



**THE JACKSON LABORATORY**  
Consolidated Financial Statements  
December 31, 2023 and 2022  
(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:

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

#### *Opinion*

We have audited the consolidated financial statements of The Jackson Laboratory (the Laboratory), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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, 2023 and 2022, and the results of its operations 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 29, 2024

Vt. Reg. No. 92-0000241

## THE JACKSON LABORATORY

### Consolidated Balance Sheets

December 31, 2023 and 2022

(Dollars in thousands)

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and equivalents	\$ 17,062	21,368
Short-term investments, at fair value	217,449	241,607
Accounts receivable, net	67,021	67,990
Contributions receivable, net	27,588	3,574
Goodwill and other intangible assets	47,553	48,908
Other assets	54,584	49,123
Long-term investments, at fair value	410,432	376,169
Long-lived assets, net	654,024	622,002
Total assets	\$ 1,495,713	1,430,741
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 121,919	93,028
Deposits and deferred revenue	15,394	14,907
Long-term debt, net	359,766	368,641
Other liabilities	15,214	13,704
Total liabilities	512,293	490,280
Net assets:		
Without donor restrictions	886,701	850,545
With donor restrictions	96,719	89,916
Total net assets	983,420	940,461
Total liabilities and net assets	\$ 1,495,713	1,430,741

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)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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	<u>614,190</u>	<u>5,755</u>	<u>619,945</u>
Net assets released from restrictions	<u>6,959</u>	<u>(6,959)</u>	<u>—</u>
Total revenue and other support	<u>621,149</u>	<u>(1,204)</u>	<u>619,945</u>
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	<u>608,237</u>	<u>—</u>	<u>608,237</u>
Change in net assets from operating activities	<u>12,912</u>	<u>(1,204)</u>	<u>11,708</u>
Nonoperating activities:			
Grants and contributions for capital and long-term investments	—	707	707
Long-term investment gains	25,116	7,380	32,496
Other, net	(1,804)	(80)	(1,884)
Increase in net assets from nonoperating activities	<u>23,312</u>	<u>8,007</u>	<u>31,319</u>
Increase in net assets	<u>36,224</u>	<u>6,803</u>	<u>43,027</u>
Other changes in net assets:			
Cumulative translation adjustments	<u>(68)</u>	<u>—</u>	<u>(68)</u>
Total other changes in net assets	<u>(68)</u>	<u>—</u>	<u>(68)</u>
Total increase in net assets	36,156	6,803	42,959
Net assets, beginning of year	<u>850,545</u>	<u>89,916</u>	<u>940,461</u>
Net assets, end of year	\$ <u><u>886,701</u></u>	<u><u>96,719</u></u>	<u><u>983,420</u></u>

See accompanying notes to consolidated financial statements.

**THE JACKSON LABORATORY**

Consolidated Statement of Activities and Changes in Net Assets

Year ended December 31, 2022

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating activities:			
Revenue and other support:			
Grants and research contracts	\$ 111,712	—	111,712
Contributions	1,095	3,132	4,227
Genetic resources and clinical and research services	460,105	—	460,105
Long-term investment return utilized	8,776	2,525	11,301
Other investment return	(4,332)	—	(4,332)
Other revenue	725	—	725
	<hr/>	<hr/>	<hr/>
Total revenue	578,081	5,657	583,738
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	5,033	(5,033)	—
	<hr/>	<hr/>	<hr/>
Total revenue and other support	583,114	624	583,738
	<hr/>	<hr/>	<hr/>
Expenses:			
Research	160,602	—	160,602
Genetic resources and clinical and research services	327,387	—	327,387
Training	10,305	—	10,305
Institutional support	77,078	—	77,078
	<hr/>	<hr/>	<hr/>
Total expenses	575,372	—	575,372
	<hr/>	<hr/>	<hr/>
Increase in net assets from operating activities	7,742	624	8,366
	<hr/>	<hr/>	<hr/>
Nonoperating activities:			
Grants and contributions for capital and long-term investments	1,735	1,805	3,540
Long-term investment losses	(56,702)	(15,881)	(72,583)
Other, net	(6,867)	229	(6,638)
	<hr/>	<hr/>	<hr/>
Decrease in net assets from nonoperating activities	(61,834)	(13,847)	(75,681)
	<hr/>	<hr/>	<hr/>
Decrease in net assets	(54,092)	(13,223)	(67,315)
	<hr/>	<hr/>	<hr/>
Other changes in net assets:			
Cumulative translation adjustments	(5,301)	—	(5,301)
Contributed capital from noncontrolling interest partner	2,518	—	2,518
Distribution of contributed capital	(26,824)	—	(26,824)
	<hr/>	<hr/>	<hr/>
Total other changes in net assets	(29,607)	—	(29,607)
	<hr/>	<hr/>	<hr/>
Total decrease in net assets	(83,699)	(13,223)	(96,922)
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	934,244	103,139	1,037,383
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 850,545	89,916	940,461
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See accompanying notes to consolidated financial statements.

