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

**Huntington Medical Research Institutes**

September 30, 2024



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## Report of Independent Auditors

The Board of Directors  
Huntington Medical Research Institutes

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

#### ***Opinion***

We have audited the financial statements of Huntington Medical Research Institutes, which comprise the statement of financial position as of September 30, 2024, 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 Huntington Medical Research Institutes as of September 30, 2024, and the change 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 (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 Huntington Medical Research Institutes 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 Huntington Medical Research Institutes' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Huntington Medical Research Institutes' 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 Huntington Medical Research Institutes' 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.

### **Report on Summarized Comparative Information**

We have previously audited Huntington Medical Research Institutes' 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2025, on our consideration of Huntington Medical Research Institutes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Huntington Medical Research Institutes' 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 Huntington Medical Research Institutes' internal control over financial reporting and compliance.



Los Angeles, California

May 19, 2025

## **Financial Statements**

**Huntington Medical Research Institutes**  
**Statements of Financial Position**  
**September 30, 2024 and 2023**

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	2024	2023
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,608,446	\$ 3,738,954
Government and contract receivables	138,931	194,225
Other receivables	296,133	703,299
Promises to give, net	1,398,039	2,148,099
Prepaid expenses and other assets	126,498	130,384
Investments	21,911,049	28,414,993
Property and equipment, net	29,645,236	30,810,177
Patents, net	199,862	208,991
 Total assets	 <u>\$ 64,324,194</u>	 <u>\$ 66,349,122</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 436,652	\$ 340,624
Accrued expenses	535,326	462,251
Deferred revenue	17,300	-
Accrued pension cost	1,085,716	1,317,307
 Total liabilities	 <u>2,074,994</u>	 <u>2,120,182</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions		
Undesignated	34,759,437	25,519,950
Board-designated endowment	10,095,703	17,180,184
 Total net assets without donor restrictions	 <u>44,855,140</u>	 <u>42,700,134</u>
Net assets with donor restrictions		
	<u>17,394,060</u>	<u>21,528,806</u>
 Total net assets	 <u>62,249,200</u>	 <u>64,228,940</u>
 Total liabilities and net assets	 <u>\$ 64,324,194</u>	 <u>\$ 66,349,122</u>

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See accompanying notes.

**Huntington Medical Research Institutes**  
**Statement of Activities**  
**Year Ended September 30, 2024**  
**(with Summarized Comparative Totals for the Year Ended September 30, 2023)**

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	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT</b>				
Contributions, grants, and bequests	\$ 1,182,997	\$ 1,544,914	\$ 2,727,911	\$ 3,345,649
Government grants and contracts	2,457,714	-	2,457,714	2,630,226
Investment income	2,280,918	3,325,494	5,606,412	3,251,667
Rental income	169,454	-	169,454	178,816
Clinical and royalty income	158,181	-	158,181	408,978
Gain on sale of equipment	133,716	-	133,716	-
Partnership income	747,553	-	747,553	227,605
Employee retention credit	-	-	-	1,503,061
Net assets released from restrictions	<u>9,005,154</u>	<u>(9,005,154)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>16,135,687</u>	<u>(4,134,746)</u>	<u>12,000,941</u>	<u>11,546,002</u>
<b>EXPENSES</b>				
Program services	<u>9,118,274</u>	<u>-</u>	<u>9,118,274</u>	<u>9,680,808</u>
Supporting services				
Management and general	4,560,083	-	4,560,083	3,971,962
Fundraising	<u>533,915</u>	<u>-</u>	<u>533,915</u>	<u>961,067</u>
Total supporting services	<u>5,093,998</u>	<u>-</u>	<u>5,093,998</u>	<u>4,933,029</u>
Total expenses	<u>14,212,272</u>	<u>-</u>	<u>14,212,272</u>	<u>14,613,837</u>
<b>CHANGE IN NET ASSETS BEFORE CHANGE</b>				
IN ACCRUED PENSION COST	<u>1,923,415</u>	<u>(4,134,746)</u>	<u>(2,211,331)</u>	<u>(3,067,835)</u>
CHANGE IN ACCRUED PENSION COST	<u>231,591</u>	<u>-</u>	<u>231,591</u>	<u>(680,747)</u>
CHANGE IN NET ASSETS	<u>2,155,006</u>	<u>(4,134,746)</u>	<u>(1,979,740)</u>	<u>(3,748,582)</u>
NET ASSETS, BEGINNING OF YEAR	<u>42,700,134</u>	<u>21,528,806</u>	<u>64,228,940</u>	<u>67,977,522</u>
NET ASSETS, END OF YEAR	<u><b>\$ 44,855,140</b></u>	<u><b>\$ 17,394,060</b></u>	<u><b>\$ 62,249,200</b></u>	<u><b>\$ 64,228,940</b></u>

See accompanying notes.

