

# **Whitehead Institute for Biomedical Research**

**Financial Statements**

**For the year ended June 30, 2024**

**Whitehead Institute for Biomedical Research**  
**Index**  
**June 30, 2024 and 2023**

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## **Report of Independent Auditors**

To the Board of Directors of Whitehead Institute for Biomedical Research

### ***Opinion***

We have audited the accompanying financial statements of Whitehead Institute for Biomedical Research (the "Institute"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities for the year ended June 30, 2024 and of cash flows for the years ended June 30, 2024 and 2023, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2024 and 2023, and the changes in its net assets for the year ended June 30, 2024 and its cash flows for the years then ended June 30, 2024 and 2023 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 (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Other Matter***

We previously audited the statement of financial position as of June 30, 2023, and the related statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 27, 2023, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2023 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for one year after the date the financial statements are issued.



### ***Auditors' 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 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 US 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 financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***PricewaterhouseCoopers***

Boston, Massachusetts  
October 31, 2024

**Whitehead Institute for Biomedical Research**  
**Statements of Financial Position**  
**As of June 30, 2024 and 2023**

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	2024	2023
<b>Assets:</b>		
Cash and cash equivalents	\$ 30,862,506	\$ 13,366,326
Research receivables	11,180,922	9,539,714
Pledges receivables	911,659	697,333
Other receivables	26,730,448	16,533,055
Prepaid expenses and other assets	17,489,507	17,102,661
Cash and cash equivalents, designated	2,395,521	6,735,891
Cash and cash equivalents, restricted	225,000	225,000
Investments	734,449,794	698,368,142
Land, buildings and equipment, net	79,166,947	79,848,962
<b>Total assets</b>	<b><u>\$ 903,412,304</u></b>	<b><u>\$ 842,417,084</u></b>
<b>Liabilities and net assets:</b>		
Accounts payable and other accrued expenses	\$ 15,320,283	\$ 9,328,053
Other liabilities	8,381,691	7,839,049
Deferred revenue	5,260,152	5,787,909
Accrued post-retirement health plan obligation	4,756,403	3,872,443
Borrowings	106,767,168	106,702,031
<b>Total liabilities</b>	<b><u>140,485,697</u></b>	<b><u>133,529,485</u></b>
<b>Net assets:</b>		
Without donor restrictions	697,887,290	651,494,182
With donor restrictions	65,039,317	57,393,417
<b>Total net assets</b>	<b><u>762,926,607</u></b>	<b><u>708,887,599</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 903,412,304</u></b>	<b><u>\$ 842,417,084</u></b>

The accompanying notes are an integral part of these financial statements.

**Whitehead Institute for Biomedical Research**  
**Statements of Activities**  
**For the year ended June 30, 2024 (with summarized comparative information for**  
**the year ended June 30, 2023)**

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
<b>Operating revenues:</b>				
Research grants				
Direct cost reimbursement	\$ 10,282,128	\$ -	\$ 10,282,128	\$ 9,711,138
Indirect cost reimbursement	6,282,607	-	6,282,607	5,653,744
Other sponsored research	-	12,684,637	12,684,637	10,156,853
<b>Total research grants</b>	<b>16,564,735</b>	<b>12,684,637</b>	<b>29,249,372</b>	<b>25,521,735</b>
Gifts and pledges	965,524	6,068,026	7,033,550	5,776,057
Rental income	1,114,000	-	1,114,000	1,092,125
Intellectual property and related revenue	83,761,426	-	83,761,426	54,433,762
Other income	1,921,917	-	1,921,917	2,074,370
<b>Total gift and other revenues</b>	<b>87,762,867</b>	<b>6,068,026</b>	<b>93,830,893</b>	<b>63,376,314</b>
Investment return designated for operations	30,816,407	-	30,816,407	31,437,069
Net assets released from restrictions	15,752,004	(15,752,004)	-	-
<b>Total operating revenues</b>	<b>150,896,013</b>	<b>3,000,659</b>	<b>153,896,672</b>	<b>120,335,118</b>
<b>Operating expenses:</b>				
Research	123,098,284	-	123,098,284	103,589,172
General and administrative	19,792,645	-	19,792,645	16,638,726
<b>Total operating expenses</b>	<b>142,890,929</b>	<b>-</b>	<b>142,890,929</b>	<b>120,227,898</b>
<b>Net operating activities</b>	<b>8,005,084</b>	<b>3,000,659</b>	<b>11,005,743</b>	<b>107,220</b>
<b>Non-operating activities:</b>				
Total investment return, net	69,468,317	3,915,241	73,383,558	60,646,540
Investment return designated for operations	(30,816,407)	-	(30,816,407)	(31,437,069)
Endowment gifts	-	730,000	730,000	2,700,652
Postretirement related changes	(263,886)	-	(263,886)	513,635
<b>Net non-operating activities</b>	<b>38,388,024</b>	<b>4,645,241</b>	<b>43,033,265</b>	<b>32,423,758</b>
<b>Change in net assets</b>	<b>46,393,108</b>	<b>7,645,900</b>	<b>54,039,008</b>	<b>32,530,978</b>
Net assets, beginning of year	651,494,182	57,393,417	708,887,599	676,356,621
<b>Net assets, end of year</b>	<b>\$ 697,887,290</b>	<b>\$ 65,039,317</b>	<b>\$ 762,926,607</b>	<b>\$ 708,887,599</b>

