



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

**J. Craig Venter Institute**

December 31, 2023 and 2022

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## **Report of Independent Auditors**

The Board of Trustees  
J. Craig Venter Institute

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of J. Craig Venter Institute, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of J. Craig Venter Institute as of December 31, 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 in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of J. Craig Venter Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2024, on our consideration of J. Craig Venter Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of J. Craig Venter Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering J. Craig Venter Institute's internal control over financial reporting and compliance.

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

San Diego, California  
August 21, 2024,

## **Financial Statements**

**J. Craig Venter Institute**  
**Statements of Financial Position**  
**December 31, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,971,911	\$ 5,102,233
Accounts receivable	11,598	7,507
Grants and contracts receivable, net of allowance	4,604,584	3,548,196
Prepaid expenses and other current assets	576,720	311,397
Investments	24,635,409	27,482,193
Total current assets	32,800,222	36,451,526
<b>NON-CURRENT ASSETS</b>		
Investments	553,787	689,927
Property and equipment, net	1,606,408	1,858,655
Promise to give, net	9,064,999	12,027,296
Right of use asset	2,230,712	2,554,463
Other assets and deposits	2,725,900	2,725,900
Total non-current assets	16,181,806	19,856,241
<b>TOTAL ASSETS</b>	<b>\$ 48,982,028</b>	<b>\$ 56,307,767</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 2,674,079	\$ 2,689,803
Lease liability, short-term	539,488	439,851
Deferred revenue	4,052,856	2,973,249
Total current liabilities	7,266,423	6,102,903
<b>LONG-TERM LIABILITIES</b>		
Lease liability, long-term	2,760,224	3,299,712
Total long-term liabilities	2,760,224	3,299,712
Total liabilities	10,026,647	9,402,615
<b>COMMITMENTS AND CONTINGENCIES (Note 7)</b>		
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	28,174,464	32,905,446
Designated for property and equipment	1,606,408	1,858,655
Total without restrictions	29,780,872	34,764,101
With donor restrictions		
	9,174,509	12,141,051
Total net assets	38,955,381	46,905,152
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 48,982,028</b>	<b>\$ 56,307,767</b>

See accompanying notes.

**J. Craig Venter Institute**  
**Statements of Activities**  
**Years Ended December 31, 2023 and 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Grants and contracts	\$ 15,066,318	\$ -	\$ 15,066,318	\$ 16,172,598	\$ -	\$ 16,172,598
Contributions	18,315	20,191	38,506	13,260	314,550	327,810
In-kind contributions	-	-	-	-	14,850,000	14,850,000
Other (loss)	(41,648)	-	(41,648)	(127,068)	-	(127,068)
Net assets released from restrictions	2,986,733	(2,986,733)	-	3,632,357	(3,632,357)	-
Total revenues, gains, and other support	<u>18,029,718</u>	<u>(2,966,542)</u>	<u>15,063,176</u>	<u>19,691,147</u>	<u>11,532,193</u>	<u>31,223,340</u>
<b>EXPENSES</b>						
Program expenses	14,238,889	-	14,238,889	14,648,293	-	14,648,293
Supporting services	10,043,692	-	10,043,692	10,917,080	-	10,917,080
Fundraising expenses	428,398	-	428,398	623,034	-	623,034
Total expenses	<u>24,710,979</u>	<u>-</u>	<u>24,710,979</u>	<u>26,188,407</u>	<u>-</u>	<u>26,188,407</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS BEFORE NON-OPERATING ACTIVITY</b>	<u>(6,681,261)</u>	<u>(2,966,542)</u>	<u>(9,647,803)</u>	<u>(6,497,260)</u>	<u>11,532,193</u>	<u>5,034,933</u>
Non-operating activity						
Investment income, net	522,403	-	522,403	1,062,703	-	1,062,703
Unrealized (losses)/gains on investments	1,175,629	-	1,175,629	(3,974,864)	-	(3,974,864)
Loss on disposal of building	-	-	-	(16,427,062)	-	(16,427,062)
Total non-operating activity	<u>1,698,032</u>	<u>-</u>	<u>1,698,032</u>	<u>(19,339,223)</u>	<u>-</u>	<u>(19,339,223)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(4,983,229)</u>	<u>(2,966,542)</u>	<u>(7,949,771)</u>	<u>(25,836,483)</u>	<u>11,532,193</u>	<u>(14,304,290)</u>
<b>NET ASSETS</b>						
Beginning of year	<u>34,764,101</u>	<u>12,141,051</u>	<u>46,905,152</u>	<u>60,600,584</u>	<u>608,858</u>	<u>61,209,442</u>
End of year	<u>\$ 29,780,872</u>	<u>\$ 9,174,509</u>	<u>\$ 38,955,381</u>	<u>\$ 34,764,101</u>	<u>\$ 12,141,051</u>	<u>\$ 46,905,152</u>

See accompanying notes.