**Huntington Medical Research Institutes**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2024**  
**(with Summarized Comparable Totals for the Year Ended September 30, 2023)**

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	2024					
	Supporting Services					
	Program Services	Management and General	Fundraising	Total	Total	2023
Salaries and wages	\$ 3,108,158	\$ 2,198,636	\$ 366,158	\$ 2,564,794	\$ 5,672,952	\$ 5,712,318
Payroll taxes and employee benefits	1,033,077	855,292	68,866	924,158	1,957,235	1,637,180
<b>Total compensation</b>	<b>4,141,235</b>	<b>3,053,928</b>	<b>435,024</b>	<b>3,488,952</b>	<b>7,630,187</b>	<b>7,349,498</b>
Research and other supplies	1,998,461	-	-	-	1,998,461	716,151
Depreciation and amortization	1,218,218	332,095	10,974	343,069	1,561,287	1,533,224
Occupancy and related expenses	638,504	116,021	4,144	120,165	758,669	338,559
Office expenses	363,061	276,289	72,750	349,039	712,100	1,448,736
Professional fees and contract service payments	63,246	548,627	687	549,314	612,560	2,012,315
Insurance	238,181	93,930	3,355	97,285	335,466	366,813
Taxes and licenses	186,523	73,325	2,619	75,944	262,467	144,262
Repairs, maintenance, and service contracts	187,675	39,545	1,413	40,958	228,633	341,465
Travel, conferences, conventions, and meetings	83,170	26,323	2,949	29,272	112,442	362,814
	<b>\$ 9,118,274</b>	<b>\$ 4,560,083</b>	<b>\$ 533,915</b>	<b>\$ 5,093,998</b>	<b>\$ 14,212,272</b>	<b>\$ 14,613,837</b>

See accompanying notes.

**Huntington Medical Research Institutes**  
**Statements of Cash Flows**  
**Years Ended September 30, 2024 and 2023**

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	<b>2024</b>	<b>2023</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,979,740)	\$ (3,748,582)
Reconciliation to net cash used in operating activities		
Depreciation and amortization	1,561,287	1,533,224
Net unrealized (gains) losses on investments	(2,641,212)	(1,271,093)
Contribution restricted for long-term investment	(100,000)	(100,000)
Gain on sale of equipment	(133,716)	-
Change in allowance on uncollected promises to give	(74,940)	-
Accrued pension cost	(231,591)	680,747
(A)crease (decrease) in operating assets		
Government and contract receivables	55,294	40,720
Other receivables	407,166	(318,214)
Promises to give, net	825,000	2,774,661
Prepaid expenses and other assets	(10,228)	8,124
Patents	-	(3,571)
Increase (decrease) in operating liabilities		
Accounts payable	96,028	(67,840)
Accrued expenses	73,075	(602,453)
Deferred revenue	17,300	(3,634)
Net cash used in operating activities	<u>(2,136,277)</u>	<u>(1,077,911)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(373,103)	(168,729)
Proceeds from sale of property	133,716	-
Purchases of investments	(4,187,717)	(2,077,393)
Proceeds from sales of investments	13,332,873	2,276,635
Net cash provided by investing activities	<u>8,905,769</u>	<u>30,513</u>
<b>FINANCING ACTIVITIES</b>		
Contribution restricted for long-term investment	<u>100,000</u>	<u>100,000</u>
Net cash provided by financing activities	<u>100,000</u>	<u>100,000</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>6,869,492</b>	<b>(947,398)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>3,738,954</u>	<u>4,686,352</u>
End of year	<u>\$ 10,608,446</u>	<u>\$ 3,738,954</u>

See accompanying notes.

# Huntington Medical Research Institutes

## Notes to the Financial Statements

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### Note 1 – Principal Activities and Significant Accounting Policies

**Organization** – Huntington Medical Research Institutes (HMRI) is a California nonprofit public benefit corporation engaged in a program of basic and applied research devoted to new and advanced studies into the causes, nature, prevention, and cure of human diseases. Funding for research is received from the community and the federal government in the form of contributions, contracts, and grants.

HMRI conducts medical research in three distinct areas, the results of which are published in peer-reviewed papers, presented in scientific and medical journals, and displayed at scientific meetings as platform presentations and poster sessions. These areas include cardiovascular research; basic and translational neurosciences; and clinical and translational neurosciences. The cardiovascular research laboratory focuses on the pathophysiology of heart attacks and strokes, cardiovascular signaling, and neuro-cardio-immunology. The basic and translational neurosciences laboratory focuses on novel approaches to the diagnosis and treatment of neuropsychiatric illnesses, with a new paradigm-shifting framework centered on angiogenesis and pluripotent stem cells. The clinical and translational neurosciences laboratory conducts the Brain Aging Study, a longitudinal study investigating noninvasive biomarkers for the early detection of Alzheimer's disease and other projects focused on disparities in aging and health. HMRI also conducts a summer student medical research program and provides monthly scientific lectures that are open to the public.

**Recently adopted accounting pronouncements** – Effective October 1, 2023, HMRI adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which required the use of the current expected credit losses (CECL) impairment model for a broad scope of financial instruments. The CECL model required the immediate recognition of estimated expected credit losses over the life of the financial instrument. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. HMRI adopted the standard effective October 1, 2023, using the modified retrospective approach.

**Comparative financial information** – The accompanying financial statements include 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with HMRI's audited financial statements for the year ended September 30, 2023, from which the summarized information was derived.

**Cash and cash equivalents** – All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash equivalents.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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**Government and contract receivables** – Government and contract receivables are reported at the amount HMRI expects to collect from outstanding balances and consist of amounts to be reimbursed to HMRI for expenses incurred under the terms of its government grants and contracts. Allowance for uncollectable accounts is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance for uncollectable accounts has been established as of September 30, 2024 and 2023, as management believes that the remaining government and contracts receivables are fully collectable. Government and contract receivables are generally due upon receipt, unsecured, and non-interest bearing.

