



THE JACKSON LABORATORY
Consolidated Financial Statements
December 31, 2021 and 2020
(With Independent Auditors' Report Thereon)



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
The Jackson Laboratory:

Opinion

We have audited the consolidated financial statements of The Jackson Laboratory and its subsidiaries (the Laboratory), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, 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 that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 consolidated 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.

KPMG LLP

Boston, Massachusetts
June 6, 2022

THE JACKSON LABORATORY

Consolidated Balance Sheets

December 31, 2021 and 2020

(Dollars in thousands)

Assets	2021	2020
Cash and equivalents	\$ 22,240	7,402
Short-term investments, at fair value	275,667	168,348
Accounts receivable, net	59,558	65,465
Contributions receivable, net	2,918	2,326
Goodwill and other intangible assets	44,428	—
Other assets	39,646	27,786
Long-term salary deferral plan investments	10,052	8,805
Long-term investments, at fair value	445,636	386,957
Long-lived assets, net	602,564	544,892
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Total assets	\$ 1,502,709	1,211,981
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Liabilities		
Accounts payable and accrued expenses	\$ 87,601	70,362
Deposits and deferred revenue	15,871	7,478
Bonds and note payable, net	345,076	199,718
Accrued salary deferral plan obligations	10,052	8,805
Accrued postretirement obligations	6,726	7,054
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Total liabilities	465,326	293,417
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Net assets without donor restrictions:		
The Jackson Laboratory	905,271	839,089
Noncontrolling interest	28,973	—
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Total net assets without donor restrictions	934,244	839,089
Net assets with donor restrictions	103,139	79,475
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Total net assets	1,037,383	918,564
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Total liabilities and net assets	\$ 1,502,709	1,211,981
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See accompanying notes to consolidated financial statements.

THE JACKSON LABORATORY

Consolidated Statement of Activities and Changes in Net Assets

Year ended December 31, 2021

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating activities:			
Revenue and other support:			
Grants and research contracts	\$ 109,479	—	109,479
Contributions	881	3,573	4,454
Genetic resources and clinical and research services	419,043	—	419,043
Long-term investment return utilized	6,768	2,380	9,148
Other investment return	647	—	647
Other revenue	2,500	—	2,500
	<hr/>	<hr/>	<hr/>
Total revenue	539,318	5,953	545,271
Net assets released from restrictions	4,493	(4,493)	—
	<hr/>	<hr/>	<hr/>
Total revenue and other support	543,811	1,460	545,271
Expenses:			
Research	155,701	—	155,701
Genetic resources and clinical and research services	271,945	—	271,945
Training	8,508	—	8,508
Institutional support	79,650	—	79,650
	<hr/>	<hr/>	<hr/>
Total expenses	515,804	—	515,804
Increase in net assets from operating activities	28,007	1,460	29,467
Nonoperating activities:			
Grants and contributions for capital and long-term investments	2,726	4,099	6,825
Long-term investment gain above amounts utilized	34,036	18,105	52,141
Loss on extinguishment of debt	(67)	—	(67)
Other, net	(80)	—	(80)
	<hr/>	<hr/>	<hr/>
Increase in net assets from nonoperating activities	36,615	22,204	58,819
Increase in net assets	64,622	23,664	88,286
Other changes in net assets:			
Cumulative translation adjustments	(291)	—	(291)
Contributed capital from noncontrolling interest partner	30,824	—	30,824
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Total other changes in net assets	30,533	—	30,533
Total increase in net assets	95,155	23,664	118,819
Net assets, beginning of year	839,089	79,475	918,564
Net assets, end of year, attributable to The Jackson Laboratory	\$ <u>934,244</u>	<u>103,139</u>	<u>1,037,383</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities and Changes in Net Assets

Year ended December 31, 2020

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating activities:			
Revenue and other support:			
Grants and research contracts	\$ 106,968	—	106,968
Contributions	1,683	2,284	3,967
Genetic resources and clinical and research services	361,741	—	361,741
Long-term investment return utilized	4,909	2,188	7,097
Other investment return	3,863	—	3,863
Other revenue	957	—	957
Total revenue	<u>480,121</u>	<u>4,472</u>	<u>484,593</u>
Net assets released from restrictions	<u>5,987</u>	<u>(5,987)</u>	<u>—</u>
Total revenue and other support	<u>486,108</u>	<u>(1,515)</u>	<u>484,593</u>
Expenses:			
Research	152,379	—	152,379
Genetic resources and clinical and research services	234,161	—	234,161
Training	7,623	—	7,623
Institutional support	67,879	—	67,879
Total expenses	<u>462,042</u>	<u>—</u>	<u>462,042</u>
Increase (decrease) in net assets from operating activities	<u>24,066</u>	<u>(1,515)</u>	<u>22,551</u>
Nonoperating activities:			
Grants and contributions for capital and long-term investments	11,075	903	11,978
Long-term investment gain above amounts utilized	39,683	8,221	47,904
Other, net	827	—	827
Increase in net assets from nonoperating activities	<u>51,585</u>	<u>9,124</u>	<u>60,709</u>
Increase in net assets	75,651	7,609	83,260
Net assets, beginning of year	<u>763,438</u>	<u>71,866</u>	<u>835,304</u>
Net assets, end of year	<u>\$ 839,089</u>	<u>79,475</u>	<u>918,564</u>

See accompanying notes to consolidated financial statements.

