

**SEATTLE INSTITUTE FOR BIOMEDICAL  
AND CLINICAL RESEARCH**

Financial Statements

For the Year Ended September 30, 2023

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## Independent Auditor's Report

**To the Board of Directors  
Seattle Institute for Biomedical and Clinical Research  
Seattle, Washington**

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Seattle Institute for Biomedical and Clinical Research (the Institute), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit 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*, 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 the 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 the Institute's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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## **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 the 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 the 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.

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.

## **Report on Summarized Comparative Information**

We have previously audited the Institute's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2023. In our opinion, the summarized comparative information, presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the Institute adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and related ASUs, for the year ended September 30, 2023. Our opinion is not modified with respect to this matter.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024 on our consideration of the Institute's internal control over financial reporting and 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 the 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 the Institute's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants  
March 26, 2024

SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

Statement of Financial Position  
September 30, 2023  
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,597,896	\$ 2,978,790
Accounts and grants receivable	4,569,833	4,484,626
Interest receivable	93,279	14,276
Prepaid expenses and deposits	40,834	68,973
<b>Total Current Assets</b>	<b>8,301,842</b>	<b>7,546,665</b>
Research equipment, net of accumulated depreciation of \$1,502,889 (\$1,451,722 for 2022)	630,288	710,929
Leasehold improvements, net of accumulated amortization of \$62,320 (\$53,379 for 2022)	18,626	27,567
Right-of-use asset	196,799	
Investments (Note 3)	9,772,349	8,399,631
<b>Total Assets</b>	<b>\$ 18,919,904</b>	<b>\$ 16,684,792</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,644,373	\$ 1,396,736
Accrued liabilities	1,171,987	891,615
Deferred rent, current portion		11,799
Current portion of operating lease liability	84,461	
Deferred revenue	2,757,687	2,460,175
<b>Total Current Liabilities</b>	<b>5,658,508</b>	<b>4,760,325</b>
Long-term portion of operating lease liability	154,360	
Deferred rent, long-term portion		41,573
<b>Total Liabilities</b>	<b>5,812,868</b>	<b>4,801,898</b>
<b>Net Assets:</b>		
Without donor restrictions	12,468,046	11,289,763
With donor restrictions	638,990	593,131
<b>Total Net Assets</b>	<b>13,107,036</b>	<b>11,882,894</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 18,919,904</b>	<b>\$ 16,684,792</b>

See accompanying notes.

## SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

### Statement of Activities For the Year Ended September 30, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>Operating</b>				
<b>Support, Revenue and Reclassifications:</b>				
Grants and contributions - private	\$ 3,603,940	\$ 340,061	\$ 3,944,001	\$ 2,173,814
Grants and contracts - government	14,605,126		14,605,126	15,112,706
Inter-institutional agreements	2,041,351		2,041,351	2,212,111
Investment income	269,780		269,780	41,794
	20,520,197	340,061	20,860,258	19,540,425
Net assets released from program restrictions	294,202	(294,202)		
<b>Total Support, Revenue and Reclassifications</b>	<b>20,814,399</b>	<b>45,859</b>	<b>20,860,258</b>	<b>19,540,425</b>
<b>Expenses:</b>				
Program-				
Research	15,801,189		15,801,189	14,937,772
Research and development support	1,164,746		1,164,746	1,028,834
Total program	16,965,935		16,965,935	15,966,606
Supporting services-				
Management, general and administrative	2,772,255		2,772,255	2,591,573
<b>Total Expenses</b>	<b>19,738,190</b>		<b>19,738,190</b>	<b>18,558,179</b>
<b>Change in Net Assets From Operations</b>	<b>1,076,209</b>	<b>45,859</b>	<b>1,122,068</b>	<b>982,246</b>
<b>Other Changes in Net Assets:</b>				
Unrealized gain (loss) on investments, net	92,718		92,718	(175,690)
Gain on sale of fixed assets	9,356		9,356	
<b>Total Other Changes in Net Assets</b>	<b>102,074</b>		<b>102,074</b>	<b>(175,690)</b>
<b>Total Change in Net Assets</b>	<b>1,178,283</b>	<b>45,859</b>	<b>1,224,142</b>	<b>806,556</b>
Net assets, beginning of year	11,289,763	593,131	11,882,894	11,076,338
<b>Net Assets, End of Year</b>	<b>\$12,468,046</b>	<b>\$ 638,990</b>	<b>\$13,107,036</b>	<b>\$11,882,894</b>

See accompanying notes.

**SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH**

**Statement of Functional Expenses  
For the Year Ended September 30, 2023  
(With Comparative Totals for 2022)**

	Research	Research and Development Support	Total Program	Management, General and Administrative	2023 Total	2022 Total
Personnel	\$ 7,493,073	\$ 666,967	\$ 8,160,040	\$ 1,933,042	\$ 10,093,082	\$ 9,147,024
Subcontracts	3,516,716		3,516,716		3,516,716	3,375,067
Inter-institutional agreements	2,793,116	76,399	2,869,515	159,570	3,029,085	2,436,076
Supplies	1,637,665	46,919	1,684,584	20,322	1,704,906	2,295,096
Professional fees	63,272		63,272	203,863	267,135	339,817
Small equipment	62,352	85,655	148,007	85,599	233,606	212,335
Depreciation and amortization		208,806	208,806	8,941	217,747	187,758
Facilities				127,091	127,091	108,646
Travel	124,370	34,899	159,269	20,476	179,745	91,920
Dues and subscriptions	245	5,255	5,500	62,511	68,011	73,050
Printing, publications and postage	48,853	14,212	63,065	2,626	65,691	72,374
Equipment rental and repair	22,424	5,921	28,345	20,558	48,903	63,914
Insurance	1,496	220	1,716	64,699	66,415	58,140
Conferences and meetings	25,415	14,551	39,966	3,896	43,862	27,511
Telecommunications	1,611		1,611	25,347	26,958	25,588
Staff development and training	928	1,496	2,424	22,566	24,990	24,649
Advertising	9,653	54	9,707	8,232	17,939	11,974
Licenses, permits, fees and taxes		3,392	3,392	2,916	6,308	7,240
<b>Total Expenses</b>	<b>\$ 15,801,189</b>	<b>\$ 1,164,746</b>	<b>\$ 16,965,935</b>	<b>\$ 2,772,255</b>	<b>\$ 19,738,190</b>	<b>\$ 18,558,179</b>

See accompanying notes.



**SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH**

**Statement of Cash Flows**  
**For the Year Ended September 30, 2023**  
**(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,224,142	\$ 806,556
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	217,747	187,758
Unrealized (gain) loss on investments	(92,718)	175,690
Gain on sale of fixed assets	(9,356)	
Changes in current assets and liabilities:		
Accounts and grants receivable	(85,207)	(585,536)
Interest receivable	(79,003)	(10,465)
Prepaid expenses and deposits	28,139	27,530
Accounts payable and accrued liabilities	528,009	(59,364)
Deferred rent	(53,372)	(10,569)
Operating lease liabilities, net of right-of-use assets	42,022	
Deferred revenue	297,512	615,477
Total adjustments	<u>793,773</u>	<u>340,521</u>
<b>Net Cash Provided by Operating Activities</b>	<b>2,017,915</b>	<b>1,147,077</b>
<b>Cash Flows From Investing Activities:</b>		
Payments for research equipment	(118,809)	(464,949)
Proceeds from maturity of investments	8,330,000	6,615,000
Purchases of investments	<u>(9,610,000)</u>	<u>(6,125,000)</u>
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b><u>(1,398,809)</u></b>	<b><u>25,051</u></b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>619,106</b>	<b>1,172,128</b>
Cash and cash equivalents, beginning of year	<u>2,978,790</u>	<u>1,806,662</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 3,597,896</u></b>	<b><u>\$ 2,978,790</u></b>

See accompanying notes.

## SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

### Notes to Financial Statements For the Year Ended September 30, 2023

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#### Note 1 - Operations and Summary of Significant Accounting Policies

**Operations** - Seattle Institute for Biomedical and Clinical Research (the Institute) is a nonprofit organization incorporated in 1989 to provide a flexible funding mechanism for the conduct of biomedical and clinical research and educational activities in conjunction with the Veterans Affairs Puget Sound Health Care System (the VAPSHCS) Seattle and American Lake Divisions (formerly the Veterans Affairs Medical Center) and other similarly qualified organizations. The Director, Chief of Staff, Associate Chief of Staff for Research and Development, and Associate Chief of Staff for Education of the VAPSHCS also serve as directors for the Institute.

**Basis of Presentation** - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and/or the passage of time. As of September 30, 2023, net assets with donor restrictions of \$638,990 are available for research related purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Grants and Contributions** - To ensure observance of limitations placed on the expenditure of grant funds and contributions, the Institute tracks the activity for each grant award or other funding source. Although many of the funding sources have specific limitations that require separate accountability, all grant funding and other revenue sources support common research activities when viewed in total. Accordingly, for financial reporting purposes, expenses relating to grant awards and other support and revenue are combined and reported as a single activity having a common purpose and goal. The Institute had grants and contributions receivable of \$3,164,526 due within one year, which is included in accounts and grants receivable at September 30, 2023.

