KPMG

THE JACKSON LABORATORY

Consolidated Financial Statements

December 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

KPMG LLP
One Park Place
463 Mountain View Drive, Suite 400
Colchester, VT 05446-9909

Independent Auditors' Report

The Board of Trustees
The Jackson Laboratory:

Opinion

We have audited the consolidated financial statements of The Jackson Laboratory (the Laboratory), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, 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, 2024 and 2023, and 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 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

Colchester, Vermont
May 28, 2025

Vt. Reg. No. 92-0000241

THE JACKSON LABORATORY

Consolidated Balance Sheets

December 31, 2024 and 2023
(Dollars in thousands)

Assets		2024	2023
Cash and equivalents	$	29,014	17,062
Short-term investments, at fair value		221,413	217,449
Accounts receivable, net		56,590	67,021
Contributions receivable, net		20,551	27,588
Other assets		56,285	54,584
Long-term investments, at fair value		441,449	410,432
Goodwill and other intangible assets		48,667	47,553
Property, plant and equipment, net		637,964	654,024
Operating lease right-of-use assets		50,389	—
Total assets	$	1,562,322	1,495,713
Liabilities			
Accounts payable and accrued expenses	$	114,026	121,919
Deposits and deferred revenue		14,972	15,394
Other liabilities		15,588	15,214
Operating lease liabilities		49,093	—
Long-term debt, net		342,187	359,766
Total liabilities		535,866	512,293
Net assets:			
Without donor restrictions		923,909	886,701
With donor restrictions		102,547	96,719
Total net assets		1,026,456	983,420
Total liabilities and net assets	$	1,562,322	1,495,713

See accompanying notes to consolidated financial statements.

THE JACKSON LABORATORY

Consolidated Statement of Activities and Changes in Net Assets

Year ended December 31, 2024
(Dollars in thousands)

		Without donor restrictions	With donor restrictions	Total
Operating activities:				
Revenue and other support:				
Grants and research contracts	$	115,668	—	115,668
Contributions		995	1,063	2,058
Genetic resources and clinical and research services		512,327	—	512,327
Long-term investment return utilized		11,634	3,087	14,721
Other investment return		10,588	—	10,588
Other revenue		2,442	—	2,442
Total revenue		653,654	4,150	657,804
Net assets released from restrictions		6,589	(6,589)	—
Total revenue and other support		660,243	(2,439)	657,804
Expenses:				
Research		185,882	—	185,882
Genetic resources and clinical and research services		351,311	—	351,311
Training		12,838	—	12,838
Institutional support		92,101	—	92,101
Total expenses		642,132	—	642,132
Change in net assets from operating activities		18,111	(2,439)	15,672
Nonoperating activities:				
Grants and contributions for capital and long-term investments		148	1,511	1,659
Long-term investment gains, net of return utilized		22,578	6,756	29,334
Other, net		(2,668)	—	(2,668)
Increase in net assets from nonoperating activities		20,058	8,267	28,325
Increase in net assets		38,169	5,828	43,997
Other changes in net assets:				
Cumulative translation adjustments		(961)	—	(961)
Total other changes in net assets		(961)	—	(961)
Total increase in net assets		37,208	5,828	43,036
Net assets, beginning of year		886,701	96,719	983,420
Net assets, end of year	$	923,909	102,547	1,026,456

See accompanying notes to consolidated financial statements.