**Other receivables** – Other receivables include amounts billed for clinical and other contract revenue. Estimated credit losses are recorded based on past experience and other facts and circumstances when the revenue is recorded. There was no allowance for credit losses for other receivables for the years ended September 30, 2024 and 2023, respectively.

**Promises to give, net** – HMRI records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contributions, grants, and bequests in the statement of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. An allowance for uncollectable promises to give totaling \$11,961 and \$86,901 was established as of September 30, 2024 and 2023.

**Investments** – Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external investment expenses. HMRI invests in investments, which are subject to appreciation and depreciation depending on various factors which affect the investment portfolio. HMRI has a professional investment firm that manages the investments.

HMRI is accounting for its investment in Huntington Outpatient Imaging Center (HOPIC), a 28% owned affiliate, by the equity method of accounting under which HMRI's share of the net income of the affiliate is treated as an increase in the investment account and corresponding income in HMRI's statement of activities, and dividends received from the affiliate are treated as a reduction of the investment account. As of September 30, 2024, HMRI has divested from the partnership and the \$480,000 of gain generated is recorded in partnership income on the statement of activities.

**Property and equipment** – Property and equipment additions over \$5,000 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3–40 years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. Assets held for future development are not depreciated. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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HMRI reviews the carrying value of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2024 and 2023.

**Patents and patent deposits** – The legal costs to secure patents are capitalized and amortized using the straight-line method over 20 years.

Patent deposits represent accumulated legal and other costs related to registration and development of future patents. Upon approval of the patent, the costs are reclassified as patents and are amortized as described above.

HMRI reviews the carrying value of patents and patent deposits for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. During the years ended September 30, 2024 and 2023, there were no patent deposits recognized as expired or abandoned and none issued and reclassified as patents to be amortized. There were no indicators of asset impairment during the years ended September 30, 2024 and 2023.

**Net assets** – Net assets, revenues, and gains are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, funds designated for investment activities.

*Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. HMRI reports unconditional contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. HMRI reports contributions, grants, and bequests for all restricted activity that was initially classified as contributions with donor restrictions as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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**Revenue recognition** – Revenue from government grants and contracts and the employee retention credit is derived from cost-reimbursement federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when HMRI has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no refundable as of September 30, 2024 and 2023. HMRI has unexpended cost-reimbursable conditional grants of approximately \$4,003,000 and \$2,052,000 that have not been recognized as of September 30, 2024 and 2023, respectively, because qualifying expenditures have not been incurred.

Unconditional contributions, grants, and bequests are recognized when cash, securities, or other assets or a promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Clinical and royalty income are recorded when the performance obligation is met in accordance with the terms of the underlying agreements.

Rental income is recognized straight-line over the term of the lease.

Payments received in advance are recorded as deferred revenue and recognized as revenues in future periods when the related services are performed. There was deferred revenue of \$17,300 as of September 30, 2024, and no deferred revenue as of September 30, 2023.

**Donated assets** – Contributions of long-lived assets are recorded as contributions at their fair value at the date of donation. Such contributions of long-lived assets without donor restrictions are recognized as revenue without donor restrictions. Contributions of cash or other assets restricted to acquisition of long-lived assets are recorded as revenue with donor restrictions. Once the long-lived assets are acquired and placed into service, and if there are no donor restrictions on the long-lived asset's use, the donor restrictions are considered met and the net assets with donor restrictions are released and reclassified to net assets without donor restrictions.

Donated securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation and are considered to be available for without donor restrictions unless specifically restricted by the donor.

There were no donated assets for the years ended September 30, 2024 and 2023.

**Functional allocation of expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses that cannot be directly attributed to a specific program area are charged to individual program areas based on the most appropriate allocation base, such as square footage or time and effort.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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**Change in net assets from operations** – Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as changes in net assets from operations in the accompanying financial statements. Changes in net assets from operating activities exclude investment activity not utilized for operations and change in accrued pension cost.

**Income taxes** – HMRI is a publicly supported organization and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). HMRI is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, HMRI is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes.

Management believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. HMRI would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Estimates** – The preparation of financial statements in conformity with GAAP requires HMRI to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

**Financial instruments and credit risk** – Deposit concentration risk is managed by placing cash and cash equivalents with financial institutions believed by HMRI to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments. Investments are managed by professional investment managers whose performance is monitored by management and the Investment Committee (the Committee) of the governing Board. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management and the Committee believe that the investment policies and guidelines are prudent for the long-term welfare of HMRI.

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Credit risk associated with government and contract receivables and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of HMRI's mission.

**Reclassifications** – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on the balance of previously reported net assets.