THE JACKSON LABORATORY
Consolidated Statements of Cash Flows
Years ended December 31, 2021 and 2020
(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 118,819	83,260
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Noncontrolling interest	(28,973)	—
Foreign currency translation adjustment	(291)	—
Loss on extinguishment of debt	67	—
Depreciation and amortization	51,384	47,442
Realized and unrealized net investment gains	(47,026)	(50,612)
Gain on disposal of long-lived assets	213	82
Contributions restricted for long-term investment and assets	(5,934)	(18,608)
Changes in operating assets and liabilities	26,631	(9,361)
Net cash provided by operating activities	<u>114,890</u>	<u>52,203</u>
Cash flows from investing activities:		
Acquisition and construction of long-lived assets	(68,817)	(57,968)
Acquisition of Charles River Laboratory Japan, Inc., net of cash acquired	(67,300)	—
Capital contribution from joint venture partner	4,000	—
Proceeds from sales of investments	240,745	303,924
Purchases of investments	(355,717)	(337,548)
Net cash used in investing activities	<u>(247,089)</u>	<u>(91,592)</u>
Cash flows from financing activities:		
Repayment of bonds	(56,350)	(6,605)
Bond proceeds, net	201,597	—
Repayment of note payable	(144)	(138)
Contributions restricted for long-term investment and assets	5,934	18,608
Net cash provided by financing activities	<u>151,037</u>	<u>11,865</u>
Net increase (decrease) in cash and equivalents	18,838	(27,524)
Cash and cash equivalents beginning of year	<u>35,157</u>	<u>62,681</u>
Cash and cash equivalents end of year	<u>\$ 53,995</u>	<u>35,157</u>
Cash paid for interest	\$ 8,049	8,405

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(1) Background

The Jackson Laboratory (the Laboratory) is a not-for-profit independent research organization focusing on research to advance human health. The purposes of the Laboratory are scientific, medical, charitable, and educational. The Laboratory strives to discover precise genomic solutions for disease and empower the global biomedical community in its shared quest to improve human health. This mission is carried out through: (1) conducting basic biomedical research; (2) training and educating scientists worldwide; and (3) developing and providing scientific services, genetic resources, and genetic and clinical information related to genetic resources to the global scientific community.

All amounts presented in the notes to the consolidated financial statements are in thousands.

In August 2021 the Laboratory's wholly-owned US subsidiary, Jackson Laboratory Holdings, LLC (JAX LLC) established a wholly-owned Japanese Subsidiary, The Jackson Laboratory Japan Holdings, Inc. (JAX Japan Holdings), incorporated under Japan law. On October 12, 2021 JAX Japan Holdings purchased the outstanding stock of Charles River Laboratory Japan, Inc. and renamed the entity as The Jackson Laboratory Japan, Inc. (JAX Japan). JAX Japan develops and provides scientific services, genetic resources and clinical information related to genetic resources primarily to the Japanese scientific community.

The total consideration transferred by the Laboratory was \$86,450, including cash of \$75,097 and the assumption of liabilities of \$11,353.

Cash consideration	\$	75,097
Liabilities assumed		<u>11,353</u>
Total consideration		86,450
Working capital received		<u>19,150</u>
Net consideration	\$	<u><u>67,300</u></u>

The Laboratory accounted for the business combination by applying the acquisition method of accounting in accordance with Accounting Standards Codification Topic 958-805, *Not-For-Profit Entities- Business Combinations*.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the acquisition date. Determining the fair value of the assets acquired and the liabilities assumed

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requires judgment and involves the use of significant accounting estimates and assumptions, including assumptions with respect to future cash flows and discount rates, among others.

		Total at October 12, 2021
Assets acquired:		
Cash and cash equivalents	\$	7,935
Accounts receivable		11,215
Prepaid and other current assets		1,294
Long-lived assets		17,599
Intangible assets		14,430
Other assets		3,979
Goodwill		<u>29,998</u>
Total assets acquired		<u>86,450</u>
Liabilities assumed:		
Accounts payable and accrued expenses		11,188
Other liabilities		<u>165</u>
Total liabilities assumed		<u>11,353</u>
Total assets acquired, liabilities assumed, and change in net assets	\$	<u><u>75,097</u></u>

The Laboratory recorded a preliminary fair value of goodwill in the amount of \$29,998. In determining the preliminary value of goodwill, management is in the process of determining the final step-up fair value of certain long-lived and intangible assets with the assistance of an independent subject-matter specialist, and expects to complete this valuation and determine the final fair value of goodwill, within twelve months of the acquisition date. Factors contributing to goodwill that resulted from the acquisition include, but are not limited to, the increase in business opportunities from the Laboratory's presence in the Japanese market.

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The following table summarizes amounts attributed to JAX Japan since the acquisition date that are included in the accompanying consolidated financial statements for the period ended December 31, 2021:

		Period from October 12, 2021 to December 31, 2021
Total operating revenue	\$	4,984
Total operating expense		<u>4,326</u>
Income from operations		658
Nonoperating net income		<u>29</u>
Net income	\$	<u><u>687</u></u>
Change in net assets:		
Net assets without donor restrictions	\$	687
Net assets with donor restrictions		<u>—</u>
Total change in net assets	\$	<u><u>687</u></u>

In November 2020 JAX LLC established a wholly-owned Hong Kong subsidiary, Jackson Laboratory Hong Kong Holdings Limited (JAX HK), for the purpose of an operating venture in the People’s Republic of China, The Jackson Laboratory Anitech Biotechnology (Beijing) Limited (JAX Beijing), incorporated under Chinese law. JAX HK holds a controlling interest in JAX Beijing. JAX Beijing develops and provides scientific services, genetic resources and clinical information related to genetic resources primarily to the Chinese scientific community.

