	256,336,348	-	-	-
Global/international equity	122,819,570	-	-	-
Emerging markets	16,494,722	-	-	-
Private investments	12,275,447	-	-	-
Investment redemption receivable	4,000,000	-	-	-
Total investments	766,313,926	230,820,737	-	493,786
Investment in employee residences	6,809,903	-	-	6,809,903
Limited liability partnership ⁽²⁾	246,000	-	-	246,000
Total assets at fair value	<u>\$ 792,698,736</u>	<u>\$ 230,820,737</u>	<u>\$ -</u>	<u>\$ 26,878,596</u>

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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Financial Assets	2022			
	Fair Value	Level 1	Level 2	Level 3
Investment in trust assets ⁽¹⁾	\$ 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
Investments at net assets 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	-	-	-
Total investments	683,077,580	176,476,611	-	493,786
Investment in employee residences	6,588,394	-	-	6,588,394
Limited liability partnership ⁽²⁾	246,000	-	-	246,000
Total assets at fair value	<u>\$ 706,119,112</u>	<u>\$ 176,476,611</u>	<u>\$ -</u>	<u>\$ 23,535,318</u>

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

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

NOTE 6 - CONTRIBUTIONS RECEIVABLE, NET

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

	2023	2022
Contributions receivable	\$ 136,974,856	\$ 101,137,831
In-kind receivable	19,598,222	20,359,318
	156,573,078	121,497,149
Less: discount to present value at rates ranging from 0.20% to 4.72%	(15,686,899)	(13,277,688)
Reserve for uncollectible pledges	(1,653,250)	(1,199,000)
Contributions receivable, net	<u>\$ 139,232,929</u>	<u>\$ 107,020,461</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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Contributions receivable are expected to be collected as follows:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 41,000,665	\$ 34,181,778
One to five years	65,736,035	40,826,219
More than five years	<u>49,836,378</u>	<u>46,489,152</u>
	<u>\$ 156,573,078</u>	<u>\$ 121,497,149</u>

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, 2023 included forty-three individual pledges, seven of which represent approximately 70% of the amount due, with a total of \$43.5 million due from a single donor, and \$80 million due from Trustees. 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.

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 of the gift at the expiration 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, 2023 and 2022 were \$3,121,769 and (\$2,006,137), 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 \$10,688,000 and \$8,043,000 at December 31, 2023 and 2022, 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 the lease as an in-kind pledge receivable. For the years ended December 31, 2023 and 2022, the net fair market value of the in-kind lease pledge is valued at \$11,866,797 and \$12,135,046, respectively.

For the years ended December 31, 2023 and 2022, the Laboratory recognized a contributed nonfinancial asset of approximately \$493,000 and \$503,000, respectively, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE 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, 2023 and 2022, the fair value of the assets in the trust was \$94,566 and \$2,607,829, respectively.

NOTE 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.

NOTE 9 - LAND, BUILDINGS, AND EQUIPMENT

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

	2023	2022
Land and land improvements	\$ 32,160,028	\$ 31,727,785
Buildings	367,727,899	364,853,861
Furniture, fixtures and equipment	20,200,672	33,721,404
Laboratory equipment	51,820,445	78,675,831
Library books and periodicals	365,630	365,630
Construction in progress	45,973,043	28,190,806
	<u>518,247,717</u>	<u>537,535,317</u>
Less: accumulated depreciation and amortization	<u>(199,879,542)</u>	<u>(229,758,255)</u>
Land, buildings and equipment, net	<u>\$ 318,368,175</u>	<u>\$ 307,777,062</u>

During the year ended December 31, 2023 the Laboratory wrote off approximately \$46,000,000 of fully depreciated fixed assets. As a result, the respective asset and associated accumulated depreciation balances were appropriately reduced.

Construction in progress at December 31, 2023 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 \$42.9 million and \$26.1 million included in construction in progress for this project at December 31, 2023 and 2022 respectively.