**Subsequent events** – Management has evaluated subsequent events through May 19, 2025, which is the date the financial statements were available for issuance and concluded there were no events that met the criteria for disclosure in the financial statements.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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#### **Note 2 – Liquidity and Availability**

The financial assets available for general expenditures within one year of the statements of financial position comprise the following at September 30:

	2024	2023
<b>Financial assets</b>		
Cash	\$ 10,608,446	\$ 3,738,954
Government and contract receivables	138,931	194,225
Other receivables, net	296,133	703,299
Promises to give, net	1,398,039	2,148,099
Investments	<u>21,911,049</u>	<u>28,414,993</u>
 Total financial assets	 <u>34,352,598</u>	 <u>35,199,570</u>
 Amounts not available for general expenditures		
Board-designated endowment	10,095,703	17,180,184
Net assets with donor restrictions	<u>17,394,060</u>	<u>21,528,806</u>
 Total amounts not available for general expenditures	 <u>27,489,763</u>	 <u>38,708,990</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 6,862,835</u>	 <u>\$ (3,509,420)</u>

HMRI maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. HMRI maintains a target balance of cash of \$1,000,000 to fund operations. In addition, HMRI has a Board-designated endowment fund totaling \$10,095,703 and \$17,180,184 as of September 30, 2024 and 2023, respectively. The objective of this Board-designated endowment fund is to maintain funds that could be drawn down in the event of an immediate liquidity need subject to approval by the Board of Directors.

# Huntington Medical Research Institutes

## Notes to the Financial Statements

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### Note 3 – Promises to Give

As of September 30, 2024 and 2023, unconditional promises to give are scheduled to be collected as follows:

	2024	2023
Within one year	\$ 1,410,000	\$ 1,625,000
In one to five years	- <hr/>	610,000 <hr/>
Less discount to net present value at 2%	1,410,000 <hr/> (11,961) <hr/>	2,235,000 <hr/> (86,901) <hr/>
	<hr/> <u>\$ 1,398,039</u>	<hr/> <u>\$ 2,148,099</u>

### Note 4 – Investments

As of September 30, investments consisted of the following:

	2024	2023
Mutual funds	\$ 19,005,451	\$ 24,740,161
Limited partnership interests – fair value basis	2,905,598 <hr/>	3,674,832 <hr/>
Total fair value basis investments	<hr/> <u>\$ 21,911,049</u>	<hr/> <u>\$ 28,414,993</u>

### Note 5 – Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the accompanying financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting HMRI's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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**Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

**Level 3** – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of an input to entire measurement requires judgment, considering factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset.

The values of publicly traded securities, such as the money market and mutual funds, are based on quoted market prices.

The values of limited partnerships interests that are considered alternative investment funds are based on net asset values (NAVs) as reported by the partnership, which are reported at fair value.

Investments held by HMRI are categorized as follows:

*Fixed income* – This category includes investments in publicly traded mutual funds.

*Foreign equity* – This category includes investments in publicly traded mutual funds.

*Private natural resources* – This category includes investments in alternative fund limited partnerships and private company limited partnerships.

*Real assets* – This category includes investments in private company limited partnerships.

*U.S. equity* – This category includes investments in publicly traded mutual funds.

*Venture capital* – This category includes investments in alternative fund limited partnerships.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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The following table presents assets measured at fair value on a recurring basis, as of September 30, 2024:

	Fair Value Measurements at Report Date Using				Assets Measured Using Net Asset Value (or Equivalent)
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds					
Fixed income	\$ 6,495,211	\$ 6,495,211	\$ -	\$ -	\$ -
Foreign equity	4,465,927	4,465,927	-	-	-
U.S. equity	8,044,313	8,044,313	-	-	-
Limited partnership interests					
Private natural resources	1,296,206	-	-	471,384	824,822
Venture capital	1,609,392	-	-	-	1,609,392
	<u>\$ 21,911,049</u>	<u>\$ 19,005,451</u>	<u>\$ -</u>	<u>\$ 471,384</u>	<u>\$ 2,434,214</u>

The following table presents assets measured at fair value on a recurring basis, as of September 30, 2023:

	Fair Value Measurements at Report Date Using				Assets Measured Using Net Asset Value (or Equivalent)
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds					
Fixed income	\$ 8,359,497	\$ 8,359,497	\$ -	\$ -	\$ -
Foreign equity	5,720,622	5,720,622	-	-	-
U.S. equity	10,660,042	10,660,042	-	-	-
Limited partnership interests					
Private natural resources	1,718,527	-	-	645,455	1,073,072
Real assets	204,000	-	-	204,000	-
Venture capital	1,752,305	-	-	-	1,752,305
	<u>\$ 28,414,993</u>	<u>\$ 24,740,161</u>	<u>\$ -</u>	<u>\$ 849,455</u>	<u>\$ 2,825,377</u>

Investments in limited partnerships' interests in private companies are not readily marketable and are reported at fair value utilizing the most current information provided by investment managers and third-party independent appraisers. These are Level 3 measurements.

Type	Fair Value at September 30, 2024	Valuation Technique	Significant Unobservable Inputs	Range of Input Value
Limited Partnerships	\$ 471,384	Independent appraisal	Discount rate	10%–33%

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2024:

Balance, September 30, 2023	\$ 849,455
Net gain	241,635
Distributions	<u>(619,706)</u>
 Balance, September 30, 2024	 <u>\$ 471,384</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2023:

Balance, September 30, 2022	\$ 584,207
Net gain	<u>265,248</u>
 Balance, September 30, 2023	 <u>\$ 849,455</u>

**Unfunded capital commitments** – HMRI is committed to providing additional capital to certain limited partnerships based on the capital call provisions of those partnerships. As of September 30, 2024 and 2023, HMRI's unfunded commitments to these limited partnerships were \$239,587 and \$257,029, respectively.