During 2021, in accordance with the JAX Beijing joint-venture agreement, the non-controlling interest partner contributed capital of \$4,000 to JAX Beijing. Additionally, during 2021, in accordance with the JAX Beijing joint venture agreement, the non-controlling interest partner provided JAX Beijing with an exclusive right to utilize certain buildings and related land for JAX Beijing’s operations. The value of the land and buildings, subject to the exclusive-use right, totaled \$26,824, which has been recognized as an in-kind capital contribution and is included as a component of long-lived assets in the Laboratory’s consolidated balance sheet as of December 31, 2021. The value of the land and buildings is based on the historical cost to acquire these assets by the non-controlling interest partner.

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The reconciliation of a noncontrolling interest reported in net assets without donor restrictions is as follows:

	<u>The Laboratory</u>	<u>JAX Beijing</u>	<u>Total</u>
Net assets without donor restrictions at December 31, 2020	\$ 839,089	—	839,089
Operating income (loss)	29,894	(1,887)	28,007
Nonoperating income	36,615	—	36,615
Excess (deficit) of revenues over expenses	66,509	(1,887)	64,622
Cumulative translation adjustments	(327)	36	(291)
Contributed capital from non-controlling interest partner	—	30,824	30,824
Change in net assets	66,182	28,973	95,155
Net assets without donor restrictions at December 31, 2021	\$ <u>905,271</u>	<u>28,973</u>	<u>934,244</u>

The Laboratory's financial results include the operations of its wholly-owned US subsidiary, JAX LLC, JAX LLC's wholly-owned subsidiaries, The Jackson Laboratory Medical Science and Technology (Shanghai) Co., Ltd. (JAX Shanghai), JAX HK, and JAX Japan Holdings, and their respective subsidiaries, JAX Beijing and JAX Japan. All intercompany transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Laboratory presents its consolidated financial statements on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP).

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Management estimates, requiring the application of significant judgments, include the valuation of goodwill and intellectual property, obligations under a postretirement plan, liabilities under self-insured plans, allowances for uncollectible receivables and certain alternative investments.

(b) Classification of Net Assets

The Laboratory follows the reporting requirements of GAAP which require that net assets be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classifying net assets into two classes: without donor restrictions and with donor

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restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. This net asset category principally consists of revenues and related expenses associated with the core activities of the Laboratory: conduct of sponsored research, genetic resources and clinical and research services, and training. Additionally, changes in this category include investment returns on funds without donor restrictions, including those designated by the Board of Trustees (the Board) to function as an endowment, restricted gifts whose donor-imposed restrictions were met during the fiscal year, and previously restricted gifts and grants for buildings and equipment that have been placed in service.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Laboratory or the passage of time. This net asset category consists of gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and grants for buildings and equipment not placed in service; endowment, pledges, and investment return on endowments funds; and endowments where the principal may be expended over a stated period of time (term endowments). Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations and other purposes.

Revenue is reported as an increase in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or it is a pledge and included in net assets with donor restrictions until collected. Expenditures of net assets with donor restrictions are reported in the program where expended with the release of the restriction shown as a decrease in net assets with donor restrictions and an offsetting increase in net assets without donor restrictions.

(c) Revenue

- *Revenue from Provision of Genetic Resources and Clinical and Research Services*

The Laboratory recognizes revenue from providing genetic resources and clinical and research services when the resources are shipped or the services are provided; these revenues are included in Genetic Resources and Clinical and Research Services revenue. These transactions are considered to be exchange transactions. Accounts receivable from such activities are reported net of allowance for uncollectible accounts.

- *Revenue from Grants and Research Contracts*

Grants and contracts awarded by federal and other sponsors, which generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred or other conditions under the agreements are met. The Laboratory has elected the simultaneous release policy which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Payments received in advance of

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expenditures are recorded as deferred revenue until expended. The Laboratory received approximately 80% and 73%, respectively, of its revenue from grants and contracts from the National Institutes of Health (NIH) for the years ended December 31, 2021 and 2020. Connecticut Innovations, Inc. (CI) (note 8(b)) research and operating grants provided 8% and 11% of the grant revenue in 2021 and 2020, respectively. Indirect costs are billed and recovered in accordance with the terms of the grant agreements and represented \$37,680 and \$36,056, respectively, of revenue from grants for the years ended December 31, 2021 and 2020. Most NIH grants reimburse for indirect costs at an agreed percentage of direct costs incurred. CI reimburses eligible costs up to an annual maximum amount. The Laboratory applies the CI grant funds first to direct costs and then to indirect costs.

- *Revenue from Contributions*

Contributions, including unconditional promises to give, are generally considered non-exchange transactions, and are recognized at fair value and increase net assets in the period received. Written promises to give that are scheduled to be received after the balance sheet date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Contributions are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized as revenue until the performance barrier and the right of return or release have been overcome. Contributions to be received after one year are discounted at rates commensurate with the estimated risk of receipt of the pledge. Amortization of the discount is recorded as additional contribution revenue in the appropriate net asset category.