**J. Craig Venter Institute**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (7,949,771)	\$ (14,304,290)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	378,072	558,116
Noncash rental expense	323,749	380,022
Unrealized losses/(gains) on investments	(1,742,746)	3,974,864
Realized losses/(gains) on sale of investments	567,117	(432,423)
Loss on disposal of building/assets	41,647	16,427,062
Changes in assets and liabilities		
Accounts and grants and contracts receivable	(1,060,479)	1,544,964
Promiste to give	2,962,297	(11,887,321)
Prepaid expenses and other assets	(265,323)	290,249
Accounts payable and accrued liabilities	(15,722)	(806,786)
Deferred revenue	1,079,607	194,250
Lease liabilities	(439,851)	(482,844)
	<u>(6,121,403)</u>	<u>(4,544,137)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(523,170)	(631,858)
Proceeds from sale of building/assets	-	25,000,000
Proceeds from sale of investments	4,681,723	9,796,702
Purchases of furniture, equipment, and building improvements	(167,472)	(466,466)
	<u>3,991,081</u>	<u>33,698,378</u>
<b>FINANCING ACTIVITIES</b>		
Payments of long term debt	-	(25,000,000)
	<u>-</u>	<u>(25,000,000)</u>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(2,130,322)</u>	<u>4,154,241</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	5,102,233	947,992
End of year	<u>\$ 2,971,911</u>	<u>\$ 5,102,233</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ -</u>	<u>\$ 45,000</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES</b>		
Right of use asset, net of deferred rent	<u>\$ -</u>	<u>\$ 2,871,394</u>
Right of use liability	<u>\$ -</u>	<u>\$ 4,159,316</u>

See accompanying notes.

# J. Craig Venter Institute

## Notes to Financial Statements

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### **Note 1 – Nature of Organization and Significant Accounting Policies**

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

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

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

**Financial statement presentation** – The Institute's net assets are reported into separate classes based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions consist of net assets not subject to donor-imposed restrictions. Net assets with donor restrictions consist of contributions subject to donor-imposed restrictions that can be fulfilled by the performance of a future event or the passage of time or that have irrevocable donor restrictions requiring the assets be maintained in perpetuity. As of December 31, 2023 and 2022, there were no net assets required to be held in perpetuity. Non-operating activities includes investment income/losses, including realized and unrealized gains and losses and other gains and losses.

The costs of providing program and supporting services have been summarized on a functional expense basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. See Note 11.

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

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

**Accounts and grants and contracts receivable** – Accounts receivable primarily include employee, dividend, and other receivables. Grants and contracts receivable include federal and non-federal receivables. The Institute recorded an allowance of approximately \$235,000 and \$100,000 against its accounts receivable as of December 31, 2023 and 2022, based on its determination of the likelihood of collection for each receivable balance considering the age of the receivable and other factors impacting collection. Balances are written off against the allowance when deemed uncollectible.

## J. Craig Venter Institute Notes to Financial Statements

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**Promises to give** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The fair value was determined using a discount rate of 1.37%. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. No allowance has been recorded as of December 31, 2023 and 2022.

The Institute receives use of space from UCSD without charge for its La Jolla research facility. The free use of this space was recorded as a contribution at fair value. Fair value is based on estimated rate per square foot. The value of the contribution was included in in-kind contributions and promises to give. Each year the related amount is released from restriction and reflected as facility expense.

Promises to give at December 31, 2023 and 2022 reflect the value of the free use of the La Jolla research facility, see Note 13. As this amount is related to a long term asset, the full amount is considered a non-current asset in the statement of financial position.

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

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

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

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

## J. Craig Venter Institute Notes to Financial Statements

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

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

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

### **Conditional contributions:**

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

Total revenue from these grants and contracts recognized in the accompanying statements of activities in grants and contracts revenue is approximately \$11,678,000 and \$11,682,000 for the years ended December 31, 2023 and 2022, respectively.