**Redemptions** – All investments in limited partnerships measured at fair value are illiquid and therefore cannot be redeemed until the specified maturity date.

#### **Note 6 – Property and Equipment**

Property and equipment consisted of the following as of September 30, 2024 and 2023:

	2024	2023
Land	\$ 2,506,062	\$ 2,506,062
Buildings and improvements	33,729,763	33,729,763
Lab equipment	7,543,100	7,365,371
Other equipment	717,407	691,222
Assets held for future development (Note 7)	1,217,551	1,217,551
Construction in progress	<u>22,350</u>	<u>20,850</u>
 Less accumulated depreciation	 <u>(16,090,997)</u>	 <u>(14,720,642)</u>
 \$ 29,645,236	 <u>\$ 30,810,177</u>	

Depreciation expense for the years ended September 30, 2024 and 2023, was \$1,552,158 and \$1,524,104, respectively.

# Huntington Medical Research Institutes

## Notes to the Financial Statements

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### **Note 7 – Assets Held for Future Development**

HMRI has purchased several parcels of real property in Pasadena, California. The aggregate purchase cost for these properties was approximately \$3,200,000. Development of some of these parcels was completed during the year ended September 30, 2018. As of September 30, 2024 and 2023, approximately \$1,217,551 of the remaining undeveloped parcels of real property are included in assets held for future development to be used in operations. These assets are not being depreciated.

### **Note 8 – Charitable Remainder Unitrust**

During 2003, HMRI became the beneficiary and administrator of a charitable remainder unitrust (CRUT). The CRUT provides the donor income for the donor's lifetime, after which the remaining funds will be distributed to HMRI. These amounts are recorded at present value, which represents the current fair value of the trust, reduced by the estimated actuarial liability necessary to meet the future payments to the life income beneficiary. The portion of the gift attributable to the present value of the future benefits to be received by HMRI was recorded in the statement of activities as a restricted donation in the period the gift was established.

The CRUT at September 30, 2024 and 2023, comprises the following:

	2024	2023
Other receivables	\$ 107,182	\$ 107,447
Accrued expenses	<u>(7,260)</u>	<u>(8,022)</u>
	<u><u>\$ 99,922</u></u>	<u><u>\$ 99,425</u></u>

### **Note 9 – Patents**

Patents as of September 30, 2024 and 2023, consisted of the following:

	2024	2023
Patents	\$ 277,637	\$ 277,637
Less accumulated amortization	<u>(191,960)</u>	<u>(182,831)</u>
	<u><u>85,677</u></u>	<u><u>94,806</u></u>
Add deposits	<u>114,185</u>	<u>114,185</u>
	<u><u>\$ 199,862</u></u>	<u><u>\$ 208,991</u></u>

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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Amortization expense for the years ended September 30, 2024 and 2023, was \$9,129. Estimated future amortization of these patents is as follows:

Years Ending September 30,	\$
2025	9,120
2026	9,120
2027	9,120
2028	9,120
2029	9,120
Thereafter	40,077
	<u><u>\$ 85,677</u></u>

#### **Note 10 – Employee Retention Tax Credit**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided an ERTC, which is a refundable tax credit against certain employment taxes for eligible employers. During the year ended September 30, 2023, the HMRI qualified and received an ERTC and recorded \$1,503,061 of income on the statement of activities under revenue, support, and gains.

#### **Note 11 – Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods as of September 30, 2024 and 2023:

	2024	2023
Subject to expenditure for specified purpose or period		
Accumulated investment gains	\$ 5,837,427	\$ 8,313,032
Time restrictions	849,549	497,374
Research activities	3,752,654	5,887,116
 Total subject to expenditure for specified purpose or period	<u>10,439,630</u>	<u>14,697,522</u>
 Restricted in perpetuity		
Ross McCollum Fund	3,486,792	3,486,792
Marylou Ingram Fund	2,079,403	2,079,403
Della Martin Postdoc Fellowship	1,188,235	1,165,089
Pasadena Community Foundation	200,000	100,000
 Total restricted in perpetuity	<u>6,954,430</u>	<u>6,831,284</u>
 Total net assets with donor restrictions	<u><u>\$ 17,394,060</u></u>	<u><u>\$ 21,528,806</u></u>

## **Huntington Medical Research Institutes**

### **Notes to the Financial Statements**

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During the years ended September 30, 2024 and 2023, net assets with donor restrictions of \$9,005,154 and \$4,827,027, respectively, were released from restriction as the purpose and time restrictions were satisfied.