At December 31, 2023, amounts committed for construction contracts was approximately \$93,700,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE 10 - BONDS PAYABLE

Bonds payable at December 31 consist of the following:

	<u>2023</u>	<u>2022</u>
Nassau County Industrial Development Agency ("NCIDA")		
Bonds, Series 1999. (a)	\$ 42,200,000	\$ 42,200,000
NCIDA Bonds, Series 2006. (b)	<u>55,000,000</u>	<u>55,000,000</u>
	97,200,000	97,200,000
Less: bond issuance costs	<u>(1,060,959)</u>	<u>(1,127,229)</u>
	<u>\$ 96,139,041</u>	<u>\$ 96,072,771</u>

(a) On April 1, 1999, the Laboratory issued \$42.2 million of bonds 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 and the remaining \$27 million of the proceeds were used to refund prior bond issues. 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 (3.90% and 4.39% as of December 31, 2023 and 2022, 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.

(b) On June 27, 2006, the Laboratory issued \$55 million of bonds through the NCIDA for the purpose of paying a portion of the cost of construction, installation, and equipping of seven new research buildings and creating 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. 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 (4.32% and 3.37% as of December 31, 2023 and 2022, respectively).

The agreements contain 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, 2023 and 2022.

The Laboratory has an interest rate swap agreement with a notional principal amount of \$97.2 million associated with the Series 1999 and Series 2006 bond issues. The swap agreement had an effective date of October 1, 2006 and a termination date of January 1, 2042. 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.

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The fair value of the interest rate swap was a liability of \$12,189,072 and \$12,586,718 at December 31, 2023 and 2022, 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.

Financing costs incurred in connection with the bond issues were reported as a direct deduction of the face amount of the related bond and are amortized over the life of the bonds. Unamortized financing costs were \$1,060,959 and \$1,127,229 at December 31, 2023 and 2022, respectively.

Interest expense (and the associated effective rate) on bonds outstanding during 2023 and 2022 was approximately \$3,590,300 (3.69%) and \$3,703,600 (3.81%), respectively.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Net assets with specific purpose or time restrictions:		
Capital projects	\$ 163,981	\$ 249,522
Research programs	15,212,619	17,613,996
Educational programs	13,458,323	13,608,422
Time-restricted	<u>97,559,076</u>	<u>69,456,265</u>
Total with specific purpose or time restrictions	126,393,999	100,928,205
Endowments subject to the Laboratory's spending policy:		
Donor contributions to be maintained in perpetuity:		
Primary program services	75,608,619	75,672,526
School of Biological Sciences programs	42,340,600	42,340,600
Operation and improvement of Banbury Center facilities	<u>1,511,804</u>	<u>1,511,804</u>
Total donor contributions to be maintained in perpetuity	119,461,023	119,524,930
Accumulated income on endowment funds pending appropriation:		
Primary program services	160,408,209	138,263,955
School of Biological Sciences programs	20,406,871	15,023,700
Operation and improvement of Banbury Center facilities	<u>17,345,605</u>	<u>15,783,419</u>
Total income on endowment funds	198,160,685	169,071,074
Total endowment subject to appropriation under the Laboratory's spending policy	<u>317,621,708</u>	<u>288,596,004</u>
Total net assets with donor restrictions	<u>\$ 444,015,707</u>	<u>\$ 389,524,209</u>

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

	2023	2022
Purpose restrictions met	\$ 14,008,187	\$ 19,122,097
Time restriction expires	29,032,255	25,452,634
	\$ 43,040,442	\$ 44,574,731

NOTE 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:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Net investment income	\$ 8,886,796	\$ 800,819	\$ 9,687,615
Net appreciation of investments	70,200,543	27,964,380	98,164,923
Total net investment gain	79,087,339	28,765,199	107,852,538
Investment return utilized in operations	(39,546,774)	-	(39,546,774)
Excess investment return over endowment spending formula	\$ 39,540,565	\$ 28,765,199	\$ 68,305,764
	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 in operations	(21,747,403)	(12,746,465)	(34,493,868)
Deficit investment return under endowment spending formula	\$ (65,572,752)	\$ (46,755,013)	\$ (112,327,765)

NOTE 13 - ENDOWMENT FUNDS

The Laboratory's endowment (including Robertson) consists of approximately 180 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds without donor restrictions designated by the Trustees to function as endowments. The Laboratory's management and investment of donor-restricted endowment funds are governed by the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Laboratory has interpreted the law as not requiring the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

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 to compound future earnings potential.