Contributions of cash or other assets that must be used to acquire long-lived assets or the contribution of long-lived assets are reported in nonoperating support as a component of net assets with donor restrictions until the assets are placed in service.

(d) Functional Classification of Expenses

Program services consist of research, genetic resources and clinical and research services, and training. Expenses are presented on the consolidated statements of activities on a functional or programmatic basis, consisting of direct costs and indirect facility-related costs. Facility-related expenses, including costs for the operation and maintenance of long-lived assets, financing costs and depreciation, are allocated on the basis of square footage utilized by each of the programs. Facility-related costs related to information technology are allocated primarily on the basis of the estimated level of effort.

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Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Functional expenses incurred by type for the years ended December 31, 2021 and 2020 are presented below:

December 31, 2021					
	Research	Genetic resources and clinical and research services	Training	Institutional support	Total
Salaries and wages	\$ 67,475	98,395	3,136	34,852	203,858
Benefits	21,745	31,710	1,011	11,232	65,698
Employee recruitment, training, memberships and subscriptions	1,431	827	190	2,026	4,474
Purchased services and stipends	13,601	15,971	1,822	17,274	48,668
Supplies and shipping	18,147	63,170	322	1,384	83,023
Maintenance, utilities and insurance	10,692	20,369	511	5,122	36,694
Travel and meals	405	985	265	1,069	2,724
Interest expense	323	7,484	27	34	7,868
Depreciation	21,747	24,965	1,123	3,361	51,196
Other expenses	135	8,069	101	3,296	11,601
Total	\$ 155,701	271,945	8,508	79,650	515,804

December 31, 2020					
	Research	Genetic resources and clinical and research services	Training	Institutional support	Total
Salaries and wages	\$ 68,489	81,274	3,201	31,166	184,130
Benefits	22,092	26,216	1,032	10,053	59,393
Employee recruitment, training, memberships and subscriptions	1,525	637	249	2,258	4,669
Purchased services and stipends	11,634	11,734	1,272	12,542	37,182
Supplies and shipping	16,429	64,672	198	2,106	83,405
Maintenance, utilities and insurance	10,931	15,279	531	4,961	31,702
Travel and meals	218	657	61	285	1,221
Interest expense	346	5,848	29	110	6,333
Depreciation	20,576	22,919	998	3,218	47,711
Other expenses	139	4,925	52	1,180	6,296
Total	\$ 152,379	234,161	7,623	67,879	462,042

All direct and indirect costs of fundraising are expensed as incurred and are included in institutional support in the consolidated statements of activities. Direct fundraising expenses were \$4,511 and \$4,173 for the years ended December 31, 2021 and 2020, respectively.

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(e) Operating and Nonoperating Activities

The consolidated statements of activities report changes in net assets from operating and nonoperating activities.

Operating activities consist of the Laboratory's ongoing research and training programs, including the provision of genetic resources and clinical and research services. Included in operating revenue is investment return appropriated to support operations under the endowment income spending formula approved by the Board, as described in note 5(c). Also included in operating revenue are research grant reimbursements of \$184 and \$1,321 for the years ended December 31, 2021 and 2020, for the purchase of equipment that became the property of the Laboratory upon acquisition. Depreciation charged to operating activities from research grant-funded equipment was \$921 and \$675 for the years ended December 31, 2021 and 2020, respectively.

Nonoperating revenue includes items not related to the Laboratory's recurring activities or revenue that may not be used for operations. Contributions for the acquisition of long-lived assets, net assets released from restrictions for the acquisition of long-lived assets, unrestricted bequests, investment return in excess of the amount appropriated under the Laboratory's spending formula, and grants to acquire land, buildings, and equipment are all reported as nonoperating activities. Postretirement plan charges above periodic benefit costs are also all presented as nonoperating activities.

(f) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when purchased, excluding amounts whose use is limited by internal designation.

The following table provides a reconciliation of cash and cash equivalents within the consolidated balance sheet that sums to the total of such amounts as shown on the consolidated statement of cash flows as of December 31:

	<u>2021</u>	<u>2020</u>
Cash included in short-term investments on the consolidated balance sheets	\$ 31,755	27,755
Cash and cash equivalents as reported in the consolidated balance sheets	<u>22,240</u>	<u>7,402</u>
Total cash and cash equivalents as shown in the consolidated statement of cash flows	<u>\$ 53,995</u>	<u>35,157</u>

(g) Self-Insurance Reserves

The Laboratory is self-insured for healthcare benefits offered to active employees who meet eligibility requirements. These costs are accounted for on an accrual basis, which requires estimates to be made for claims incurred but not yet reported as of the consolidated balance sheet date.

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(h) Long-Lived Assets, Intellectual Property and Goodwill

Long-lived assets and intellectual property are reported at cost at date of acquisition or at fair value at date of donation in the case of gifts. For long-lived assets and intangible assets placed in service, depreciation and amortization, respectively, is provided using the straight-line method over the estimated useful lives of the assets. For long-lived assets the cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

For long-lived assets depreciation is provided on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15–50
Land improvements	5–15
Equipment and software	3–15

For intellectual property amortization is provided on a straight-line basis over an estimated useful life of fifteen years.

Goodwill is recorded at fair value. Goodwill is not amortized but is assessed on a recurring basis for impairment.