The accompanying notes are an integral part of these financial statements.

**Whitehead Institute for Biomedical Research**  
**Statements of Cash Flows**  
**For the years ended June 30, 2024 and June 30, 2023**

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 54,039,008	\$ 32,530,978
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	5,483,388	5,734,124
Amortization of deferred financing fees for borrowings	65,137	65,138
(Gain) Loss on disposal of fixed assets	(29,276)	190,143
Noncash contribution received	(2,520)	(132,953)
Proceeds from sale of donated securities	2,520	132,953
(Decrease) Increase in receivables discount	(51,309)	68,540
Net realized and unrealized gain on investments	(64,068,427)	(52,800,932)
Restricted endowment gifts	(730,000)	(2,700,652)
Changes in operating assets and liabilities		
Research receivables	(1,544,225)	524,267
Pledges receivable	(260,000)	(697,333)
Other receivables	(10,197,393)	(4,020,439)
Prepaid expenses and other assets	(386,846)	(3,027,965)
Accounts payable and other accrued expenses	5,992,230	2,576,788
Other liabilities	542,642	493,148
Deferred revenue	(527,757)	(149,565)
Accrued retirement obligation	883,960	78,611
Net cash used for operating activities	<u>(10,788,868)</u>	<u>(21,135,149)</u>
<b>Cash flows from investing activities:</b>		
Purchases of land, buildings and equipment	(5,229,735)	(7,581,364)
Purchases of investments	(45,445,875)	(56,065,954)
Proceeds from the sale of investments	74,707,155	76,848,701
Proceeds from sale of equipment	457,638	40,969
Decrease in short-term investments, designated	-	2,000,000
Net cash provided by investing activities	<u>24,489,183</u>	<u>15,242,352</u>
<b>Cash flows from financing activities:</b>		
Restricted endowment gifts	730,000	2,700,652
Net cash provided by financing activities	<u>730,000</u>	<u>2,700,652</u>
Increase (Decrease) in cash and cash equivalents, designated cash, and restricted cash	14,430,315	(3,192,145)
<b>Cash and cash equivalents, designated cash, and restricted cash</b>		
Beginning of year	<u>43,921,902</u>	<u>47,114,047</u>
End of year	<u>\$ 58,352,217</u>	<u>\$ 43,921,902</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 3,557,120	\$ 3,550,749
Contributions of marketable securities	2,520	132,953

The accompanying notes are an integral part of these financial statements.

# Whitehead Institute for Biomedical Research

## Notes to Financial Statements

### June 30, 2024 and 2023

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#### 1. Corporate Organization and Purpose

Whitehead Institute for Biomedical Research (the “Institute”), located in Cambridge, Massachusetts, is a nonstock, nonprofit corporation existing under the laws of the State of Delaware. The Institute is a world-renowned research institution dedicated to improving human health through basic biomedical research.

#### 2. Summary of Significant Accounting Policies

##### **Basis of Presentation**

The financial statements of the Institute have been prepared on the accrual basis of accounting.

The financial statements include certain prior year summarized comparative information, which is presented in total but not by net asset class. Such information does not include sufficient detail to conform with generally accepted accounting principles (“GAAP”). Accordingly, such information should be read in conjunction with the Institute’s financial statements for the year ended June 30, 2023, from which the summarized comparative information is derived.