THE JACKSON LABORATORY

Consolidated Statement of Activities and Changes in Net Assets

Year ended December 31, 2023
(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total
Operating activities:			
Revenue and other support:			
Grants and research contracts	$ 112,168	—	112,168
Contributions	1,086	2,891	3,977
Genetic resources and clinical and research services	476,676	—	476,676
Long-term investment return utilized	10,739	2,864	13,603
Other investment return	10,830	—	10,830
Other revenue	2,691	—	2,691
Total revenue	614,190	5,755	619,945
Net assets released from restrictions	6,959	(6,959)	—
Total revenue and other support	621,149	(1,204)	619,945
Expenses:			
Research	169,499	—	169,499
Genetic resources and clinical and research services	338,161	—	338,161
Training	11,405	—	11,405
Institutional support	89,172	—	89,172
Total expenses	608,237	—	608,237
Change in net assets from operating activities	12,912	(1,204)	11,708
Nonoperating activities:			
Grants and contributions for capital and long-term investments	—	707	707
Long-term investment gains, net of return utilized	25,116	7,380	32,496
Other, net	(1,804)	(80)	(1,884)
Increase in net assets from nonoperating activities	23,312	8,007	31,319
Increase in net assets	36,224	6,803	43,027
Other changes in net assets:			
Cumulative translation adjustments	(68)	—	(68)
Total other changes in net assets	(68)	—	(68)
Total increase in net assets	36,156	6,803	42,959
Net assets, beginning of year	850,545	89,916	940,461
Net assets, end of year	$ 886,701	96,719	983,420

See accompanying notes to consolidated financial statements.

THE JACKSON LABORATORY

Consolidated Statements of Cash Flows

Years ended December 31, 2024 and 2023
(Dollars in thousands)

		2024	2023
Cash flows from operating activities:			
Change in net assets	$	43,036	42,959
Adjustments to reconcile change in net assets to cash provided by operating activities:			
Foreign currency translation adjustment		(961)	(68)
Depreciation and amortization		64,159	58,374
Realized and unrealized net investment gains		(42,627)	(43,918)
Loss on disposal of long-lived assets		(1,364)	(665)
Contributions restricted for long-term investment and assets		(1,066)	(980)
Changes in operating assets and liabilities		(2,580)	(6,247)
Net cash provided by operating activities		58,597	49,455
Cash flows from investing activities:			
Acquisition and construction of long-lived assets		(40,091)	(81,521)
Proceeds from sales of investments		149,384	97,303
Purchases of investments		(140,716)	(71,378)
Net cash used in investing activities		(31,423)	(55,596)
Cash flows from financing activities:			
Repayment of bonds		(4,955)	(4,815)
Repayment of note payable		(10,311)	(2,218)
Contributions restricted for long-term investment and assets		1,066	980
Net cash used in financing activities		(14,200)	(6,053)
Net increase (decrease) in cash and equivalents		12,974	(12,194)
Cash and cash equivalents beginning of year		47,836	60,030
Cash and cash equivalents end of year	$	60,810	47,836
Supplemental disclosures of cash flow information:			
Cash paid for interest	$	12,779	12,882
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases		2,255	—
Right-of-use assets obtained in exchange for new lease obligations:			
Operating leases		50,389	—

See accompanying notes to consolidated financial statements.

(1) Background

The Jackson Laboratory (the Laboratory) is a not-for-profit, independent research organization focused on the advancement of 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.

The Laboratory's financial results include the operations of its wholly-owned U.S. subsidiary, Jackson Laboratory Holdings, LLC (JAX LLC), JAX LLC's wholly-owned subsidiaries, The Jackson Laboratory Medical Science and Technology (Shanghai) Co., Ltd. (JAX Shanghai), Jackson Laboratory Hong Kong Holdings Ltd. (JAX HK), and The Jackson Laboratory Japan Holdings, Inc. (JAX Japan Holdings), and its subsidiary, The Jackson Laboratory Japan, Inc. (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 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 transactions are considered exchange transactions. Accounts receivable from such activities are reported net of allowance for credit losses.

- *Revenue from Grants and Research Contracts*

  Grants and contracts awarded by federal and other sponsors, which 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 expenditures are recorded as deferred revenue until expended. The Laboratory received approximately 86% of its revenue from grants and contracts from the National Institutes of Health (NIH) for each of the years ended December 31, 2024 and 2023. Indirect costs are billed and recovered in accordance with the terms of the grant agreements, and represented $40,016 and $39,253, respectively, of revenue from grants for the years ended December 31, 2024, and 2023. Most NIH grants reimburse for indirect costs at an agreed percentage of direct costs incurred.