In accordance with the above spending, \$31,894,194 and \$30,929,768 were made available to support operations of the Laboratory in 2023 and 2022, respectively. The total planned appropriation for expenditure for 2024 is approximately \$32,800,000.

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 \$1,128,162 and \$1,999,637 at December 31, 2023 and 2022, 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 \$1,128,162 and \$1,675,229 at December 31, 2023 and 2022, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

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

	2023				Total Endowment Funds
	Without Donor Restrictions	With Donor Restrictions			
		Original Gift	Accumulated Gains (Losses)	Total	
Donor-restricted:					
Underwater	\$ -	\$ 7,249,387	\$ (1,128,162)	\$ 6,121,225	\$ 6,121,225
Other	-	112,211,636	199,288,847	311,500,483	311,500,483
Board-designated	463,799,743	-	-	-	463,799,743
Total endowment funds	<u>\$463,799,743</u>	<u>\$ 119,461,023</u>	<u>\$ 198,160,685</u>	<u>\$ 317,621,708</u>	<u>\$ 781,421,451</u>

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 410,037,211	\$ 288,596,004	\$ 698,633,215
Net investment income	2,237,263	800,825	3,038,088
Net appreciation (realized and unrealized)	69,197,497	27,964,379	97,161,876
Total investment return	71,434,760	28,765,204	100,199,964
Contributions	-	260,500	260,500
Appropriation of endowment assets for expenditure	(31,894,194)	-	(31,894,194)
Transfers and contributions to board-designated endowment	14,221,966	-	14,221,966
Endowment net assets at end of year	<u>\$ 463,799,743</u>	<u>\$ 317,621,708</u>	<u>\$ 781,421,451</u>

Included in amounts above is approximately \$19.7 million in pledges receivable.

	2022				Total Endowment Funds
	Without Donor Restrictions	With Donor Restrictions			
		Original Gift	Accumulated Gains (Losses)	Total	
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	<u>\$ 410,037,211</u>	<u>\$ 119,524,930</u>	<u>\$ 169,071,074</u>	<u>\$ 288,596,004</u>	<u>\$ 698,633,215</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

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)
Transfers and contributions to board-designated endowment	23,667,566	-	23,667,566
Endowment net assets at end of year	<u>\$ 410,037,211</u>	<u>\$ 288,596,004</u>	<u>\$ 698,633,215</u>

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

NOTE 14 - EXPENSE CLASSIFICATIONS

Expenses are reported in the accompanying consolidated statements of activities by their program classifications. The Laboratory's primary program services are research, education, 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.

	2023			2022		
	Direct Program Expenses	Allocated Expenses	Total	Direct Program Expenses	Allocated Expenses	Total
Research	\$ 72,088,806	\$ 42,129,628	\$ 114,218,434	\$ 72,846,970	\$ 38,981,177	\$ 111,828,147
Educational programs	16,353,178	4,553,580	20,906,758	14,065,909	4,723,605	18,789,514
Publications	9,533,128	1,038,410	10,571,538	9,133,708	1,068,533	10,202,241
Banbury Center conferences	1,180,260	1,332,868	2,513,128	1,203,104	1,120,789	2,323,893
DNA Learning Center programs	4,950,857	1,368,651	6,319,508	4,953,383	866,438	5,819,821
SBS programs	3,464,387	3,860	3,468,247	3,251,000	23,739	3,274,739
General and administrative	26,564,007	5,215,489	31,779,496	23,031,047	6,944,252	29,975,299
	<u>\$ 134,134,623</u>	<u>\$ 55,642,486</u>	<u>\$ 189,777,109</u>	<u>\$ 128,485,121</u>	<u>\$ 53,728,533</u>	<u>\$ 182,213,654</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

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.