##### **Net Asset Classifications**

The Institute classifies net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute are classified and reported as follows:

Net assets without donor restrictions include all net assets derived from Institute operations that are not subject to donor-imposed stipulations such as certain research grants and contracts, intellectual property, and certain types of philanthropy. Included in this category are assets and liabilities associated with the Institute’s land, buildings and equipment, funds designated by the Board of Directors for specific initiatives, and the board-designated funds functioning as endowment.

Net assets with donor restrictions include all net assets subject to explicit donor-imposed stipulations on the expenditure of contributions or the income and gains on contributed assets. These net assets include gifts and certain research grants or contracts donated for a particular purpose or with a particular time restriction. Net assets with donor restrictions also include gifts that are subject to donor-imposed stipulations that the principal be retained in perpetuity. In accordance with Massachusetts law, the income on these endowments is restricted until appropriated for spending.

##### **Net Operating Activities**

Operating revenues and expenses consist of those activities attributable to the Institute’s current annual research programs, intellectual property activities, and gifts received, except those that are intended to function as an endowment. Non-operating activities include donor-restricted endowment gifts, postretirement plan related changes, investment income, realized and unrealized gains and losses on investment balances, including donor-restricted and board-designated endowments, and certain non-recurring items unrelated to the Institute’s main activities.



**Whitehead Institute for Biomedical Research**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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**2. Summary of Significant Accounting Policies (continued)**

**Income Taxes**

The Institute is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Institute complies with authoritative guidance on accounting for and disclosure of uncertainty in tax positions.

**Cash and Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase.

**Cash and Cash Equivalents, Designated**

Cash designated for internal purposes consists of unexpended proceeds of borrowings to be used for operating liquidity and for long-term purposes as designated by the Board of Directors (Note 8), to support the costs of renovations, equipment and furnishings of the Institute, and other working capital needs.

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents consist of amounts to be held as required by the Institute's letter of credit agreement (Note 14).

The following table provides a reconciliation of cash and cash equivalents, designated cash, and restricted cash from the Statements of Financial Position to the total of the same as shown on the Statements of Cash Flows:

	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 30,862,506	\$ 13,366,326
Cash equivalents in investments balance	24,869,190	23,594,685
Cash and cash equivalents, designated	2,395,521	6,735,891
Cash and cash equivalents, restricted	<u>225,000</u>	<u>225,000</u>
Total cash, cash equivalents, designated cash and restricted cash shown in the Statement of Cash Flows	<u>\$ 58,352,217</u>	<u>\$ 43,921,902</u>

**Prepaid Expenses and Other Assets**

Included in prepaid expenses and other assets are mortgage notes receivable. In determining present value, management assesses the adequacy of the allowance for credit losses by evaluating the individuals with loans outstanding and the terms of the underlying loan agreements and the mortgaged assets.

# Whitehead Institute for Biomedical Research

## Notes to Financial Statements

### June 30, 2024 and 2023

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## 2. Summary of Significant Accounting Policies (continued)

### Research Revenues

Research grants that are considered conditional contributions primarily consist of federal government grants and are recorded as revenue when qualified expenditures are incurred. Amounts received in advance of amounts expended are recorded as deferred revenue on the Statement of Financial Position. Amounts expended in excess of amounts received are included as research receivables on the Statement of Financial Position. As of June 30, 2024, and 2023, the Institute had \$42,252,294 and \$42,455,072, respectively, of research contributions that were awarded but not yet expended.

Research revenue from unconditional contributions is recognized in the period received and is classified as net assets with donor restrictions. Net assets are transferred to assets without donor restrictions as research spending occurs.

Indirect costs allowances under certain government and private grants follow the respective revenue recognition described above.

### Gifts and Pledges

Unconditional gifts are recognized as revenue in the period received and are classified in the appropriate net asset category based on the existence or absence of donor-imposed restrictions. As donor-imposed restrictions are met, net assets are transferred from assets with donor restrictions to assets without donor restrictions. Pledges are unconditional promises to give that are expected to be collected in future years and are recorded at the present value of estimated future cash flows, net of an applicable reserve for collectability. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution.