The Institute recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Various contracts and grants, including governmental contracts and grants, are conditioned upon certain performance requirements and the incurrence of allowable expenses. Consequently, at September 30, 2023, conditional contributions approximating \$37,979,429, of which \$2,501,902 has been received in advance and recorded as deferred revenue on the statement of financial position, have not been recognized as revenue in the accompanying financial statements.

## SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

### Notes to Financial Statements For the Year Ended September 30, 2023

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#### Note 1 - Continued

**Government Contracts** - Revenue from contracts with customers represents revenue earned under a Department of Defense (DOD) firm fixed price contract, for which the Institute is performing research services in exchange for compensation. Revenue from this contract is recorded in government grants and contracts on the statement of activities. The performance obligations for the DOD contract are monthly technical report submissions to the DOD, outlining developments in the research effort. The total contract price was allocated equally to each monthly technical report over the 36-month period of performance of the contract. Revenue is recognized ratably with the submission of each report. During the year ended September 30, 2023, revenue recognized from contracts with customers ratably over time was \$1,113,210, of which no amount was received in advance. Cash is received on a monthly basis over a 45-month payment term outlined in the contract.

**Inter-Institutional Agreements** - Revenue from inter-institutional agreements represents exchange revenue earned in contractual agreements between the Institute and other research organizations, primarily the VAPSHCS (Note 2), in which Institute employees perform research and other effort at other research organizations. The performance obligation of the contract is the individual employees' performance of research. The contract price is the agreed upon salary and benefits paid by the Institute. The transaction price is allocated to the performance obligation through the use of time and effort reporting, reported on a bi-weekly basis and reimbursed by the VAPSHCS on a monthly basis. Total revenue recognized from inter-institutional agreements during the year ended September 30, 2023 was \$2,041,351, of which no amount was received in advance. Accounts receivable related to inter-institutional agreements totaled \$409,102 as of September 30, 2023, and is included in accounts and grants receivable on the statement of financial position.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Institute considers all highly liquid investments with original maturities of 90 days and less to be cash equivalents, except for those held for long-term investment purposes.

**Accounts and Grants Receivable** - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to change in net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants, contracts, or accounts receivable. Management has deemed receivables to be fully collectible and as such there is no allowance at September 30, 2023.

**Investments** - The Institute's investments consisted of certificates of deposit which are stated at cost plus accrued interest, which approximates fair value. The certificates have interest rates of approximately 2.1% for 2023.

**Research Equipment** - Research equipment with an original cost of \$5,000 or greater is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of five years.

**Leasehold Improvements** - The value of leasehold improvements is capitalized and amortized over the shorter of the asset life or the lease term.

**Income Taxes** - The IRS has determined the Institute to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and the Institute is not considered a private foundation.

## SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

### Notes to Financial Statements For the Year Ended September 30, 2023

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#### Note 1 - Continued

**Credit Risk** - The Institute held cash and cash equivalents and investments in one financial institution at September 30, 2023, in excess of federally insured limits.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Methods Used for Allocation of Expenses Among Program and Supporting Services** - The costs of providing the various programs and other activities have been recorded in the statement of activities. Certain costs have been directly allocated to the programs or management, general and administrative based on the benefits derived. Fundraising costs are not considered material and have been included in management, general and administrative.

**Indirect Costs** - Indirect costs are allocated to research grants through the application of indirect cost rates applied to total direct expenses, less certain distorting items per the rate agreement. Under an agreement between the Institute and the U.S. Department of Health and Human Services, indirect costs are billed at an approved provisional rate. Adjustments based on the actual indirect cost rate are made when they become known, generally in the subsequent year when the rate is finalized. Direct and indirect costs allocated to grants are subject to audit by granting agencies.

**Right of-Use Assets and Lease Liabilities** - Effective October 1, 2022, the Institute adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). Additionally, the Institute did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Institute recognized on October 1, 2022 (a) a lease liability of \$318,835, (b) a right-of-use asset of \$265,463, and (c) removal of deferred rent liabilities of \$53,372.

The Institute determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Institute's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Institute's leases do not provide an implicit rate of return; thus the Institute uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. The Institute has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. An ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than \$5,000.

## SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

### Notes to Financial Statements For the Year Ended September 30, 2023

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#### Note 1 - Continued

**Comparative Totals** - The financial information includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

**Subsequent Events** - The Institute has evaluated subsequent events through March 26, 2024 the date on which the financial statements were available to be issued.