**THE JACKSON LABORATORY**

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(Dollars in thousands)

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Change in net assets	\$ 42,959	(96,922)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Noncontrolling interest	—	28,973
Foreign currency translation adjustment	(68)	(5,301)
Depreciation and amortization	58,374	58,911
Realized and unrealized net investment (gains) losses	(43,918)	79,180
Loss on disposal of long-lived assets	(665)	(871)
Contributions restricted for long-term investment and assets	(980)	(4,570)
Changes in operating assets and liabilities	(6,247)	(7,600)
Net cash provided by operating activities	49,455	51,800
Cash flows from investing activities:		
Acquisition and construction of long-lived assets	(81,521)	(108,417)
Refund of Charles River Lab Japan Purchase Price	—	948
Capital contribution from joint venture partner	—	2,518
Proceeds from sales of investments	97,303	107,213
Purchases of investments	(71,378)	(106,299)
Net cash used in investing activities	(55,596)	(104,037)
Cash flows from financing activities:		
Repayment of bonds	(4,815)	(4,990)
Loan proceeds, net	—	29,615
Repayment of note payable	(2,218)	(1,263)
Contributions restricted for long-term investment and assets	980	4,570
Net cash used in (provided by) financing activities	(6,053)	27,932
Net decrease in cash and equivalents	(12,194)	(24,305)
Cash and cash equivalents beginning of year	60,030	84,335
Cash and cash equivalents end of year	\$ 47,836	60,030
Cash paid for interest	\$ 12,882	13,045

See accompanying notes to consolidated financial statements.

## THE JACKSON LABORATORY

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### (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 US subsidiary, JAX LLC, JAX LLC's wholly-owned subsidiaries, The Jackson Laboratory Medical Science and Technology (Shanghai) Co., Ltd. (JAX Shanghai), JAX HK, and JAX Japan Holdings, and their subsidiaries, JAX Beijing and JAX Japan. All intercompany transactions have been eliminated in consolidation. In 2022, to determine the final value of goodwill within twelve months of the acquisition of The Jackson Laboratory Japan, Inc. and with the assistance of an independent subject-matter specialist, management determined the final step-up fair value of certain acquired long-lived and intangible assets. Factors contributing to the final valuation of these assets include, but are not limited to, the increase in business opportunities from the Laboratory's presence in the Japanese market. The resultant net step-up adjustment to the long-lived and intangible assets, and the resultant decrease in goodwill, totaled \$6,582 in 2022.

In accordance with the purchase agreement, the final determination of working capital at the date of acquisition was agreed on with the seller of Charles River Laboratory Japan, Inc. As a result, in 2022 the Laboratory received a partial refund of the acquisition purchase price of \$948, which was recognized as a decrease in the value of goodwill.

As a result of the foregoing, the final value of goodwill included in the Laboratory's consolidated balance sheet, is \$22,468 at December 31, 2023 and 2022.

Through its wholly-owned subsidiary, Jackson Laboratory Hong Kong Holdings Limited (JAX HK), the Laboratory held a controlling interest in an operating venture in the People's Republic of China, The Jackson Laboratory Anitech Biotechnology (Beijing) Limited (JAX Beijing). In November 2022, prior to JAX Beijing commencing operations, the shareholders of JAX Beijing voted on a plan to dissolve the entity. As a result, the exclusive right to utilize certain buildings and related land for JAX Beijing's operations was revoked in 2022 and was recognized as a distribution of capital for the year ended December 31, 2022.