#### **Note 12 – Endowment**

HMRI's endowment consists of Board-designated endowment funds and the restricted Ross McCollum Fund, Marylou Ingram Fund, and the Della Martin Postdoc Fellowship Fund. The Board-designated endowment funds are comprised of gifts received over the years that could be used at HMRI's discretion without donor restrictions. In 1991, HMRI received a restricted endowment contribution, and the Ross McCollum Fund was created pursuant to the provisions of the trust created under the Estate of Ross McCollum. Under the trust provisions, the corpus of the endowment is to remain intact, and the income earned from appreciation of the corpus is available for HMRI's use without donor restrictions. In 2015, HMRI received a restricted endowment contribution, and the Marylou Ingram Fund was created pursuant to the provisions of the trust created by Marylou Ingram. Under the trust provisions, the corpus of the endowment is to remain intact, and the income earned from appreciation of the corpus is available for research in tissue engineering, cancer molecular genetics, and other related research programs. In 2022, HMRI received a restricted endowment pledge from Della Martin Foundation and the Della Martin Endowed Postdoctoral Fellowship in Mental Health was created. Under the agreement, the endowment funds are to remain intact, and the income earned from appreciation of the investments is available to support postdoctoral fellows. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

HMRI adheres to GAAP with respect to the endowment funds. The State of California has adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Board has further interpreted this to mean that there is an implicit understanding that the fair value of the donor-restricted endowment may from time to time fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurred, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the fund to an amount at or above the amount of the original gift. HMRI's policy is that no distributions may be made from underwater endowments unless such distributions are expressly permitted in the corresponding gift instrument.

As a result of this interpretation, HMRI classifies restricted net assets held in perpetuity by a) the original value of gifts donated to the donor-restricted endowment, b) the original value of subsequent gifts to the donor-restricted endowment, and c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetuity is classified as accumulated investment gains available for appropriation until those amounts are appropriated for expenditure by HMRI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, HMRI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund

## **Huntington Medical Research Institutes**

### **Notes to the Financial Statements**

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2. The purposes of HMRI and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation and depreciation of investments
6. Other resources of HMRI
7. The investment policies of HMRI

The endowment consists of a portfolio of investments comprised of cash and mutual funds. The fiduciary responsibility for HMRI's portfolio is assigned to the investment committee of the Board of Directors. The Committee takes responsibility for allocation of funds to various asset classes, Board-approved policy, and the engagement of investment managers. The Committee will normally review the portfolio's asset allocation, manager structure, and performance quarterly, to evaluate diversification, adherence to policies, and progress towards long-term objectives. While short-term results will be monitored, it is understood that the objectives of the portfolio are long-term in nature and that progress toward these objectives will be evaluated from a long-term perspective.

The primary long-term financial objectives of the portfolio are to maintain and grow the real value (purchasing power) of the fund in perpetuity, while providing a relatively stable and growing source of funding to support HMRI's operations. The primary long-term investment objective of the portfolio is to earn an average annual real (after adjusting for inflation) total return that exceeds the Board-approved total spending rate (generally 4%), net of consultant and management fees, over long time periods (rolling 20-year periods). The Board recognizes that the investment objectives involve risk and, though it cannot be eliminated, can be mitigated by diversification and other risk management methods.

During the year ended September 30, 2024, the board of directors approved spending in excess of their established policy. The amount expended does not exceed accumulated earnings its endowment assets.

HMRI maintains master investment accounts for its donor-restricted and Board-designated endowments. Pooling endowment funds for investment purposes has many benefits, including but not limited to spreading the total risk for each endowment fund and making the risk equal for all funds invested in the master investment accounts, enhancing the investment performance relative to that of an individual fund, and reducing management fees. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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As of September 30, 2024, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2024			
Board-designated endowment funds	\$ 10,095,703	\$ -	<u>\$ 10,095,703</u>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts to be maintained in perpetuity by donor	- -	6,954,430	6,954,430
Accumulated investment gains	<u>- -</u>	<u>5,837,427</u>	<u>5,837,427</u>
	<u><u>\$ 10,095,703</u></u>	<u><u>\$ 12,791,857</u></u>	<u><u>\$ 22,887,560</u></u>

As of September 30, 2023, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2023			
Board-designated endowment funds	\$ 17,180,184	\$ -	<u>\$ 17,180,184</u>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts to be maintained in perpetuity by donor	- -	6,831,284	6,831,284
Accumulated investment gains	<u>- -</u>	<u>8,313,032</u>	<u>8,313,032</u>
	<u><u>\$ 17,180,184</u></u>	<u><u>\$ 15,144,316</u></u>	<u><u>\$ 32,324,500</u></u>

Changes in endowment net assets for the year ended September 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2024			
Endowment net assets, beginning of year	\$ 17,180,184	\$ 15,144,316	\$ 32,324,500
Addition to endowment	- -	123,146	123,146
Investment return	2,963,499	3,325,494	6,288,993
Amounts appropriated for expenditure	(6,082,480)	(5,801,099)	(11,883,579)
Redesignation of net assets	<u>(3,965,500)</u>	<u>- -</u>	<u>(3,965,500)</u>
Endowment net assets, end of year	<u><u>\$ 10,095,703</u></u>	<u><u>\$ 12,791,857</u></u>	<u><u>\$ 22,887,560</u></u>

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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Changes in endowment net assets for the year ended September 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2023			
Endowment net assets, beginning of year	\$ 14,067,676	\$ 14,592,454	\$ 28,660,130
Addition to endowment	3,357,699	100,000	3,457,699
Investment return	1,774,540	1,623,496	3,398,036
Amounts appropriated for expenditure	<u>(2,019,731)</u>	<u>(1,171,634)</u>	<u>(3,191,365)</u>
Endowment net assets, end of year	<u><u>\$ 17,180,184</u></u>	<u><u>\$ 15,144,316</u></u>	<u><u>\$ 32,324,500</u></u>

**Funds with deficiencies** – The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires HMRI to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions. HMRI policy requires a formal request to be submitted to and approved by the Board of Directors for a spending allowance from an underwater endowment. No requests were submitted during the years ended September 30, 2024 or 2023, as there were no underwater endowments to report.