Total receivables from these grants and contracts included in grants and contracts receivable in the accompanying statements of financial position as of December 31, 2023 and 2022, is approximately \$4,279,000 and \$2,748,000, respectively.

Amounts received prior to meeting the conditions of these grants and contracts by incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. The Institute received advances on grants of \$1,143,000 and \$2,973,000, which are reflected as deferred revenue as of December 31, 2023 and 2022, respectively, because qualifying expenditures had not yet been incurred.

As of December 31, 2023, certain executed grants and contracts include additional awarded amounts of approximately \$32,700,000, which are conditioned on qualifying expenditure of those amounts in years subsequent to 2023. No advance funding of these amounts had been received as of December 31, 2023.

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

## J. Craig Venter Institute Notes to Financial Statements

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### **Contracts with customers:**

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

Total revenue from contracts recognized in the accompanying statements of activities in grants and contracts revenue is approximately \$3,388,000 and \$4,490,000, for the years ended December 31, 2023 and 2022, respectively.

Total receivables from these contracts included in grants and contracts receivable in the accompanying statements of financial position as of December 31, 2023 and 2022, is approximately \$552,000 and \$1,030,000, respectively. Receivables are due upon invoicing by the Institute.

Amounts received prior to meeting performance obligations under these contracts are reported as deferred revenue in the statements of financial position. The Institute received advances on contracts of approximately \$2,962,000 and \$0, which are reflected as deferred revenue as of December 31, 2023 and 2022, respectively, because the performance obligations have not been met.

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

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

**Recently adopted accounting pronouncement** – Effective January 1, 2023, the Institute adopted Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*. This ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date. There was no material impact to the financial statements related to the adoption of the standard.

**J. Craig Venter Institute**  
**Notes to Financial Statements**

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**Note 2 – Investments and Investment in Affiliates**

Investments consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Cash equivalents	\$ 1,274,704	\$ 395,507
Fixed income securities		
U.S. government agencies	8,056,218	9,391,756
Corporate bonds	6,803,841	9,220,890
International bonds	763,116	977,535
Equities		
Domestic	6,586,560	6,449,735
International	1,022,199	952,228
Emerging markets	128,771	94,542
Private equity funds	553,787	689,927
Total current and non-current investments	\$ 25,189,196	\$ 28,172,120

Investment in affiliates as of December 31, 2023 and 2022, represents an investment in Human Longevity, Inc. (HLI) and Viridos (formerly Synthetic Genomics, Inc.).

As of December 31, 2023 and 2022, JCVI owns 2,637,478 shares (less than 2%) of HLI. Upon the adoption of ASU 2016-01, the Institute's investment in HLI is recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. This accounting is based on the lack of a readily determinable fair value. As of December 31, 2023 and 2022, the Institute's total investment in HLI is recorded at \$0.

JCVI has received donations of shares of common stock of Synthetic Genomics, Inc (SGI) from Dr. Venter and other board members over the years. SGI changed its name during 2021 and is now called Viridos. The Institute's investment in Viridos was recorded under the equity method due to management overlap in the Institute and Viridos. The Institute's total investment in Viridos represented 11,094,817 shares (15.17%) as of December 31, 2022. The investment in Viridos was recorded at \$0 as of December 31, 2022. During the year ended December 31, 2023, JCVI tendered all of its shares of common stock to Viridos in exchange for royalty interests and milestone payments on a contract between Viridos and a vendor.

## J. Craig Venter Institute Notes to Financial Statements

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### Note 3 – Fair Value Measurements

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

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

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

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

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

## J. Craig Venter Institute Notes to Financial Statements

The following table presents the Institute's assets measured at fair value on a recurring basis, as of December 31, 2023 and 2022:

	2023			
	Level 1	Level 2	NAV	Total
Cash equivalents	\$ 1,274,704	\$ -	\$ -	\$ 1,274,704
Fixed income securities				
U.S. government agencies	-	8,056,218	-	8,056,218
Corporate bonds	-	6,803,841	-	6,803,841
International bonds	-	763,116	-	763,116
Equities				
Domestic	6,586,560	-	-	6,586,560
International	1,022,199	-	-	1,022,199
Emerging markets	128,771	-	-	128,771
Private equity funds	-	-	553,787	553,787
Total investments	<u>\$ 9,012,234</u>	<u>\$ 15,623,175</u>	<u>\$ 553,787</u>	<u>\$ 25,189,196</u>
	2022			
	Level 1	Level 2	NAV	Total
Cash equivalents	\$ 395,507	\$ -	\$ -	\$ 395,507
Fixed income securities				
U.S. government agencies	-	9,391,756	-	9,391,756
Corporate bonds	-	9,220,890	-	9,220,890
International bonds	-	977,535	-	977,535
Equities				
Domestic	6,449,735	-	-	6,449,735
International	952,228	-	-	952,228
Emerging markets	94,542	-	-	94,542
Private equity funds	-	-	689,927	689,927
Total investments	<u>\$ 7,892,012</u>	<u>\$ 19,590,181</u>	<u>\$ 689,927</u>	<u>\$ 28,172,120</u>

The following table presents information about the Institute's investments in private equity funds as of December 31, 2023 and 2022:

	Fair Value 2023	Fair Value 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	<u>\$ 553,787</u>	<u>\$ 689,927</u>	<u>\$ 350,500</u>	Not redeemable	Not redeemable

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

## J. Craig Venter Institute Notes to Financial Statements

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### Note 4 – Property and Equipment

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 1,395,244	\$ 1,395,244
Furniture and equipment	<u>13,578,709</u>	<u>13,469,535</u>
	14,973,953	14,864,779
Accumulated depreciation and amortization	<u>(13,367,545)</u>	<u>(13,006,124)</u>
	<u>\$ 1,606,408</u>	<u>\$ 1,858,655</u>

### Note 5 – Other Assets

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

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

### Note 6 – Retirement Plans

The J. Craig Venter Institute, Inc. 401(k) plan (the Plan) is a defined contribution plan sponsored by the Institute for the benefit of all eligible employees of the Institute. The Plan is a safe harbor plan, providing matching contributions equal to 100% of the elective deferrals up to 3% of the employee's eligible compensation and an additional 50% on deferrals for the next 2% of the plan compensation. Employees are immediately vested in 100% of all employer contributions. The Institute's matching contributions for the years ended December 31, 2023 and 2022, were approximately \$340,000 and \$355,000, respectively.

### Note 7 – Contingencies

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

## **J. Craig Venter Institute**

### **Notes to Financial Statements**

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#### **Note 8 – Related Parties**

For the year ended December 31, 2023 and 2022, the Institute received contributions of approximately \$2,500 and \$200,000, respectively, from Board of Trustee members.

#### **Note 9 – Concentrations of Credit Risk**

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

Investments are exposed to various risks such as interest rates, market, and credit risk. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near term could materially affect the amounts reported in the financial statements. Consequently, the fair value of the Institute's investments is exposed to market volatility, which could result in a reduction in the future fair value of certain investments from the amounts reported as of December 31, 2023 and 2022.

The Institute receives funds under various research grants from federal and non-federal agencies. Funding from the National Institutes of Health and the University of Chicago represents approximately 33% of total grant and contract revenue for the year ended December 31, 2023, and funding from the National Institutes of Health and the Department of Energy, and the University of Chicago represents approximately 49% of total grant and contract revenue for the year ended December 31, 2022.

Receivables from the National Institutes of Health, the Department of Energy, Centers for Disease Control and the University of Chicago represents approximately 55% of grant and contract receivables as of December 31, 2023, and receivables from the National Institutes of Health, the Department of Energy, and the University of Chicago represents approximately 41% of grant and contract receivables as of December 31, 2022.

## J. Craig Venter Institute

### Notes to Financial Statements

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#### Note 10 – Liquidity

The following table reflects the Institute's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year. Amounts not available include investments restricted as collateral for the commercial bank loan, a restricted cash reserve for bond payments, investments in private equity funds, and cash and investments not available for general use based on donor-imposed restrictions.