**THE JACKSON LABORATORY**  
Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

The reconciliation of a noncontrolling interest reported in net assets without donor restrictions at December 31, 2022 is as follows:

	<b>2022</b>		
	<u>The Laboratory</u>	<u>JAX Beijing</u>	<u>Total</u>
Net assets without donor restrictions at December 31, 2021	\$ 905,271	28,973	934,244
Operating income (loss)	12,220	(4,478)	7,742
Nonoperating income	<u>(61,834)</u>	<u>—</u>	<u>(61,834)</u>
Excess (deficit) of revenues over expenses	(49,614)	(4,478)	(54,092)
Cumulative translation adjustments	(5,112)	(189)	(5,301)
Contributed capital from non-controlling interest partner	—	2,518	2,518
Distribution of capital	<u>—</u>	<u>(26,824)</u>	<u>(26,824)</u>
Change in net assets	<u>(54,726)</u>	<u>(28,973)</u>	<u>(83,699)</u>
Net assets without donor restrictions at December 31, 2022	\$ <u><u>850,545</u></u>	<u><u>—</u></u>	<u><u>850,545</u></u>

**(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.

## THE JACKSON LABORATORY

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### **(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 to be exchange transactions. Accounts receivable from such activities are reported net of allowance for uncollectible accounts.

## THE JACKSON LABORATORY

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

- *Revenue from Grants and Research Contracts*

Grants and contracts awarded by federal and other sponsors, which generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred or other conditions under the agreements are met. The Laboratory has elected the simultaneous release policy which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Payments received in advance of expenditures are recorded as deferred revenue until expended. The Laboratory received approximately 87% of its revenue from grants and contracts from the National Institutes of Health (NIH) for each of the years ended December 31, 2023 and 2022. Indirect costs are billed and recovered in accordance with the terms of the grant agreements and represented \$39,253 and \$39,652, respectively, of revenue from grants for the years ended December 31, 2023 and 2022. 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 generally considered non-exchange transactions, and are recognized at fair value and increase net assets in the period received. Written promises to give that are scheduled to be received after the balance sheet date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Contributions are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized as revenue until the performance barrier and the right of return or release have been overcome. Contributions to be received after one year are discounted at rates commensurate with the estimated risk of receipt of the pledge. Amortization of the discount is recorded as additional contribution revenue in the appropriate net asset category.

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

**(d) *Functional Classification of Expenses***

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

**THE JACKSON LABORATORY**

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Functional expenses incurred by type for the years ended December 31, 2023 and 2022 are presented below:

<b>December 31, 2023</b>					
		<b>Genetic resources and clinical and research services</b>		<b>Institutional support</b>	
	<b>Research</b>		<b>Training</b>		<b>Total</b>
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
<b>Total</b>	<b>\$ 169,499</b>	<b>338,161</b>	<b>11,405</b>	<b>89,172</b>	<b>608,237</b>

  

<b>December 31, 2022</b>					
		<b>Genetic resources and clinical and research services</b>		<b>Institutional support</b>	
	<b>Research</b>		<b>Training</b>		<b>Total</b>
Salaries and wages	\$ 71,063	124,465	3,581	37,098	236,207
Benefits	21,472	37,608	1,082	11,209	71,371
Employee recruitment, training, memberships and subscriptions	1,846	1,276	185	2,669	5,976
Purchased services and stipends	14,001	21,337	1,755	12,856	49,949
Supplies and shipping	17,926	60,881	353	735	79,895
Maintenance, utilities and insurance	11,383	26,836	655	4,846	43,720
Travel and meals	1,669	2,610	1,168	2,572	8,019
Interest expense	272	7,648	30	110	8,060
Depreciation	20,706	32,126	1,291	2,691	56,814
Other expenses	264	12,600	205	2,292	15,361
<b>Total</b>	<b>\$ 160,602</b>	<b>327,387</b>	<b>10,305</b>	<b>77,078</b>	<b>575,372</b>

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 \$3,893 and \$3,857 for the years ended December 31, 2023 and 2022, respectively.

**THE JACKSON LABORATORY**  
Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

**(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 long-lived assets, net assets released from restrictions for the acquisition of long-lived assets, unrestricted bequests, 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:

	<u>2023</u>	<u>2022</u>
Cash included in short-term investments on the consolidated balance sheets	\$ 30,774	38,662
Cash and cash equivalents as reported in the consolidated balance sheets	<u>17,062</u>	<u>21,368</u>
Total cash and cash equivalents as shown in the consolidated statement of cash flows	<u>\$ 47,836</u>	<u>60,030</u>

## THE JACKSON LABORATORY

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

In 2023, the Laboratory changed its presentation in the 2022 consolidated statement of cash flows, where cash included in short-term investments were presented in the consolidated statement of cash flows as investing activities rather than in the beginning and end of year cash amounts. Accordingly, in 2023 the Laboratory has changed the 2022 presentation by increasing the cost of purchases of investments of \$698 and decreasing the total of net cash provided by investing activities by \$698. In addition, cash at the beginning of the year increased by \$30,340 and at the end of year by \$29,642. There is no change in the total of net cash provided by operating or financing activities.