The following table presents the functional expenses for the year ended December 31, 2023:

	Research	Educational Programs/ Conferences	Publications	General and Administrative	Fundraising	Total
Salaries, benefits and taxes	\$ 59,854,763	\$ 15,002,709	\$ 5,334,023	\$ 18,280,852	\$ 1,819,296	\$ 100,291,643
Supplies and office expense	19,568,743	3,972,967	161,873	2,026,039	41,051	25,770,673
Third party costs	6,140,824	-	-	-	-	6,140,824
Service contracts and repairs	3,522,349	1,064,491	72,907	489,363	-	5,149,110
Professional services	1,532,955	1,917,650	422,886	3,231,647	48,228	7,153,366
Printing and publications	1,444,964	172,463	2,945,935	200,103	19,391	4,782,856
Software licensing	1,242,444	494,015	116,030	273,611	63	2,126,163
Travel	586,253	1,066,948	96,745	62,912	5,005	1,817,863
Conferences	350,533	3,684,243	337	19,097	185	4,054,395
Occupancy	4,840,224	2,543,032	270,503	844,638	-	8,498,397
Interest	2,846,135	230,099	92,765	636,475	-	3,805,474
Depreciation	11,505,801	2,382,587	191,355	1,962,446	-	16,042,189
Miscellaneous	782,446	676,437	866,179	1,771,249	47,845	4,144,156
	<u>\$ 114,218,434</u>	<u>\$ 33,207,641</u>	<u>\$ 10,571,538</u>	<u>\$ 29,798,432</u>	<u>\$ 1,981,064</u>	<u>\$ 189,777,109</u>
Percentage of total expense	<u>60.2%</u>	<u>17.5%</u>	<u>5.6%</u>	<u>15.7%</u>	<u>1.0%</u>	<u>100%</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

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
	<u>\$ 111,828,147</u>	<u>\$ 30,207,967</u>	<u>\$ 10,202,241</u>	<u>\$ 28,389,230</u>	<u>\$ 1,586,069</u>	<u>\$ 182,213,654</u>
Percentage of total expense	<u>61.4%</u>	<u>16.6%</u>	<u>5.6%</u>	<u>15.6%</u>	<u>0.8%</u>	<u>100%</u>

NOTE 15 - RETIREMENT PLAN

The Laboratory's employees are covered under 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 \$5,111,500 and \$4,998,300 for the years ended December 31, 2023 and 2022, respectively.

NOTE 16 - 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 \$299,200 and \$288,700 for the years ended December 31, 2023 and 2022, respectively. Included in the consolidated balance sheets at December 31, 2023 and 2022 are a right-of-use asset of approximately \$318,600 and \$272,300, respectively, which is reported in other assets. The related lease liability of approximately \$341,400 and \$333,000, respectively, is included in accounts payable and accrued expenses at December 31, 2023 and 2022. The future minimum rental payments required under the lease as of December 31, 2023 are approximately \$347,200 for the remaining year through December 31, 2024.

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 12-month period ended December 31, 2023. The expense for the program was approximately \$14,855,000 and \$12,601,000 for

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December 31, 2023 and 2022

the years ended December 31, 2023 and 2022, respectively. The Laboratory accrued approximately \$1,300,000 and \$1,100,000 for liabilities relating to claims incurred but not reported which are included in accounts payable and accrued expenses for the years ended December 31, 2023 and 2022, respectively.

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.

NOTE 17 - SUBSEQUENT EVENTS

The Laboratory evaluated events subsequent to December 31, 2023 through May 1, 2024, 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.