### Intellectual Property and Related Revenue

Intellectual property and related revenue consist primarily of income resulting from intellectual property arrangements, including royalties. These arrangements are exchange transactions and revenue is recognized when the contractual performance obligations have been met. Some of these arrangements include payments due to the Institute upon the completion of certain milestones. Future payments related to these developmental milestones, regulatory milestones, and royalties are excluded from the transaction price, considered variable consideration, and are constrained until achieved. The royalties are subject to the sales-based exception and will be recorded as revenue when the corresponding sale occurs.

Occasionally the Institute receives an equity interest in a company resulting from an intellectual property licensing agreement. The Institute recognizes revenue associated with its equity interest on the date the shares are granted based on the estimated fair value of the shares on that date.

### Use of Estimates

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

**Whitehead Institute for Biomedical Research**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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**3. Financial Assets and Liquidity Resources**

The Institute regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Institute has various sources of liquidity at its disposal, including cash and cash equivalents, marketable equity securities, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Institute considers all expenditures related to its ongoing research activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As of June 30, 2024, financial assets available within one year to meet general expenditures were as follows:

	<b>2024</b>
<b>Financial assets:</b>	
Cash and cash equivalents	\$ 30,862,506
Cash and cash equivalents, designated	2,395,521
Research grants receivable	10,333,918
Pledges receivable	125,000
Other receivables	26,730,448
Subsequent year's budgeted Endowment support	27,468,000
Total financial assets available within one year	<u>\$ 97,915,393</u>
 <b>Liquidity resources:</b>	
Bank line of credit (no outstanding balance as of June 30, 2024)	<u>\$ 50,000,000</u>

The Institute structures its financial assets to be available as its general expenditures, liabilities and obligations come due. Draws from pooled investments as provided for in the approved annual budget are executed over the course of the year. The Institute holds approximately \$351,075,000 of liquid investments without donor restrictions should the Board of Directors approve an additional draw to meet unanticipated needs.

**4. Investments**

The Institute's investments are stated at fair value. Common stock and mutual funds are valued at quoted market prices. The Institute utilizes net asset value ("NAV") as a practical expedient for estimates of fair value of its investments in real estate and resource funds, private equity investments, and hedge funds. The Institute reviews and evaluates the values provided by the investee general partners, agrees with the valuation methods and assumptions used in determining the fair value of investments, and believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2024 and 2023. The estimated values as determined by the investee general partners may differ significantly from the values that would have been used if a readily determinable market value for the investments existed. Such differences could be material.

# Whitehead Institute for Biomedical Research

## Notes to Financial Statements

### June 30, 2024 and 2023

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#### 4. Investments (continued)

Investment transactions are recorded on a trade date basis. Total investment return is reported in the Statement of Activities and consists of interest and dividend income, and realized and unrealized capital gains and losses, net of expenses.

The Institute pools certain assets for general investment purposes. Related income and expenses, realized gains or losses, and changes in unrealized gains or losses, are allocated among participating funds.

The Institute follows a spending guideline to determine the amount that may be drawn from its endowment funds. The guideline prescribes a formula that weights 70% based on inflating prior year spending by the Biomedical Research and Development Price Index and 30% weighted on 4.5% of the average of investment valuation for the periods June through October of the prior year. This total draw is further restricted by a spending cap that increases 4.3% annually from a predetermined base year. The Institute may allocate additional amounts from investment returns to fund obligations and various strategic initiatives, subject to board approval. The board approved draw from investments for the years ended June 30, 2024 and 2023 was \$30,816,407 and \$31,437,069, respectively.

Common stock investments were received as a result of the Institute's intellectual property activities. These investments are held separately from the Institute's pooled investments. The unrealized gain and loss on shares is included in total investment return on the Statement of Activities.

The Institute is obligated under certain limited partnership investments and investment agreements to periodically advance additional funding up to contractual levels. At June 30, 2024 and 2023, the Institute had unfunded commitments of \$99,928,114 and \$126,795,803, respectively.

The Institute has engaged a number of external investment management firms that deploy the Institute's investments across a series of diversified funds. The Institute conducts ongoing due diligence of this investment strategy.

#### 5. Fair Value Measurements

The Institute complies with accounting guidance for fair value measurements which defines fair value, establishes a framework for measuring fair value under GAAP, and enhanced disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to dispose of a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair value measurements establish a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the Institute, and unobservable inputs reflect the Institute's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

**Whitehead Institute for Biomedical Research**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**5. Fair Value Measurements (continued)**

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Institute for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets. Market price data is generally obtained from exchange or dealer markets. The Institute does not adjust the quoted price for such assets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as: quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 Unobservable inputs that are supported by little or no market activity which require the Institute to develop its own assumptions.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables present information about the Institute's investment assets measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations as of June 30, 2024 and 2023.