#### **Note 13 – Employee Benefit Plans and Subsequent Event**

**Defined benefit pension plan** – HMRI has a defined benefit pension plan covering substantially all of its employees hired prior to July 1, 2009, at which point the plan was frozen. The benefits are based on years of service and the employee's compensation during the highest five of the last ten years of employment. HMRI's funding policy is to contribute monthly the amount needed to satisfy the minimum funding standard required by the Employee Retirement Income Security Act of 1974.

At its January 2016 meeting, the Board passed a resolution to amend the defined benefit pension plan. As a result of this amendment, employee compensation levels earned and hours of service credited after February 14, 2016, will not factor into future benefit calculations. In addition, an employee's pension benefit shall not be less than his or her accrued pension benefit as of February 14, 2016.

At its July 2024 meeting, the Board passed a resolution to terminate the defined pension plan and transfer the remaining obligations to an unrelated third party. Subsequent to September 30, 2024, an agreement with the unrelated third party was signed and was effective on November 1, 2024. Upon termination, all participants were provided the option to receive their accrued benefits in the form of lump-sum distributions or continue annual annuities. The total amount paid under the final non-participating premium was \$3,485,000.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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The following provides further information about HMRI's pension plan as of September 30, 2024 and 2023:

	2024	2023
Benefit obligation at September 30	\$ 11,085,437	\$ 11,619,153
Employer contributions	320,000	-
Benefit payments	948,043	907,580
Fair value of plan assets at September 30	9,999,721	10,301,847
Net unfunded status of plan	1,085,716	1,317,307
Accrued pension cost	1,085,716	1,317,307

The net periodic benefit cost recognized in the change in net assets without donor restriction is as follows:

	2024	2023
Net periodic benefit cost	\$ 308,604	\$ 258,389

Amounts expected to be recognized in net periodic cost in the coming year:

	2024	2023
Loss recognition	\$ 144,488	\$ 145,897

The weighted-average assumptions used to determine benefit obligations at September 30, 2024 and 2023, were as follows:

	2024	2023
Discount rate	4.7%	5.6%
Rate of compensation increase	3.0%	2.0%

The weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30, 2024 and 2023, were as follows:

	2024	2023
Discount rate	4.7%	5.6%
Expected long-term rate of return on plan assets	5.0%	5.0%
Rate of compensation increase	3.0%	2.0%

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

# Huntington Medical Research Institutes

## Notes to the Financial Statements

The fair values of HMRI's pension plan assets for the year ended September 30, 2024, by asset class are as follows:

	Fair Value Measurements at Report Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Total				
Insurance contract	\$ 9,999,721	\$ -	\$ 9,999,721	\$ -

The fair values of HMRI's pension plan assets for the year ended September 30, 2023, by asset class are as follows:

	Fair Value Measurements at Report Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Total				
Insurance contract	\$ 10,301,847	\$ -	\$ 10,301,847	\$ -

Expected future benefit payments are as follows as of September 30, 2024:

Years Ending September 30,	
2025	\$ 10,776,672
2026	-
2027	-
2028	-
2029	-
2030–2034	<hr/>
	\$ 10,776,672

**Plan assets – Investment strategy** – HMRI's overall strategic investment objectives for the pension plan are to preserve capital for future benefit payments and to balance risk and return. In order to accomplish these objectives, HMRI oversees the pension plan's investment objectives and policy design, decides proper plan asset class strategies and structures, monitors the performance of plan investment managers and investment funds, and determines the proper investment allocation of pension plan contributions and withdrawals.

**Plan assets – Fair value measurements** – The pension plan had all its assets invested in an insurance contract. These instruments accounted for at fair value are considered to be Level 2. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

## Huntington Medical Research Institutes

### Notes to the Financial Statements

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**Defined contribution plans** – On October 1, 2010, HMRI established a defined contribution retirement plan (the 401(a) Plan) for the benefit of all employees meeting the eligibility requirements as set forth in the 401(a) Plan documents. HMRI may make an annual discretionary contribution up to 4% of employees' compensation and may match up to an additional 4% based on voluntary contributions by employees to the 403(b) plan. During the years ended September 30, 2024 and 2023, HMRI contributed approximately \$363,935 and \$342,000, respectively.

HMRI also maintains a 403(b) defined contribution retirement plan for all employees meeting the eligibility requirements as set forth in the 403(b) Plan documents. The plan is voluntary on behalf of the employees and HMRI has no obligation to contribute to the plan.

HMRI also maintains a 457(b) deferred compensation plan for all employees earning at least \$120,000 annually and who are a director or above. The plan is voluntary on behalf of the employees and HMRI has no obligation to contribute to the plan.

#### Note 14 – Concentrations

HMRI receives a substantial amount of its support and revenue from federal government programs. A significant reduction in the level of this support, if it were to occur, would have a pronounced effect on programs and activities.

Two funding sources accounted for approximately 39% of total contributions, grants, and bequests for the year ended September 30, 2024. One funding source accounted for approximately 31% of total contributions, grants, and bequests for the year ended September 30, 2023.