Management reviews long-lived assets, intellectual property and goodwill for impairment whenever events or circumstances indicate that the carrying value of these assets may not be recoverable. Management determined that no long-lived assets nor intangible assets and goodwill were impaired as of December 31, 2021 and 2020.

The Laboratory receives awards from various granting agencies that allow for the purchase of certain assets, scientific equipment and construction of buildings. These assets are depreciated in accordance with the aforementioned policy. The assets become the property of the Laboratory upon acquisition, unless the grant or funding agreement specifically states otherwise. Grant-funded assets are typically restricted as to use and disposal.

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(i) Foreign currency translation

The Laboratory's accounting records in Japan and China are maintained in Japanese Yen and Chinese Yuan, respectively. The Foreign currency equivalents used to translate into U.S. Dollars as of and for the respective periods ended December 31, 2021 are as follows:

	<u>Japanese Yen to one U.S. Dollar</u>	<u>Chinese Yuan to one U.S. Dollar</u>	<u>Hong Kong Dollar to one U.S. Dollar</u>
Revenues and expenses at the average rate since acquisition date through December 31, 2021	0.00878	—	—
Revenues and expenses at the average rate for the fiscal year ended December 31, 2021	—	0.1570	0.1287
Assets, liabilities, and net assets at the current rate as of December 31, 2021	0.00869	0.1573	0.1283

An analysis of the unrestricted cumulative adjustments from foreign currency translation for the year ended December 31, 2021 is as follows:

Balance as of December 31, 2020	\$	—
Translation adjustment for fiscal 2021		<u>(291)</u>
Balance as of December 31, 2021	\$	<u><u>(291)</u></u>

The effects of foreign currency translation as of and for the year ended December 31, 2020 were not material to warrant separate disclosure in the consolidated financial statements. The effects of foreign currency for 2020 were primarily related to genetic resources and clinical and research services expense.

(j) Income Taxes

The Laboratory is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code), as amended, and is generally exempt from income taxes pursuant to the Code. JAX Shanghai and JAX Beijing are taxable entities organized under the regulations of the People's Republic of China. JAX HK is a taxable entity organized under the regulations of Hong Kong. JAX Japan Holdings and JAX Japan are taxable entities organized under the regulations of Japan.

In accordance with GAAP, the Laboratory assesses whether there are uncertain tax positions and determined that there were no uncertain tax positions that would have a material effect on the consolidated financial statements.

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(k) Fair Value Measurements

The Laboratory determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- **Level 1 inputs:** Unadjusted quoted and published prices for identical assets or liabilities in active markets accessible to the entity at the measurement date.
- **Level 2 inputs:** Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- **Level 3 inputs:** Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Laboratory utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Levels are determined based on the aforementioned hierarchy, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, as described in note 3.

It is the Laboratory's policy to review and reflect transfers between levels as of the consolidated financial statement reporting date. Transfers between different levels of the fair value hierarchy are recorded as of the end of the reporting period.

The categorization of an investment within the fair value hierarchy is based on the inputs described above and does not necessarily correspond to the Laboratory's management's perceived risk of that investment. Moreover, the methods used by management may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Laboratory believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments and nonfinancial assets and liabilities could result in a different fair value measurement at the reporting date.

(l) Reclassification

Certain prior-year items have been reclassified to conform with the current year presentation.

(3) Investments

(a) Overall Investment Objective

The overall investment objective of the Laboratory is to invest its long-term assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its annual operating activities, and increase investment value after inflation. The investment objective for short-term investments is preservation of value and liquidity, relying primarily on highly rated short-term interest-bearing investments. The Laboratory diversifies its long-term investments among various asset classes

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incorporating multiple strategies and managers. The Investment Committee oversees the Laboratory's endowment in accordance with the investment policy statement.

(b) Basis of Reporting

Investments, including endowment and operating investments without donor restrictions are reported at estimated fair value. If an investment is held directly by the Laboratory and an active market with quoted prices exists, the market price of an identical security is used as the reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Laboratory's interests in commingled investment funds (multiple strategies) are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Laboratory's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV.

(c) Classification in the Fair Value Hierarchy

The Laboratory owns interests in alternative investment funds that are generally reported at the NAV reported by the fund managers, unless the fund has a readily determinable fair value that is used as a practical expedient to estimate the fair value of the Laboratory's interest therein, or it is probable that all or a portion of the investment will be sold for an amount different from the NAV. Such valuations are determined by fund managers who generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and also may reflect discounts for the liquid nature of certain investments held. As of December 31, 2021 and 2020 the Laboratory had no plans or intentions to sell investments at amounts different from NAV.

The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.

There were no transfers between Level 1 and Level 2 for the fiscal years ended December 31, 2021 and 2020.

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The following tables summarize the Laboratory's investments by major category in the fair value hierarchy as of December 31, 2021 and 2020, as well as related strategy, liquidity and funding commitments:

	December 31, 2021			Total
	Level 1	Level 2	NAV or equivalent	
Short-term investments:				
Cash and cash equivalents	\$ 62,095	—	—	62,095
U.S. and global fixed income funds	—	213,572	—	213,572
Total short-term investments	62,095	213,572	—	275,667
Long-term investments (endowment):				
Money market accounts and certificates of deposit	2,223	—	—	2,223
U.S. and global fixed income funds	51,649	—	—	51,649
Equities:				
U.S. mid and large cap value funds	154,077	—	—	154,077
Global large cap	90,296	—	33,650	123,946
Total equities	244,373	—	33,650	278,023
Multiple hedged strategies ¹	20,272	—	26,531	46,803
Private equity and real assets ¹	—	—	66,938	66,938
Total long-term investments	318,517	—	127,119	445,636
Total	\$ 380,612	213,572	127,119	721,303

¹ The redemption or liquidation is monthly to locked up. The lock-up periods have various terms with extensions of one to three years. As of December 31, 2021, the average remaining life of these partnerships is approximately six years.