	2023	2022
Cash and cash equivalents	\$ 2,971,911	\$ 5,102,233
Accounts receivable	11,598	7,507
Pledge receivable	9,064,999	12,027,296
Grants and contracts receivable, net of allowance	4,604,584	3,548,196
Investments	25,187,896	28,172,120
Total financial assets	41,840,988	48,857,352
Pledge receivable - In-land rent	(9,064,999)	(12,027,296)
Private equity funds – nonredeemable	(553,787)	(689,927)
Net assets with donor restrictions	(264,509)	(261,051)
Financial assets available to meet cash needs for general expenditures within one year	\$ 31,957,693	\$ 35,879,078

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

#### Note 11 – Classification of Expenses

The following reflects the classification of the Institute's expenses by both the underlying nature of the expense and function for the years ended December 31, 2023 and 2022. An individual expense is allocated to the underlying activity to which it was incurred. Certain expenses are allocated on a reasonable basis, which has been consistently applied. Allocated expenses are facility costs and fringe benefits. Facility costs include, but are not limited to, rent, utilities, equipment costs, depreciation, facility bond interest, maintenance, supplies, security, labor, and fringe for facility staff. Facility costs and fringe benefits are allocated based on headcount by personnel employment function.

**J. Craig Venter Institute**  
**Notes to Financial Statements**

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

	2023			
	Program	Supporting Services	Fundraising	Total
Salaries and benefits	\$ 6,711,624	\$ 6,462,115	\$ 389,274	\$ 13,563,013
Office and occupancy	3,270,269	1,658,961	19,375	4,948,605
Subcontractors	2,483,399	-	-	2,483,399
Supplies and services	1,285,808	784,175	1,710	2,071,693
Legal and consultants	71,797	410,678	-	482,475
Depreciation and amortization	280,963	133,588	992	415,543
Business insurance		392,982	-	392,982
Travel and meetings	96,071	67,309	15,925	179,305
Other	38,958	133,884	1,122	173,964
	<b>\$ 14,238,889</b>	<b>\$ 10,043,692</b>	<b>\$ 428,398</b>	<b>\$ 24,710,979</b>
	2022			
	Program	Supporting Services	Fundraising	Total
Salaries and benefits	\$ 7,224,400	\$ 6,615,574	\$ 536,792	\$ 14,376,766
Subcontractors	2,934,839	-	-	2,934,839
Supplies and services	829,729	977,684	18,637	1,826,050
Depreciation and amortization	457,953	98,315	1,848	558,116
Office and occupancy	2,917,595	2,035,009	55,617	5,008,221
Interest	29,972	15,000	556	45,528
Business insurance	22,176	397,697	230	420,103
Legal and consultants	39,708	681,482	-	721,190
Other	69,699	80,164	492	150,355
Travel and meetings	122,222	16,155	8,862	147,239
	<b>\$ 14,648,293</b>	<b>\$ 10,917,080</b>	<b>\$ 623,034</b>	<b>\$ 26,188,407</b>

**Note 12 – Property Sale**

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

**J. Craig Venter Institute**  
**Notes to Financial Statements**

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**Note 13 – Promise to Give**

Unconditional promise to give is comprised significantly of the free use of the La Jolla research facility which will be collected as follows at December 31:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 2,970,000	\$ 2,970,000
In one to five years	5,984,999	8,970,296
Over five years	<u>155,000</u>	<u>147,000</u>
	9,019,999	12,087,296
Less discount to net present value at rate of 1.37%	<u>45,000</u>	<u>60,000</u>
Total	<u>\$ 9,064,999</u>	<u>\$ 12,027,296</u>

**Note 14 – Net Assets with Donor Restrictions**

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Research	\$ 8,763	\$ 9,405
Diversity, equity and inclusion	100,746	104,350
Promises to give, the proceeds from which have been restricted by donors	155,000	147,296
Subject to the passage of time		
Use of building and improvements - La Jolla research facility	<u>8,910,000</u>	<u>11,880,000</u>
Total	<u>\$ 9,174,509</u>	<u>\$ 12,141,051</u>

**Note 15 – Leases**

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

In the event of termination, the Institute shall compensate the landlord for three months' rent, unamortized transaction costs, and imputed interest on the transaction costs at a rate of seven percent per annum. Monthly base rent payments under this lease range from \$36,180 to \$50,101 per month.