		<b>2024</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Investments Measured at NAV</b>
Cash equivalents	\$ 24,869,190	\$ 24,869,190	\$ -	\$ -	\$ -
Common stock	7,939,910	7,939,910	-	-	-
Global & emerging markets equity securities	406,902,020	406,902,020	-	-	-
Private equity	294,738,674	-	-	-	294,738,674
<b>Total investments</b>	<b>\$ 734,449,794</b>	<b>\$ 439,711,120</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 294,738,674</b>

		<b>2023</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Investments Measured at NAV</b>
Cash equivalents	\$ 23,594,685	\$ 23,594,685	\$ -	\$ -	\$ -
Common stock	8,583,802	8,583,802	-	-	-
Global & emerging markets equity securities	373,363,363	373,363,363	-	-	-
Private equity	292,826,292	-	-	-	292,826,292
<b>Total investments</b>	<b>\$ 698,368,142</b>	<b>\$ 405,541,850</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 292,826,292</b>

**Whitehead Institute for Biomedical Research**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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**5. Fair Value Measurements (continued)**

The Institute has classified cash and cash equivalents, designated cash and cash equivalents, and restricted cash and cash equivalents as Level 1 based upon the above hierarchy.

The value of certain alternative investments represents the ownership interest in the NAV of the respective investment. The fair values of the securities held by these investees that do not have readily determinable fair values are determined by the general partner and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the replacement cost of the assets and prices of recent significant market placements. The Institute has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2024 and 2023.

The following table includes information related to the Institute's investments valued at NAV at June 30, 2024:

	<b>2024 Fair Value</b>	<b>2024 Unfunded Commitments</b>
<b>Private equity</b>		
Funds of funds	285,509,559	94,246,425
Industry-various	2,778,425	199,543
Real estate and resources	<u>6,450,690</u>	<u>5,482,146</u>
Total investments valued at NAV	<u>\$ 294,738,674</u>	<u>\$ 99,928,114</u>

The Institute's investments in private equity, which are limited partnerships, are stated to be illiquid in the investee's audited financial statements. These limited partnership funds are expected to mature at the end of the stated term or upon the close of the extension period, if one exists. Redemption prior to the close of the stated or extension term is not permitted. At the sole discretion of the limited partnership, the Institute may be notified of an option to redeem a portion of its investment within a related notice period.

**Whitehead Institute for Biomedical Research**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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**6. Receivables**

Research grants and contributions and pledges were estimated to be received as follows at June 30, 2024 and 2023:

	<b>2024</b>	
	<b>Research Receivables</b>	<b>Pledges Receivable</b>
Less than one year	\$ 10,333,918	\$ 125,000
One to five years	924,321	735,000
Greater than five years	-	200,000
Less: present value discount	<u>(77,317)</u>	<u>(148,341)</u>
Net receivable balance	<u>\$ 11,180,922</u>	<u>\$ 911,659</u>

  

	<b>2023</b>	
	<b>Research Receivables</b>	<b>Pledges Receivable</b>
Less than one year	\$ 7,725,343	\$ 100,000
One to five years	1,988,671	700,000
Greater than five years	-	-
Less: present value discount	<u>(174,300)</u>	<u>(102,667)</u>
Net receivable balance	<u>\$ 9,539,714</u>	<u>\$ 697,333</u>

No allowance was recorded for unfulfilled contributions at June 30, 2024 and 2023.

Fundraising expenses for the years ended June 30, 2024 and 2023 were \$1,661,815 and \$1,630,895 respectively.

**7. Land, Buildings and Equipment**

Land, buildings, and equipment are stated at cost at the date of acquisition. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reported as operating gain or loss in the Statement of Activities. The cost of maintenance is expensed as incurred, while significant improvements are capitalized.

The Institute depreciates capital assets based upon their useful lives. Leasehold improvements are depreciated over the shorter of their useful life or the term of the related lease.

Depreciation was calculated using the straight-line method over the following estimated useful lives:

Building and improvements	10 - 60 years
Leasehold improvements	Life of lease
Equipment	3 - 20 years

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**7. Land, Buildings and Equipment (continued)**

Equipment or other assets purchased through the use of federal or other grants are retained by the Institute after the expiration of the respective grant agreement.