- *Revenue from Contributions*

  Contributions, including unconditional promises to give, are considered nonexchange 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 property, plant and equipment or the contribution of property, plant and equipment 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 property, plant and equipment, financing costs and depreciation, are allocated on the basis of square footage utilized by each of the programs. Information technology costs are allocated primarily on the basis of the estimated level of effort in support of programs.

Functional expenses incurred by type for the years ended December 31, 2024 and 2023 are presented below:

	December 31, 2024				
	Research	**Genetic resources and clinical and research services**	**Training**	**Institutional support**	**Total**
Salaries and wages	$ 82,786	137,433	4,946	47,701	272,866
Benefits	25,025	41,543	1,495	14,419	82,482
Employee recruitment, training, memberships and subscriptions	1,748	2,371	187	2,755	7,061
Purchased services and stipends	15,556	18,438	1,931	13,826	49,751
Supplies and shipping	19,429	59,145	536	341	79,451
Maintenance, utilities and insurance	15,219	28,837	927	5,485	50,468
Travel and meals	2,579	3,514	1,064	1,831	8,988
Interest expense	244	11,524	26	33	11,827
Depreciation	23,070	36,269	1,623	2,916	63,878
Other expenses	226	12,237	103	2,794	15,360
Total	$ 185,882	351,311	12,838	92,101	642,132

	December 31, 2023				
	Research	**Genetic resources and clinical and research services**	**Training**	**Institutional support**	**Total**
Salaries and wages	$ 76,133	130,960	4,089	44,103	255,285
Benefits	23,900	41,112	1,284	13,845	80,141
Employee recruitment, training, memberships and subscriptions	1,846	1,089	272	2,972	6,179
Purchased services and stipends	13,880	18,841	1,770	13,493	47,984
Supplies and shipping	17,948	63,014	561	698	82,221
Maintenance, utilities and insurance	12,539	27,126	706	6,459	46,830
Travel and meals	2,438	3,400	1,047	2,264	9,149
Interest expense	260	9,448	28	90	9,826
Depreciation	20,237	33,913	1,446	2,486	58,082
Other expenses	318	9,258	202	2,762	12,540
Total	$ 169,499	338,161	11,405	89,172	608,237

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 $4,170 and $3,893 for the years ended December 31, 2024 and 2023, respectively.

(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).

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 property, plant and equipment, net assets released from restrictions for the acquisition of property, plant and equipment, unrestricted bequests, and other investment return, in excess of the amount appropriated under the Laboratory's spending formula, are all reported 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. Cash equivalents held for investment purposes that are classified as short-term investments or long-term investments are not reflected as cash equivalents in the consolidated statements of cash flows.

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:

		2024	2023
Cash included in short-term investments on the consolidated balance sheets	$	31,796	30,774
Cash and cash equivalents as reported in the consolidated balance sheets		29,014	17,062
Total cash and cash equivalents as shown in the consolidated statement of cash flows	$	60,810	47,836

(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, and are included in accounts payable and accrued expenses on the consolidated balance sheet.

(Continued)

(h) Property, plant and equipment, Goodwill, and Other Intangible Assets

Property, plant and equipment and other intangible assets are reported at cost at date of acquisition or at fair value at date of donation in the case of gifts. For property, plant and equipment and other 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 property, plant and equipment 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 property, plant and equipment depreciation is provided on a straight-line basis over the following estimated useful lives:

	Years
Buildings and improvements	15–50
Land improvements	5–15
Equipment and software	3–15

For other intangible assets amortization is provided on a straight-line basis over an estimated useful life of fifteen years. At December 31, 2024 and 2023 other intangible assets of $26,249 and $25,085 are included in goodwill and other intangible assets on the consolidated balance sheets. Goodwill is initially recorded as the difference between the consideration paid for a business and the fair value of net assets acquired. Goodwill is not amortized but is assessed for impairment on a recurring basis. At December 31, 2024 and 2023, goodwill is recorded on the consolidated balance sheets at $22,468. Management reviews property, plant and equipment, other intangible assets and goodwill for impairment whenever events or circumstances indicate that the carrying value of these assets may not be recoverable. The Laboratory recorded no impairment for the years ended December 31, 2024 and 2023.