#### Note 2 - Related Party Transactions

In connection with certain research activities, the VAPSHCS provides services to the Institute under a cost-reimbursement arrangement. For the year ended September 30, 2023, the Institute incurred total costs of \$1,051,438 under this arrangement. In addition, the Institute employees provide support to the intramural research program at VAPSHCS. For the year ended September 30, 2023, the Institute was reimbursed costs of \$1,962,192 under this arrangement. At September 30, 2023, the Institute had accounts and grants receivable of \$409,102 due from the VAPSHCS.

The Institute has joint personnel agreements, an office space lease and subcontracts with the University of Washington. The Institute has board members who are faculty at the University of Washington.

#### Note 3 - Investments

Investments consist of certificates of deposit of \$9,772,349 at September 30, 2023. Certificates of deposits are valued at cost plus accrued interest which approximates fair value.

#### Note 4 - Fair Value Measurements

U.S. GAAP defines fair value, provides a framework for measuring fair value, and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Institute's assets measured at fair value consist of certificates of deposit. Certificates of deposit are valued at cost plus interest which approximates fair value. There have been no changes in the methodologies used at September 30, 2023.

**Valuation Techniques** - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Fair values of the Institute's investments in certificates of deposits totaling \$9,772,349 at September 30, 2023 are determined using Level 2 inputs (Note 3).

**SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH**

**Notes to Financial Statements  
For the Year Ended September 30, 2023**

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**Note 5 - Retirement Plans**

The Institute has a 403(b) Defined Contribution Retirement Plan available to all employees who have completed the equivalent of six months and work at least half time. The Institute contributes an amount equal to 5% of the gross pay of all eligible employees. The Institute will also match employee contributions up to an amount not to exceed 2.5% of the contributing employee’s gross pay. All contributions under the Plan are immediately vested with the employee. Retirement expense amounted to \$487,172 for the year ended September 30, 2023. It is the policy of the Institute to fund retirement costs accrued currently.

In addition, a 403(b) Salary Deferral Plan is available to all eligible employees. This Plan permits them to defer a portion of their salary until future years.

**Note 6 - Contingencies**

Grants and contributions require the fulfillment of certain conditions as set forth in the funding agreement. Failure to fulfill the conditions could result in the return of the funds to grantors and contributors. Direct and indirect costs charged to grants are subject to review and audit by granting agencies. Any liabilities that result from a disallowed cost would be recorded when the liability becomes known.

**Note 7 - Leases**

The Institute leases office space under long-term, noncancelable lease agreements which expire in May 2026. The lease includes a renewal option that is excluded from the lease liability as it is not reasonably certain the option will be exercised.

The total amount of operating expense was \$89,993. The Institute does not have significant variable or short-term lease expense.

Supplemental cash flow information related to leases as of September 30, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities-	
Operating cash flows from operating leases	\$ 90,204
Right-of-use assets obtained in exchange for	
new operating lease liabilities	\$ (318,835)
Weighted-average remaining lease term - operating lease	2.75 years
Weighted-average discount rate - operating lease	4.1%

**SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH**

**Notes to Financial Statements  
For the Year Ended September 30, 2023**

**Note 7 - Continued**

Future minimum payments required under operating leases, are as follows:

For the Year Ended December 31,

2024	\$ 92,471
2025	94,949
2026	<u>64,882</u>
Total undiscounted cash flows	252,302
Less present value discount	<u>(13,481)</u>
<b>Total Lease Liabilities</b>	<b><u><u>\$ 238,821</u></u></b>

**Note 8 - Liquidity and Availability of Financial Assets**

Based on analysis of its revenues and operating expense cycles, the Institute maintains a minimum operating reserve of 90 days, with the value calculated as no less than one fourth of budgeted annual operating expenses, less noncash items.

The reserve itself consists of these assets without donor restrictions: cash, cash equivalents, grants and accounts receivable and short term investments with a maturity of less than 90 days.

The following reflects the Institute's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions at September 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,597,896	\$ 2,978,790
Accounts and grants receivable	4,569,833	4,484,626
Interest receivable	93,279	14,276
Investments	<u>9,772,349</u>	<u>8,399,631</u>
Total financial assets	18,033,357	15,877,323
Restricted by donor with time or purpose restrictions	<u>(638,990)</u>	<u>(593,131)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u><u>\$ 17,394,367</u></u></b>	<b><u><u>\$ 15,284,192</u></u></b>

## SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

### Notes to Financial Statements For the Year Ended September 30, 2023

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#### **Note 9 - Concentrations**

The Institute receives a significant amount of its funding from two primary sources, the federal government and the VAPSHCS. As of and for the year ended September 30, 2023, approximately 67% and 9% of accounts receivable and 70% and 9% of the Institute's revenue was from federal government agencies and the VAPSHCS, respectively. Loss of this funding could have a material effect on the Institute; however, management of the Institute does not anticipate a significant loss of such funding.