#### **(g) Self-Insurance Reserves**

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

#### **(h) Long-lived Assets, Goodwill and Other Intangible Assets**

Long-lived assets 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 long-lived assets 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 long-lived assets the cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

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

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

For other intangible assets amortization is provided on a straight-line basis over an estimated useful life of fifteen years. At December 31, 2023 and 2022 other intangible assets of \$25,085 and \$26,440 are included in goodwill and other intangible assets on the consolidated balance sheets. Goodwill is recorded at fair value. Goodwill is not amortized but is assessed for impairment on a recurring basis. At December 31, 2023 and 2022, goodwill is recorded on the consolidated balance sheets at \$22,468. Management reviews long-lived assets, 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, 2023 and 2022.

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.

**THE JACKSON LABORATORY**  
Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

**(i) 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:

	<b>2023</b>		
	<b>Japanese Yen to one U.S. Dollar</b>	<b>Chinese Yuan to one U.S. Dollar</b>	<b>Hong Kong Dollar to one U.S. Dollar</b>
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
	<b>2022</b>		
	<b>Japanese Yen to one U.S. Dollar</b>	<b>Chinese Yuan to one U.S. Dollar</b>	<b>Hong Kong Dollar to one U.S. Dollar</b>
Revenues and expenses at the average rate for the fiscal year ended December 31, 2022	0.00740	0.14340	0.12840
Assets, liabilities, and net assets at the current rate as of December 31, 2022	0.00763	0.14500	0.12810

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

	<b>2023</b>	<b>2022</b>
Beginning balance	\$ (5,592)	(291)
Translation adjustment	(68)	(5,301)
Ending balance	\$ <u>(5,660)</u>	<u>(5,592)</u>

**(j) Income Taxes**

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

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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.

#### **(k) Fair Value Measurements**

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

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

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

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

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

#### **(3) Investments**

##### **(a) Overall Investment Objective**

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



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

#### **(b) Basis of Reporting**

Investments, including endowment and operating investments 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, 2023 and 2022 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.

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The following tables summarize the Laboratory's investments by major category in the fair value hierarchy as of December 31, 2023 and 2022, as well as related strategy, liquidity and funding commitments:

	<b>December 31, 2023</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>NAV or equivalent</b>	
<b>Short-term investments:</b>				
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
<b>Long-term investments (endowment):</b>				
Money market accounts and certificates of deposit	896	—	—	896
U.S. and global fixed income funds	27,575	—	—	27,575
<b>Equities:</b>				
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 <sup>1</sup>	—	—	33,021	33,021
Private equity and real assets <sup>1</sup>	—	—	82,193	82,193
Total long-term investments	271,604	—	138,828	410,432
Total	\$ 478,595	10,458	138,828	627,881

<sup>1</sup> 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.

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	December 31, 2022			
	Level 1	Level 2	NAV or equivalent	Total
Short-term investments:				
Cash and cash equivalents	\$ 84,227	10,000	—	94,227
U.S. and global fixed income funds	147,380	—	—	147,380
Total short-term investments	231,607	10,000	—	241,607
Long-term investments (endowment):				
Money market accounts and certificates of deposit	1,534	—	—	1,534
U.S. and global fixed income funds	27,426	—	—	27,426
Equities:				
U.S. mid and large cap value funds	121,525	—	—	121,525
Global large cap	73,217	—	18,776	91,993
Total equities	194,742	—	18,776	213,518
Mutual Funds, comprising a mix of equities and fixed income	19,344	—	—	19,344
Multiple hedged strategies <sup>1</sup>	—	—	32,118	32,118
Private equity and real assets <sup>1</sup>	—	—	82,229	82,229
Total long-term investments	243,046	—	133,123	376,169
Total	\$ 474,653	10,000	133,123	617,776

<sup>1</sup> 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, 2022, 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