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.

(i) Leases

The Laboratory determines if an arrangement is a lease or contains a lease at inception and performs the initial classification and measurement of its right-of-use assets and liabilities at the lease commencement date or thereafter, if modified. The lease term includes any renewal options that the Laboratory is reasonably certain to exercise. The Laboratory has made the following accounting policy elections: (1) the Laboratory will not separate lease and non-lease components by class of underlying asset, (2) the Laboratory will utilize the risk free treasury rate specific to the duration of each lease, (3) the Laboratory will apply the short-term lease exemption by class of underlying asset, and (4) the Laboratory will apply a capitalization threshold policy convention. The Laboratory recognizes lease expense for its operating leases on a straight-line basis over the lease term based on the total fixed lease payments, of which $959 and $0 is included in genetic resources and clinical and research services in the consolidated statements of activities and changes in net assets for the years ended December 31, 2024 and 2023, respectively.

(j) Foreign currency translation

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

	2024		
	Japanese Yen to one U.S. Dollar	**Chinese Yuan to one U.S. Dollar**	**Hong Kong Dollar to one U.S. Dollar**
Revenues and expenses at the average rate for the fiscal year ended December 31, 2024	0.00650	0.13735	0.12865
Assets, liabilities, and net assets at the current rate as of December 31, 2024	0.00638	0.13703	0.12877

	2023		
	Japanese Yen to one U.S. Dollar	**Chinese Yuan to one U.S. Dollar**	**Hong Kong Dollar to one U.S. Dollar**
Revenues and expenses at the average rate for the fiscal year ended December 31, 2023	0.00695	0.14052	0.12805
Assets, liabilities, and net assets at the current rate as of December 31, 2023	0.00709	0.14145	0.12807

An analysis of the unrestricted cumulative adjustments from foreign currency translation are as follows for the years ended December 31:

		2024	**2023**
Beginning balance	$	(5,660)	(5,592)
Translation adjustment		(961)	(68)
Ending balance	$	(6,621)	(5,660)

(k) 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 is a taxable entity 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.

(l) 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 perceived risk of that investment. Moreover, the methods used by the Laboratory 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 non-financial assets and liabilities could result in a different fair value measurement at the reporting date.

(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 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 are reported at fair value. If an investment is held directly by the Laboratory and an active market where quoted prices exist, 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, 2024 and 2023 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.

The following tables summarize the Laboratory's investments by major category in the fair value hierarchy as of December 31, 2024 and 2023, as well as related strategy, liquidity and funding commitments:

		December 31, 2024			
		Level 1	Level 2	NAV or equivalent	Total
Short-term investments:					
Cash and cash equivalents	$	105,362	21,036	—	126,398
U.S. and global fixed income funds		95,015	—	—	95,015
Total short-term investments		200,377	21,036	—	221,413
Long-term investments (endowment):					
Money market accounts and certificates of deposit		2,740	—	—	2,740
U.S. and global fixed income funds		28,968	—	—	28,968
Equities:					
U.S. mid and large cap value funds		145,512	13,635	—	159,147
Global large cap		72,925	9,834	26,934	109,693
Total equities		218,437	23,469	26,934	268,840
Mutual Funds, comprising a mix of equities and fixed income		19,801	—	—	19,801
Multiple hedged strategies[1]		—	—	36,573	36,573
Private equity and real assets[1]		—	—	84,527	84,527
Total long-term investments		269,946	23,469	148,034	441,449
Total	$	470,323	44,505	148,034	662,862

[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, 2024, the average remaining life of these partnerships is approximately five years.