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	December 31, 2020			
	Level 1	Level 2	NAV or equivalent	Total
Short-term investments:				
Cash and cash equivalents	\$ 57,069	—	—	57,069
U.S. and global fixed income funds	—	111,279	—	111,279
Total short-term investments	57,069	111,279	—	168,348
Long-term investments (endowment):				
Money market accounts and certificates of deposit	6,497	—	—	6,497
U.S. and global fixed income funds	32,874	—	900	33,774
Equities:				
U.S. mid and large cap value funds	149,625	—	—	149,625
Global large cap	135,725	—	17,172	152,897
Total equities	285,350	—	17,172	302,522
Multiple hedged strategies ¹	—	—	11,806	11,806
Private equity and real assets ¹	—	—	32,358	32,358
Total long-term investments	324,721	—	62,236	386,957
Total	\$ 381,790	111,279	62,236	555,305

¹ The redemption or liquidation is monthly to locked up. The lock-up periods have various terms with extensions of one to two years. As of December 31, 2020, the average remaining life of these partnerships is approximately seven years.

(d) Commitments

Private equity investments are generally made through private limited partnerships. Under the terms of the partnership agreements, the Laboratory makes a commitment of a specific amount of capital to a partnership and is obligated to remit committed funding periodically when capital calls are exercised by the General Partner as the partnership executes on its investment strategy. Private equity funds are typically structured with investment periods of three-to-ten years. The aggregate amounts of unfunded commitments associated with private limited partnerships as of December 31, 2021 and 2020 were

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\$29,644 and \$35,234, respectively. The timing and amount of future capital calls expected to be exercised in any particular future year is uncertain.

(4) Financial Assets and Liquidity Resources

As of December 31, 2021 and 2020 financial assets and liquidity resources available within one year for general expenditure, such as operating and program expenditure, scheduled principal and interest payments on debt, and capital constructions costs not financed with debt, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 22,240	7,402
Contributions and accounts receivable, net	59,893	65,996
Short-term investments	275,667	168,348
Budgeted endowment payouts:		
Board-designated	8,777	6,768
Donor-restricted	<u>2,525</u>	<u>2,380</u>
Total financial assets available within one year	369,102	250,894
Liquidity resources:		
Bank line of credit	<u>50,000</u>	<u>50,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 419,102</u>	<u>300,894</u>

The Laboratory actively manages its resources utilizing a combination of short, medium and long-term operating investment strategies to align its cash inflows with anticipated outflows in accordance with policies approved by the Board. As disclosed in note 8(a), the Laboratory may draw upon an unsecured revolving credit facility to manage cash flows.

Additionally, as of December 31, 2021 and 2020, the Laboratory had an additional \$340,183 and \$304,888, respectively, in Board-designated endowments not budgeted for spending which is available for general expenditure with Board approval.

(5) Endowment

The Laboratory's endowment consisted of 83 individual donor-restricted funds, as well as Board-designated funds held for the long-term support of the Laboratory's mission.

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Both donor-restricted and Board-designated endowment funds were invested with a total return objective and long-term goal of attaining an average annualized nominal return equal to, or above the rate of inflation, based on the Consumer Price Index (CPI), plus the Laboratory's spending rate.

(a) Interpretation of Relevant Law

The Laboratory is subject to the Maine Uniform Prudent Management of Institutional Funds Act (MUPMIFA).

For reporting purposes the Laboratory classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) changes to the endowment made in accordance with the direction of the applicable donor instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by MUPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift as disclosed in note 5(d).

(b) Investment Strategies

The endowment provides financial support for programs through the generation of income and gains while preserving capital for future support. The endowment is managed to maximize long-term, risk-adjusted investment returns. The investment objective for both donor-restricted and Board-designated funds can be met through a common investment pool with liquidity sufficient to meet the needs of the Laboratory.

(c) Endowment Spending Policy

The Laboratory employs a total-return approach to endowment management. Income and dividends are used to fund spending first, with net realized and unrealized appreciation providing incremental funding as needed. Taking into consideration the factors continued in MUPMIFA for the appropriation and accumulation of endowment funds, the annual spending policy distribution rate from the endowment shall be a target percentage as adopted by the Investment Committee from time to time, of the twelve-quarter moving average market value, with the final quarter in the spending formula determined on December 31 of the last audited year preceding the fiscal year of spending. The spending distribution is reviewed and approved annually by the Investment Committee in conjunction with the recommended adoption of the annual budget by the Finance Committee.

(d) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of permanently restricted contributions. Deficiencies of this nature are reported in net assets with donor restrictions when they occur. There were no individual funds with deficiencies at December 31, 2021 and 2020.