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commitments associated with private limited partnerships as of December 31, 2023 and 2022 were \$32,339 and \$31,111, 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, 2023 and 2022 financial assets and liquidity resources available within one year for general expenditure, such as operating and program expenditure, scheduled principal and interest payments on debt, and capital constructions costs not financed with debt, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 17,062	21,368
Contributions and accounts receivable, net	67,970	68,438
Short-term investments	217,449	241,607
Budgeted endowment payouts:		
Board-designated	11,606	10,855
Donor-restricted	<u>3,441</u>	<u>2,977</u>
Total financial assets available within one year	317,528	345,245
Liquidity resources:		
Bank line of credit	<u>57,500</u>	<u>57,500</u>
Total financial assets and liquidity resources available within one year	\$ <u>375,028</u>	<u>402,745</u>

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

Additionally, as of December 31, 2023 and 2022, the Laboratory had an additional \$307,359 and \$281,933, 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.

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

#### **(a) Interpretation of Relevant Law**

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

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

#### **(b) Investment Strategies**

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

#### **(c) Endowment Spending Policy**

The Laboratory employs a total-return approach to endowment management. 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 2023 and 2022. 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, 2023. Deficiencies totaled \$229 at December 31, 2022.

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

Net assets by type of fund consisted of the following at December 31, 2023 and 2022:

	<b>2023</b>			
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>		<b>Total</b>
		<b>Underwater funds</b>	<b>Other funds</b>	
Donor-restricted endowments:				
Historical gift value	\$ —	—	33,328	33,328
(Depreciation)/Appreciation	—	—	58,139	58,139
Board-designated endowments	<u>318,965</u>	<u>—</u>	<u>—</u>	<u>318,965</u>
Total	\$ <u>318,965</u>	<u>—</u>	<u>91,467</u>	<u>410,432</u>

	<b>2022</b>			
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>		<b>Total</b>
		<b>Underwater funds</b>	<b>Other funds</b>	
Donor-restricted endowments:				
Historical gift value	\$ —	3,290	29,352	32,642
(Depreciation)/Appreciation	—	(229)	50,968	50,739
Board-designated endowments	<u>292,788</u>	<u>—</u>	<u>—</u>	<u>292,788</u>
Total	\$ <u>292,788</u>	<u>3,061</u>	<u>80,320</u>	<u>376,169</u>

Changes in endowment assets for the years ended December 31, 2023 and 2022 are as follows:

	<b>December 31, 2023</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
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	<u>(1)</u>	<u>22</u>	<u>21</u>
Endowment, December 31, 2023	\$ <u>318,965</u>	<u>91,467</u>	<u>410,432</u>

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	December 31, 2022		
	Without donor restrictions	With donor restrictions	Total
Endowment, December 31, 2021	\$ 348,960	96,676	445,636
Cash contributions	—	2,562	2,562
Board transfer from operating funds to endowment	370	—	370
Investment return	(47,926)	(13,356)	(61,282)
Long-term investment return utilized	(8,776)	(2,525)	(11,301)
In-transit transactions	160	24	184
Endowment, December 31, 2022	\$ 292,788	83,381	376,169

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, 2023 and 2022:

	2023	2022
Due from provision of genetic resources and services	\$ 56,762	50,528
Amounts reimbursable under grants and contracts	11,587	14,942
Miscellaneous accounts receivable	31	3,485
	68,380	68,955
Less allowance for uncollectibles	(1,359)	(965)
Accounts receivable, net	\$ 67,021	67,990

In June 2016, the FASB issued Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, that requires credit losses to be recognized on most financial assets carried at amortized cost and certain other instruments. The allowance is deducted from the amortized cost basis of a financial asset so that the balance sheet reflects the net amount an entity expects to collect. The ASU became effective for the Laboratory for the year ended December 31, 2023. The Laboratory's adoption of the ASU did not have a material effect on its financial statements.

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**(7) Long-Lived Assets**

Long-lived assets consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 17,812	15,453
Buildings and improvements	831,794	769,531
Construction in progress	107,222	115,503
Equipment and software	<u>256,472</u>	<u>234,850</u>
	1,213,300	1,135,337
Less accumulated depreciation	<u>(559,276)</u>	<u>(513,335)</u>
Long-lived assets, net	<u>\$ 654,024</u>	<u>622,002</u>

The change in accounts payable for acquisition and construction of long-lived assets was a decrease of \$6,419 for the year ended December 31, 2023 an increase of \$1,705 for the year ended December 31, 2022.