	December 31, 2023			
	Level 1	Level 2	NAV or equivalent	Total
Short-term investments:				
Cash and cash equivalents	$ 92,589	10,458	—	103,047
U.S. and global fixed income funds	114,402	—	—	114,402
Total short-term investments	206,991	10,458	—	217,449
Long-term investments (endowment):				
Money market accounts and certificates of deposit	896	—	—	896
U.S. and global fixed income funds	27,575	—	—	27,575
Equities:				
U.S. mid and large cap value funds	142,487	—	—	142,487
Global large cap	82,339	—	23,614	105,953
Total equities	224,826	—	23,614	248,440
Mutual Funds, comprising a mix of equities and fixed income	18,307	—	—	18,307
Multiple hedged strategies[1]	—	—	33,021	33,021
Private equity and real assets[1]	—	—	82,193	82,193
Total long-term investments	271,604	—	138,828	410,432
Total	$ 478,595	10,458	138,828	627,881

[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, 2023, the average remaining life of these partnerships is approximately six 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, 2024 and 2023 were $25,309 and $32,339, 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, 2024 and 2023 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:

		2024	2023
Financial assets:			
Cash and cash equivalents	$	29,014	17,062
Contributions and accounts receivable, net		56,988	67,970
Short-term investments		221,413	217,449
Budgeted endowment payouts:			
Board-designated		12,628	11,606
Donor-restricted		3,530	3,441
Total financial assets available within one year		323,573	317,528
Liquidity resources:			
Bank line of credit		56,380	57,500
Total financial assets and liquidity resources available within one year	$	379,953	375,028

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 9, the Laboratory may draw upon an unsecured revolving credit facility to manage cash flows.

Additionally, as of December 31, 2024 and 2023, the Laboratory had an additional $329,538 and $307,359, respectively, in Board-designated endowments, contingent on Board approval, which is available for general expenditure.

(5) Endowment

The Laboratory's endowment consisted of 86 individual donor-restricted funds, as well as 18 Board-designated funds held for the long-term support of the Laboratory's mission.

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. 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 target percentage as approved by the board is 4% for 2024 and 2023. The spending distribution is reviewed and approved annually by the Finance Committee in conjunction with the recommended adoption of the annual budget.

(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 as underwater funds when they occur. Deficiencies of this nature are reported in net assets with donor restrictions as underwater funds when they occur. There were no funds with deficiencies at December 31, 2024 or 2023.

(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, 2024 and 2023:

	2024		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments:			
Historical gift value	$ —	34,389	34,389
Cumulative appreciation	—	64,894	64,894
Board-designated endowments	342,166	—	342,166
Total	$ 342,166	99,283	441,449

	2023		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments:			
Historical gift value	$ —	33,328	33,328
Cumulative appreciation	—	58,139	58,139
Board-designated endowments	318,965	—	318,965
Total	$ 318,965	91,467	410,432

Changes in endowment assets for the years ended December 31, 2024 and 2023 are as follows:

	December 31, 2024		
	Without donor restrictions	With donor restrictions	Total
Endowment, December 31, 2023	$ 318,965	91,467	410,432
Cash contributions	—	1,066	1,066
Board transfer from operating funds to endowment	666	—	666
Investment return	34,212	9,843	44,055
Long-term investment return utilized	(11,634)	(3,087)	(14,721)
In-transit transactions	(43)	(6)	(49)
Endowment, December 31, 2024	$ 342,166	99,283	441,449

		December 31, 2023		
		Without donor restrictions	With donor restrictions	Total
Endowment, December 31, 2022	$	292,788	83,381	376,169
Cash contributions		—	684	684
Board transfer from operating funds to endowment		1,062	—	1,062
Investment return		35,855	10,244	46,099
Long-term investment return utilized		(10,739)	(2,864)	(13,603)
In-transit transactions		(1)	22	21
Endowment, December 31, 2023	$	318,965	91,467	410,432

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, 2024 and 2023:

		2024	2023
Due from provision of genetic resources and services	$	44,876	56,762
Amounts reimbursable under grants and contracts		12,503	11,587
Miscellaneous accounts receivable		754	31
		58,133	68,380
Less allowance for credit losses		(1,543)	(1,359)
Accounts receivable, net	$	56,590	67,021

(7) Property, plant and equipment

Property, plant and equipment consisted of the following as of December 31, 2024 and 2023:

		2024	2023
Land and improvements	$	17,553	17,812
Buildings and improvements		919,740	831,794
Construction in progress		30,485	107,222
Equipment and software		253,729	256,472
		1,221,507	1,213,300
Less accumulated depreciation		(583,543)	(559,276)
Long-lived assets, net	$	637,964	654,024

The change in accounts payable for acquisition and construction of property, plant and equipment was a decrease of $4,975 and $6,419 for the year ended December 31, 2024 and 2023, respectively.

Commitments to third parties for the purchase of equipment, space renovation and construction projects were $13,085 and $16,945 as of December 31, 2024 and 2023, respectively.

(8) Leases

The Laboratory leases corporate office facilities and laboratory spaces, under operating lease agreements. Some of the Laboratory's leases include one or more options to renew. For a majority of the Laboratory's leases, the Laboratory does not assume renewals in the determination of the lease term as the renewals are not deemed to be reasonably assured. The lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. As of December 31, 2024, the Laboratory's lease agreements typically have terms not exceeding twenty years.

Payments under the Laboratory's lease arrangements are primarily fixed, and variable lease payments primarily consist of common area maintenance and utilities.

On October 8, 2024, under a lease agreement which the Laboratory entered into in May 2023 and Amended in April 2024, the Laboratory acquired the exclusive rights to use a facility in Alachua, Florida, for biomedical research-related activities. Pursuant to the terms of the lease, the agreement meets the criteria for accounting treatment as an operating lease. The lease term is for 20 years (240 months), with three five-year optional extension periods. As of December 31, 2024, the Laboratory has not concluded that the exercise of the optional renewal periods is reasonably certain. There are no options to terminate the lease. The Laboratory utilized the practical expedient of the risk free rate equal to the 20 year treasury rate, which is 4.38%.

(Continued)

Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases with terms of one year or more consist of the following on December 31, 2024:

Year ending December 31:		
2025	$	3,276
2026		3,326
2027		3,375
2028		3,426
2029		3,478
Thereafter		57,868
Total future minimum lease payments		74,749
Less imputed interest		(25,656)
Total lease liabilities	$	49,093

(9) Debt

(a) Long-term debt, net

Long-term debt, net, consists of the following as of December 31, 2024 and 2023:

		2024	2023
Series 2021 taxable bonds	$	203,340	203,340
Series 2018 taxable bonds		128,520	133,475
Term loan		12,437	25,180
		344,297	361,995
Debt issuance costs		(2,990)	(3,271)
Bonds and term loan payable, net		341,307	358,724
Note payable		880	1,042
Long-term debt, net	$	342,187	359,766

The Laboratory has a five-year, $30,000 loan agreement with a Japanese bank to fund a portion of the JAX Japan acquisition. The loan and related interest and principal payments are denominated in Japanese Yen. The loan agreement also provides for a $6,380 revolving credit facility. The borrowing consists of a blended rate of 1.4%, payable semi-annually. Principal payments of $957 and related interest payments are payable semi-annually, with a balloon payment for the remaining balance of $7,700 in 2027. The borrowing is securitized by JAX Japan assets and contains several non-financial and financial reporting covenants. The financial covenants include the maintenance of a minimal net asset value, as well as the achievement of certain ordinary income levels for the Laboratory's Japan operations on a stand-alone basis. As a result of the Laboratory's Japan operations, the Laboratory was in default of these financial covenants as of December 31, 2023. On April 15, 2024, the Laboratory received a waiver of the default of these financial covenants from the bank. Additionally, in exchange for an accelerated loan payment of $9,214, made in June 2024, the bank modified certain of the covenants of the loan agreement to more closely reflect the impact of the economy of Japan. Interest expense incurred and paid totaled $303 and $242 for 2024 and 2023, respectively. The Laboratory did not utilize the revolving credit facility in 2024 or 2023.