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(e) Net Assets by Type of Fund and Changes in Endowment Investments

Net assets by type of fund consisted of the following at December 31, 2021 and 2020:

	2021		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments:			
Historical gift value	\$ —	30,081	30,081
Appreciation	—	66,595	66,595
Board-designated endowments	348,960	—	348,960
Total	\$ 348,960	96,676	445,636

	2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments:			
Historical gift value	\$ —	26,721	26,721
Appreciation	—	48,580	48,580
Board-designated endowments	311,656	—	311,656
Total	\$ 311,656	75,301	386,957

Changes in endowment assets for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021		
	Without donor restrictions	With donor restrictions	Total
Endowment, December 31, 2020	\$ 311,656	75,301	386,957
Cash contributions	—	3,358	3,358
Board transfer from operating funds to endowment	3,507	—	3,507
Investment return	40,804	20,485	61,289
Long-term investment return utilized	(6,768)	(2,380)	(9,148)
In-transit transactions	(239)	(88)	(327)
Endowment, December 31, 2021	\$ 348,960	96,676	445,636

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	December 31, 2020		
	Without donor restrictions	With donor restrictions	Total
Endowment, December 31, 2019	\$ 240,600	65,804	306,404
Cash contributions	—	1,303	1,303
Board transfer from operating funds to endowment	31,500	—	31,500
Investment return	44,592	10,409	55,001
Long-term investment return utilized	(4,909)	(2,188)	(7,097)
In-transit transactions	(127)	(27)	(154)
Endowment, December 31, 2020	\$ 311,656	75,301	386,957

In-transit transactions are due to timing of transfers between the Laboratory's operational accounts and endowment accounts for gifts received and reimbursement of expenditures. Gifts are shown as the amount of cash received and therefore include the collection of pledge payments and exclude uncollected pledges.

(6) Accounts Receivable

Accounts receivable consisted of the following as of December 31, 2021 and 2020:

	2021	2020
Due from provision of genetic resources and services	\$ 48,191	50,707
Amounts reimbursable under grants and contracts	11,002	11,783
Miscellaneous accounts receivable	1,479	3,913
	60,672	66,403
Less allowance for uncollectibles	(1,114)	(938)
Accounts receivable, net	\$ 59,558	65,465

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(7) Long-Lived Assets

Long-lived assets consisted of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 17,956	14,266
Buildings and improvements	758,045	662,845
Construction in progress	78,126	97,868
Equipment and software	<u>219,684</u>	<u>200,177</u>
	1,073,811	975,156
Less accumulated depreciation	<u>(471,247)</u>	<u>(430,264)</u>
Long-lived assets, net	<u>\$ 602,564</u>	<u>544,892</u>

The change in accounts payable for acquisition and construction of long-lived assets was an increase of \$4,175 for the year ended December 31, 2021 and a decrease of \$7,585 for the year ended December 31, 2020.

Commitments to third parties for the purchase of equipment, space renovation and construction projects were \$56,005 and \$16,269 as of December 31, 2021 and 2020, respectively.

(8) Debt

(a) Bonds and Note Payable

Bonds and note payable consisted of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Series 2021 taxable bonds	\$ 203,340	—
Series 2018 taxable bonds	143,280	148,145
Association of Bay Area Government for California fixed rate revenue bonds (ABAG Series 2012 bonds)	<u>—</u>	<u>48,435</u>
	346,620	196,580
Plus unamortized premium	—	3,101
Debt issuance costs	<u>(2,891)</u>	<u>(1,454)</u>
Bonds payable, net	343,729	198,227
Note payable	<u>1,347</u>	<u>1,491</u>
Bonds and note payable, net	<u>\$ 345,076</u>	<u>199,718</u>

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On March 16, 2021, the Laboratory issued taxable bonds in the amount of \$203,340. A portion of the proceeds were utilized to defease the remaining outstanding principal of \$48,435 on the Series 2012 ABAG bonds, resulting in a loss of \$67 from the extinguishment of debt. The remainder of the proceeds are intended for capital improvements. The bonds have a stated rate of fixed interest ranging from 2.692% to 3.468%, payable semiannually, over a 30 year term. Interest expense incurred during 2021 on the taxable bonds totaled \$5,482, net of capitalized interest of \$4,443. At December 31, 2021 accrued interest of \$3,462 is included in accrued expenses on the consolidated balance sheets. The remaining bond proceeds on hand of \$137,000 at December 31, 2021 are included in working capital on the consolidated balance sheet. Under the terms of the bonds, the Laboratory is to meet certain reporting covenants.

The Series 2018 taxable bonds have a stated rate of fixed interest ranging from 2.25% to 4.334%, payable semiannually, over a 30 year term. Interest expense incurred during 2021 and 2020 on the taxable bonds totaled \$5,900 and \$4,266, net of capitalized interest of \$0 and \$1,774, respectively. At December 31, 2021 and 2020 accrued interest of \$2,914 and \$2,986, respectively, is included in accrued expenses on the consolidated balance sheets.

The ABAG Series 2012 bonds were issued with a par amount of \$60,290 and a premium of \$6,066 at fixed interest rates ranging from 2.5% to 5% over a 25-year term. Interest expense incurred during 2021 and 2020 totaled \$0 and \$2,237, respectively.

The Laboratory maintains a \$50,000 unsecured line of credit with a financial institution, to provide general working capital needs and other corporate purposes. The line of credit has been extended until January 5, 2023. Interest is payable monthly at the rate of BSBY plus 0.45%. The Laboratory did not utilize the unsecured line of credit during the year ended December 31, 2021 or 2020. The line of credit documents require the Laboratory to maintain certain reporting covenants but contains no financial covenants.