Commitments to third parties for the purchase of equipment, space renovation and construction projects were \$16,945 and \$60,009 as of December 31, 2023 and 2022, respectively.

**(8) Debt**

**(a) Long-term debt, net**

Long-term debt, net, consists of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Series 2021 taxable bonds	\$ 203,340	203,340
Series 2018 taxable bonds	133,475	138,290
Term loan	<u>25,180</u>	<u>29,376</u>
	361,995	371,006
Debt issuance costs	<u>(3,271)</u>	<u>(3,563)</u>
Bonds and term loan payable, net	358,724	367,443
Note payable	<u>1,042</u>	<u>1,198</u>
Long-term debt, net	<u>\$ 359,766</u>	<u>368,641</u>



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On June 24, 2022, the Laboratory entered into 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 \$7,500 revolving credit facility. The borrowing consists of a blended rate of 1.4%, payable semi-annually. Principal payments of \$1,100 and related interest payments are payable semi-annually, with a balloon payment for the remaining balance of \$19,100 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 is 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, expected to be made in June 2024, the bank will modify 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 \$242 for both 2023 and 2022. The Laboratory did not utilize the revolving credit facility in 2023 or 2022.

In 2021, the Laboratory issued taxable bonds in the amount of \$203,340. The 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 2023 and 2022 on the taxable bonds totaled \$6,924 and \$6,924, net of capitalized interest of \$3,519 and \$5,104, respectively. At December 31, 2023 and 2022 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 2023 and 2022 on the taxable bonds totaled \$5,592 and \$5,749. At December 31, 2023 and 2022 accrued interest of \$2,756 and \$2,836, 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 3, 2025. 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, 2023 or 2022. The line of credit documents require the Laboratory to maintain certain reporting covenants but contains no financial covenants.

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**(b) Maturities of Long-Term Debt**

Maturities of long-term debt as of December 31, 2023, were as follows:

	<b>Amounts due</b>
Year ending December 31:	
2024	\$ 7,245
2025	7,406
2026	7,588
2027	24,439
2028	5,840
Thereafter	310,519
Total	\$ 363,037

**(9) Employee Benefits**

**(a) Defined Contribution Retirement Plan**

Subject to meeting certain eligibility requirements, all employees participate in a defined contribution 403(b) retirement plan administered by the Laboratory. Contribution expense was \$18,435 and \$18,247 for the years ended December 31, 2023 and 2022, 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 \$452 and \$477 in the years ended December 31, 2023 and 2022, respectively, the Laboratory has not funded the postretirement plan. The benefit obligation as of December 31, 2023 and 2022, respectively, is \$4,925 and \$5,218, and is included in other liabilities on the consolidated balance sheets.

**(c) Deferred Compensation Program**

The Laboratory maintains a nonqualified salary deferral plan authorized under Section 457(b) of the Internal Revenue Code. The Laboratory holds an investment matching the employee investment selections to assure funding is available to meet future liabilities. The liability and matching investments related to the salary deferral plan each totaled \$10,292 and \$8,489 at December 31, 2023 and 2022, 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 \$746 and \$703 at December 31, 2023 and 2022, respectively, is included in accounts payable and accrued expenses, and the corresponding assets are included in other assets.

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#### (10) Net Assets

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

	2023	2022
Without donor restrictions:		
Board-designated endowments	\$ 318,965	292,788
Other net assets without donor restrictions	567,736	557,757
Total net assets without donor restrictions	886,701	850,545
With donor restrictions:		
<i>Donor-restricted endowments:</i>		
Research	27,138	26,535
Training	2,481	2,408
Other programs	908	899
General purpose	2,801	2,800
Unappropriated Return	58,139	50,739
Pledges receivable for endowment	723	724
Total endowment	92,190	84,105
<i>Purpose and time-restricted non-endowed gifts</i>	4,529	5,811
Total net assets with donor restrictions	96,719	89,916
Total net assets	\$ 983,420	940,461

#### (11) Legal Claims

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

#### (12) Related Party Transactions

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

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**(13) Subsequent Events**

The Laboratory has evaluated subsequent events from the consolidated balance sheet date of December 31, 2023 through May 29, 2024, the date on which the consolidated financial statements were issued.