#### Note 15 – Related-Party Transactions

HMRI owned 28% of Huntington Outpatient Imaging Center (HOPIC). An employee of HMRI is on the Board of Managers of HOPIC. In the year ended September 30, 2024, HMRI divested from the partnership. In July 2024, HMRI received \$480,000 in consideration of their 28% ownership.

HMRI leases office space to a company in which an HMRI Board member is a part-owner. The lease commenced on April 1, 2022, with options to extend the lease annually. On June 1, 2024, the old lease was discontinued and replaced with a new lease for a larger space. The new lease calls for base monthly payments of approximately \$8,618 per month. In addition, parking and storage space are also leased on a month-to-month basis to the same Board member for \$500 and \$350 per month, respectively, on adjacent property owned by HMRI.

Rental income from these leases was approximately \$68,000 and \$34,000 for the years ended September 30, 2024 and 2023, respectively.

#### Note 16 – Leases and Commitments

**Leases** – HMRI is committed to a lease agreement for a building, expiring in June 2025. The future minimum rental commitment under the lease is \$257,292 for the fiscal year 2025.

# Huntington Medical Research Institutes

## Notes to the Financial Statements

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Rent expense, included in occupancy and related expenses within the statements of functional expenses for the years ended September 30, 2024 and 2023, was approximately \$336,000 and \$339,000, respectively.

### **Note 17 – Risks and Uncertainties**

**Litigation** – HMRI may be involved in legal matters that arise from time to time in the ordinary course of business. Management and legal counsel do not believe that the resolution of any of these matters would have a material impact on HMRI's financial position or change in net assets.

**Federal funding uncertainty** – In the first quarter of 2025, the new US federal administration issued several Executive Orders and took various actions that may affect the funding of federal grant recipients. HMRI is evaluating its grants to discern if any current awards or future funding could be impacted by these government actions.

## **Supplementary Information**

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**Huntington Medical Research Institutes**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2024**

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures	Amount Passed Through to Subrecipients
Research and Development Cluster				
U.S. Department of Health and Human Services				
National Institutes of Health				
Direct Programs				
Novel Development Pathways				
Underlying Psychiatric Disorders	93.242		\$ 635,652	\$ 135,016
Mental Health Research Grants	93.242		283,310	-
Role of PHLPP in the Heart	93.837		20,944	-
Cognitive Challenge to Reveal Systemic Neurophysiology				
Biomarkers in Presymptomatic Alzheimer's Diseases	93.866		739,956	257,135
Dysfunction of Sodium Homeostasis in Migraine	93.853		526,499	352,082
Aging Research	93.866		12,112	-
Aging Research	93.866		58,955	-
Subtotal – Direct Programs			<u>2,277,428</u>	<u>744,233</u>
Passed through from				
Washington State University				
Aging Research	93.866	RF1AG071677	36,335	-
Aging Research	93.866	R01AG080398	36,335	-
University of Washington				
Aging Research	93.866	P30AG066509	53,751	-
The Trustees of Columbia University				
Aging Research	93.866	R01AG077518	48,446	-
University of Oklahoma				
Aging Research	93.866	75N92019D00028	5,420	-
Subtotal - Pass-through			<u>180,287</u>	<u>-</u>
Total – U.S. Department of Health and Human Services and National Institutes of Health			<u>2,457,715</u>	<u>744,233</u>
Total Research and Development Cluster			<u>2,457,715</u>	<u>744,233</u>
Total Federal Financial Assistance			<u><u>\$ 2,457,715</u></u>	<u><u>\$ 744,233</u></u>

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

# **Huntington Medical Research Institutes**

## **Notes to Schedule of Expenditures of Federal Awards**

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### **Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Huntington Medical Research Institutes (HMRI) under programs of the federal government for the year ended September 30, 2024. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of HMRI, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of HMRI.

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

Expenditures including subrecipient expenditures reported in the Schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Note 3 – Indirect Cost Rate**

HMRI has not elected to use the 10% de minimis indirect cost rate.



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

The Board of Directors  
Huntington Medical Research Institutes

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Huntington Medical Research Institutes, which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2025.

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

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

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

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

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

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

### **Purpose of This Report**

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



Los Angeles, California

May 19, 2025



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

The Board of Directors  
Huntington Medical Research Institutes

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

#### ***Opinion on Each Major Federal Program***

We have audited Huntington Medical Research Institutes' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Huntington Medical Research Institutes' major federal programs for the year ended September 30, 2024. Huntington Medical Research Institutes' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Huntington Medical Research Institutes complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

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

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

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

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

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Huntington Medical Research Institutes' federal programs.

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

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

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

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

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

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

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

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

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

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



Los Angeles, California

May 19, 2025

**Huntington Medical Research Institutes**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2024**

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

## ***Financial Statements***

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

## Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

## ***Federal Awards***

### Internal control over major federal programs:

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

Type of report the auditor issued on compliance for major federal programs      Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?  Yes  No

## **Identification of Major Federal Program**

Name of Federal Program Assistance Listing Number

## Research and Development Cluster Multiple

- Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- Auditee qualified as low-risk auditee?  Yes  No

**Huntington Medical Research Institutes**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2024**

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**Section II – Financial Statement Findings**

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None reported.

**Huntington Medical Research Institutes**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2024**

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

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None reported.

**Huntington Medical Research Institutes**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2024**

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**No unresolved prior audit findings.**