## J. Craig Venter Institute Notes to Financial Statements

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Supplemental information related to operating leases for the purpose of the measurement of lease liability at or for the year ended December 31, 2023, are as follows:

The future minimum annual rental payments for these leases as of December 31, 2023, are as follows:

Years Ending December 31,		
2024	\$	509,765
2025		523,784
2026		538,188
2027		552,988
2028		568,195
Thereafter		<u>782,885</u>
Total undiscounted lease payments		3,475,805
Less present value discount		<u>176,093</u>
Total lease liability	\$	<u><u>3,299,712</u></u>
Remaining lease term		6.3 years
Discount rate		1.59%

Total rent expense for years ended December 31, is as follows:

	<u>2023</u>	<u>2022</u>
Rockville, Maryland	\$ 380,022	\$ 380,022
La Jolla, California	<u>2,970,000</u>	<u>2,970,000</u>
Total	<u><u>\$ 3,350,022</u></u>	<u><u>\$ 3,350,022</u></u>

### Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Institute recognizes in the financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Institute's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued. The Institute has evaluated subsequent events for recognition and disclosure through August 21, 2024, which is the date of the financial statements were available to be issued.

## **Supplementary Information**

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**J. Craig Venter Institute**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2023**

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	Federal ALN Number	Pass-through Entity Identifying Number	Amounts Passed-through to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
U.S. Department of Energy				
Direct programs				
Office of Science Financial Assistance Program	81.049	N/A	\$ 353,063	\$ 353,063
Renewable Energy Research & Development	81.087	N/A	-	-
Subtotal direct programs			<u>353,063</u>	<u>353,063</u>
Pass-through Global Algae Innovations				
Renewable Energy Research & Development	81.087	171039	-	(536)
Subtotal pass-through programs			-	(536)
Total U.S. Department of Energy			<u>353,063</u>	<u>352,527</u>
U.S. Department of Defense				
Pass-through The Charles Stark Draper Laboratory, Inc				
Basic and Applied Scientific Research	12.RD	SC001-0000001392		1,287
Pass-through San Diego State University Research Foundation				
Basic and Applied Scientific Research	12.300	SA0000735	-	52,752
Subtotal pass-through programs			-	54,039
Total U.S. Department of Defense			-	54,039
U.S. Department of Health and Human Services				
Direct programs				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A	40,152	336,176
Oral Diseases and Disorders Research	93.121	N/A	-	210,593
Environmental Health	93.113	N/A	256,018	618,970
Oral Diseases and Disorders Research	93.121	N/A	-	56,994
Allergy and Infectious Diseases Research	93.855	N/A	-	468,840
Allergy and Infectious Diseases Research	93.855	N/A	2,916	99,463
Allergy and Infectious Diseases Research	93.855	N/A	-	141,529
Allergy and Infectious Diseases Research	93.855	N/A	-	176,493
Drug Abuse and Addiction Research Programs	93.855	N/A	-	231,309
Allergy and Infectious Diseases Research	93.855	N/A	-	4,998
Drug Abuse and Addiction Research Programs	93.279	N/A	-	(37,027)
Allergy and Infectious Diseases Research	93.855	N/A	200,549	479,023
Allergy and Infectious Diseases Research	93.855	N/A	-	27,063
Translational - NIH Research Support	93.310	N/A	-	29,980
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084	N/A	700,157	1,278,978
Subtotal direct programs			<u>1,199,792</u>	<u>4,123,382</u>