The Series 2021 taxable bonds have a stated rate of fixed interest ranging from 2.692% to 3.468%, payable semiannually, over a 30 year term. Principal payments totaling $39,560 are due to be paid during the years 2032 to 2041, with a final balloon payment of $163,780 to be paid in 2051. Interest expense incurred during 2024 and 2023 on the taxable bonds totaled $6,924 and $6,924, net of capitalized interest of $1,125 and $3,519, respectively. At December 31, 2024 and 2023 accrued interest of $3,462, is included in accrued expenses on the consolidated balance sheets. 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 2024 and 2023 on the taxable bonds totaled $5,426 and $5,592. At December 31, 2024 and 2023 accrued interest of $2,670 and $2,756, respectively, is included in accrued expenses on the consolidated balance sheets.

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 2, 2026. Interest is payable monthly at the rate of BSBY plus 0.65%. The Laboratory did not utilize the unsecured line of credit during the year ended December 31, 2024 or 2023. The line of credit documents require the Laboratory to maintain certain reporting covenants but contains no financial covenants.

(b) Maturities of Long-Term Debt

Maturities of long-term debt as of December 31, 2024, were as follows:

		Amounts due
Year ending December 31:		
2025	$	7,192
2026		7,374
2027		14,253
2028		5,840
2029		6,009
Thereafter		304,509
Total	$	345,177

(10) 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 $21,241 and $18,435 for the years ended December 31, 2024 and 2023, 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 $320 and $452 in the years ended December 31, 2024 and 2023, respectively, the Laboratory has not funded the postretirement plan. The benefit obligation as of December 31, 2024 and 2023, respectively, is $4,056 and $4,925, and is included in other liabilities on the consolidated balance sheets.

(c) Deferred Compensation Program

The Laboratory maintains a non-qualified salary deferral plan authorized under Section 457(b) of the Internal Revenue Code. The Laboratory holds an investment matching the employee investment selections to ensure funding is available to meet future liabilities. The liability and matching investments related to the salary deferral plan each totaled $11,535 and $10,292 as included in other liabilities on the consolidated balance sheets as of December 31, 2024 and 2023, respectively. Investments related to the non-qualified salary deferral plan are categorized as Level 1 in the fair value hierarchy as more fully described in note 3(c).

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 $499 and $746 at December 31, 2024 and 2023, respectively, is included in accounts payable and accrued expenses, and the corresponding assets are included in other assets.

(11) 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:

	2024	2023
Without donor restrictions:		
Board-designated endowments	$ 342,166	318,965
Other net assets without donor restrictions	581,743	567,736
Total net assets without donor restrictions	923,909	886,701
With donor restrictions:		
Donor-restricted endowments:		
Research	28,131	27,138
Training	2,543	2,481
Other programs	914	908
General purpose	2,801	2,801
Unappropriated return	64,894	58,139
Pledges receivable for endowment	609	723
Total endowment	99,892	92,190
Purpose and time-restricted non-endowed gifts	2,655	4,529
Total net assets with donor restrictions	102,547	96,719
Total net assets	$ 1,026,456	983,420

(12) 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.

(Continued)

(13) 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.

(14) Subsequent Events

The Laboratory has evaluated subsequent events from the consolidated balance sheet date of December 31, 2024 through May 28, 2025, the date on which the consolidated financial statements were issued.

In February 2025 the National Institute of Health issued a notice intended to reduce the coverage of certain overhead expenses funded by the Federal Government. While the actual funded overhead rate reduction is not currently known, the Laboratory believes it is probable that it will ultimately be subject to a reduction of its previously contracted NIH overhead coverage rate. While the Laboratory continues to monitor these developments and determines contingency plans, the Laboratory does not believe that any reduction in the NIH overhead coverage rate will impact its ability to continue as a going concern.