(b) CI Agreement

In 2012, the Laboratory entered into several agreements with various sub-units of the state of Connecticut to build a 183,500 square foot laboratory and operate a genomics medicine research program in Farmington, Connecticut. The major agreements include a funding agreement with CI, a ground lease with the University of Connecticut Health Center (UCHC), and a collaboration agreement with the University of Connecticut (UConn).

Under the agreements, UCHC provided a 99-year ground lease for the building site. The ground lease contains a provision whereby the land will transfer to the Laboratory upon reaching 600 employees in Connecticut. As of December 31, 2021 The Laboratory did not reach 600 employees in Connecticut. The ground lease also includes limitations on the sale and use of the facility. A collaboration agreement with UConn covers joint faculty appointments, grant applications, UConn assignment and funding of faculty to be located at the Laboratory's Farmington site, and other related matters.

The CI funding agreement provided forgivable loans to construct a building and for the purchase of equipment, as well as \$99,000 in grant commitments to support research and development over ten years. The Laboratory met the loan forgiveness requirements pursuant to the CI funding agreement and CI forgave the outstanding loans in 2018.

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As of December 31, 2021 and 2020, the Laboratory had incurred \$190,353 and \$187,633, respectively, in project-related costs, which are included in construction in progress, buildings and improvements, and equipment. The Laboratory may continue to draw funds up to an amount equivalent to the original loan amounts without incurring additional debt. The Laboratory drew funds totaling \$2,272 and \$5,594 for 2021 and 2020, respectively; these funds are realized as a contribution and are included in the nonoperating section of the consolidated statement of activities for the year ended December 31, 2021 and 2020. As of December 31, 2021 the Laboratory has an available balance of \$2,303 for future draws under the agreement. The contributions include no funds held in escrow by CI as retainage as of December 31, 2021 and 2020.

(c) Maturities of Long-Term Debt

Maturities of long-term debt as of December 31, 2021, were as follows:

	<u>Amounts due</u>
Year ending December 31:	
2022	\$ 5,139
2023	4,971
2024	5,117
2025	5,278
2026	5,460
Thereafter	<u>322,002</u>
Total	<u>\$ 347,967</u>

(9) Employee Benefits

(a) Defined Contribution Retirement Plan

Subject to meeting certain eligibility requirements, all employees participate in a defined contribution 403(b) retirement plan administered by the Laboratory. Contribution expense was \$16,661 and \$15,813 for the years ended December 31, 2021 and 2020, respectively.

(b) Postretirement Medical Plan

The Laboratory maintains a non-contributory postretirement medical plan covering certain retired employees with hire dates before 2003 and faculty members eligible to retire on May 31, 2008, and their dependents. Other than the payment of current benefits totaling \$589 and \$594 in the years ended December 31, 2021 and 2020, respectively, the Laboratory has not funded the postretirement plan. The benefit obligation as of December 31, 2021 and 2020, respectively, is \$6,726 and \$7,054, and is reported as accrued postretirement obligations on the consolidated balance sheet.

(c) Deferred Compensation Program

The Laboratory maintains a nonqualified salary deferral plan authorized under Section 457(b) of the Internal Revenue Code. The Laboratory holds an investment matching the employee investment selections to assure funding is available to meet future liabilities. The liability and matching investments

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related to the salary deferral plan each totaled \$10,052 and \$8,805 at December 31, 2021 and 2020, respectively.

The Laboratory also maintains a deferred compensation program under Section 457(f) of the Internal Revenue Code for management and certain highly compensated employees under which a portion of the employee's compensation is deferred and vested over time. The liability of \$1,333 and \$1,124 at December 31, 2021 and 2020, respectively, is included in accounts payable and accrued expenses, and the corresponding assets are included in other assets.

(10) Net Assets

Net assets without donor restrictions include Board-designated endowments that are used to support the Laboratory's strategic initiatives and general operations. The Laboratory classifies gift pledges based on donor purpose restriction. Unrestricted pledges are shown as a component of net assets with donor restrictions until collected. Net assets with donor restrictions consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Donor-restricted endowments:		
Research	\$ 24,363	21,142
Training	2,029	1,832
Other programs	888	886
General purpose	2,801	2,861
Pledges receivable for endowment	<u>1,093</u>	<u>397</u>
Total endowment	31,174	27,118
Purpose and time-restricted, and other:		
Unappropriated return	66,595	48,580
Other	<u>5,370</u>	<u>3,777</u>
Total net assets with donor restrictions	<u>\$ 103,139</u>	<u>79,475</u>

(11) Legal Claims

The Laboratory is subject to certain legal proceedings and claims that arise in the ordinary course of conducting its activities. While it is not possible to predict accurately or determine the eventual outcome of such actions, management believes that the outcome of proceedings will not have a material adverse effect on the Laboratory's financial position.

(12) Related Party Transactions

Members of the Laboratory's Board and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the Laboratory. The Laboratory has a written conflict of interest policy that requires, among other things, that no member of the Board may participate in any decision in which he or she has a material financial interest.

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(13) Subsequent Events

The Laboratory has evaluated subsequent events from the consolidated balance sheet date of December 31, 2021 through June 6, 2022, the date on which the consolidated financial statements were issued.