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

**J. Craig Venter Institute**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2023**

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	ALN Number	Pass-through Entity Identifying Number	Amounts Passed-through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Pass-through La Jolla Institute				
Allergy and Infectious Diseases Research	93.855	20040-31-381	-	(334)
Pass-through Northeastern University				
Allergy and Infectious Diseases Research	93.855	500481-78050	-	60,590
Pass-through University of Cape Town				
Allergy and Infectious Diseases Research	93.855	28592	-	119,003
Pass-through University of Pittsburgh				
Allergy and Infectious Diseases Research	93.855	AWD00003686 (135730-1)	-	156,568
Center for Disease Control and Prevention	93.CONTR	AWD00006301-1	-	129,291
Pass-through Johns Hopkins University				
Allergy and Infectious Diseases Research	93.855	2004447962	-	6,834
Allergy and Infectious Diseases Research	93.855	2004209905	-	267,327
Pass-through University of Chicago				
Allergy and Infectious Diseases Research	93.855	AWD100477-SUB00000139	42,910	1,494,863
Allergy and Infectious Diseases Research	93.855	AWD100477-SUB00000139	-	578,037
Pass-through Allen Institute				
Mental Health Research Grants	93.242	2020-0522	-	102,867
Pass-through University of Michigan				
Allergy and Infectious Diseases Research	93.855	SUBK00009135	-	20,140
Pass-through Indiana University				
Allergy and Infectious Diseases Research	93.855	8576	-	13,635
Pass-through University of California, San Diego				
Research Related to Deafness and Communication Disorders	93.173	KR 704130	-	(96)
Alcohol Research Programs	93.273	89096410-003	-	(95)
Alcohol Research Programs	93.273	112419174(S9002198)	-	20,805
Alcohol Research Programs	93.273	705527	-	20,055
Pass-through Boston University				
Drug Abuse and Addiction Research Programs	93.279	4500004299	-	(229)
Pass-through Washington University in St. Louis				
Allergy and Infectious Diseases Research	93.855	WU-23-0174	-	53,635
Allergy and Infectious Diseases Research	93.855	WU-23-0175	-	51,133
Pass-through University of Texas				
Refugee and Entrant Assistance Wilson/Fish Program	93.583	GMO 210609	-	39,559
Pass-through University of Pennsylvania				
Trans-NIH Research Support	93.310	583330	-	320,121
Pass-through Redeemer's University				
Trans-NIH Research Support	93.310	ACEGID	-	291,227
Pass-through Digital Infuzion				
Digital Infuzion	93.RD	CEIRR-iDPCC-0842021-03-JC\	-	630,159
Pass-through Forsyth Institute				
Oral Diseases and Disorders Research	93.121	01693ADMINS-2720B	-	103,113
Oral Diseases and Disorders Research	93.121	JCVI016937ADMINS-2720A	-	328,304
Subtotal pass-through programs			<u>42,910</u>	<u>4,806,512</u>
Total U.S. Department of Health and Human Services			<u>1,242,702</u>	<u>8,929,894</u>

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

**J. Craig Venter Institute**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2023**

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	ALN Number	Pass-through Entity Identifying Number	Amounts Passed-through to Subrecipients	Total Federal Expenditures
National Science Foundation				
Direct programs				
Geosciences	47.050	N/A	-	176,917
Biological Sciences	47.074	N/A	30,395	39,233
Biological Sciences	47.074	N/A		96,432
Biological Sciences	47.074	N/A	215,087	918,835
Biological Sciences	47.074	N/A		280,343
Subtotal direct programs			<u>245,482</u>	<u>1,511,760</u>
Pass-through University of California, San Diego				
Geosciences	47.050	706015		52,958
Pass-through University of Illinois				
Biological Sciences	47.074	110344-19716	-	201,609
Subtotal pass-through programs			<u>-</u>	<u>254,567</u>
Total National Science Foundation			<u>245,482</u>	<u>1,766,327</u>
National Aeronautics and Space Administration				
Direct programs				
Science	43.001	N/A	-	70,309
Space Operations	43.007	N/A	-	35,508
Exploration	43.003	N/A	-	33,687
Subtotal direct programs			<u>-</u>	<u>139,504</u>
Total research and development cluster and expenditures of federal awards			<u>\$ 1,841,247</u>	<u>\$ 11,242,291</u>

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

**J. Craig Venter Institute**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2023**

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant award activity of J. Craig Venter Institute (the Institute) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institute.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in normal course of business to amounts reported as expenditures in prior years.

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

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
J. Craig Venter Institute

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of J. Craig Venter Institute, which comprise the statements of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 21, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered J. Craig Venter Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of J. Craig Venter Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of J. Craig Venter Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

San Diego, California  
August 21, 2024

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

The Board of Trustees  
J. Craig Venter Institute

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited J. Craig Venter Institute's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on J. Craig Venter Institute's major federal program for the year ended December 31, 2023. J. Craig Venter Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, J. Craig Venter Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2023.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of J. Craig Venter Institute and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of J. Craig Venter Institute's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to J. Craig Venter Institute's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on J. Craig Venter Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about J. Craig Venter Institute's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding J. Craig Venter Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of J. Craig Venter Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of J. Craig Venter Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of J. Craig Venter Institute as of and for the year ended December 31, 2023, and have issued our report thereon dated August 21, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



San Diego, California  
September 24, 2024

**J. Craig Venter Institute  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2023**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes  No

**Federal Award**

Internal control over the major federal program:

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

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

Yes  No

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

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

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

\$750,000

Auditee qualified as low-risk auditee?

Yes  No

**Section II – Financial Statement Findings**

None reported.

**J. Craig Venter Institute**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2023**

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**Section III – Federal Award Findings and Questioned Costs**

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None reported.