Land, buildings, and equipment consisted of the following at June 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Land	\$ 3,977,500	\$ 3,977,500
Buildings and improvements	147,498,465	136,207,127
Equipment	29,090,314	29,293,513
Art collection	463,374	463,374
Construction in progress	158,274	8,057,929
Total land, buildings and equipment	<u>181,187,927</u>	<u>177,999,443</u>
Accumulated depreciation	<u>(102,020,980)</u>	<u>(98,150,481)</u>
Total land, buildings and equipment, net	<u>\$ 79,166,947</u>	<u>\$ 79,848,962</u>

**8. Borrowings**

The following schedule summarizes borrowings as of June 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
<b>Whitehead Institute for Biomedical Research</b>		
<b>Taxable Bonds</b>		
2020 Bonds, 3.28%, due 2050	\$ 37,400,000	\$ 37,400,000
<b>Term Loans</b>		
Eastern Bank Loan, 3.23%, due 2049	71,000,000	71,000,000
Subtotal borrowings	108,400,000	108,400,000
Less: Unamortized deferred financing fees	<u>(1,632,832)</u>	<u>(1,697,969)</u>
<b>Total borrowings, net</b>	<u>\$ 106,767,168</u>	<u>\$ 106,702,031</u>

The Institute has a Line of Credit agreement for \$50,000,000 with Bank of America, N.A. to support operations. At June 30, 2024 there was no outstanding balance on the Line of Credit. Subsequent to year end, the Institute amended the Line of Credit agreement to extend the expiration date to October 31, 2027.

As of June 30, 2024, the Institute must maintain a minimum credit rating under a covenant associated with its Line of Credit agreement.

Interest expense recognized in the Statement of Activities during the years ended June 30, 2024 and June 30, 2023 was \$3,557,120 and \$3,550,749, respectively.



**Whitehead Institute for Biomedical Research**  
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**9. Net Assets**

The Institute's net assets as of June 30, 2024 and 2023 consist of:

	<b>2024</b>	<b>2023</b>
<b>Without Donor Restrictions:</b>		
Board-designated endowment	\$ 678,895,014	\$ 638,545,163
Board-designated - research and other	18,992,276	12,949,019
<b>Total net assets without donor restrictions</b>	<u>697,887,290</u>	<u>651,494,182</u>
<b>With Donor Restrictions:</b>		
Time or purpose	41,358,160	34,442,260
Perpetual	23,681,157	22,951,157
<b>Total net assets with donor restrictions</b>	<u>65,039,317</u>	<u>57,393,417</u>
<b>Total net assets</b>	<u>\$ 762,926,607</u>	<u>\$ 708,887,599</u>

**10. Endowment Funds**

At June 30, 2024 and 2023, the Institute's endowment consists of seven individual donor-restricted endowment funds and one Board-designated endowment fund, which are utilized to support the Institute's primary mission of basic biomedical research. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Massachusetts' enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") allows the Institute to appropriate for expenditure or accumulate so much of an endowment fund as the Institute determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure.

Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Institute considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- a. the duration and preservation of the fund
- b. the purposes of the Institute and the donor-restricted endowment fund
- c. general economic conditions
- d. the possible effect of inflation and deflation
- e. the expected total return from income and the appreciation and depreciation of investments
- f. other resources of the Institute
- g. the investment policies of the Institute

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**10. Endowment Funds (continued)**

The Institute adopted endowment investment and spending policies (Note 4) that attempt to provide a predictable stream of funding to support the Institute’s mission, while seeking to maintain the purchasing power of endowment assets. The Institute’s investment objective is to seek long-term growth of assets while maximizing long-term return, in a partnership in which the managers reflect the Institute’s views.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (“underwater funds”). When underwater endowment funds exist, they are classified as a reduction of net assets with donor restrictions. At June 30, 2024 and 2023 there were no underwater funds. The Institute has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Changes in endowment net assets for the years ended June 30, 2024 and 2023 were as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment net assets, July 1, 2023</b>	\$ 638,545,163	\$ 33,715,996	\$ 672,261,159
Investment return	66,854,440	3,628,590	70,483,030
Investment return designated for operations	(26,504,589)	-	(26,504,589)
Contributions	-	730,000	730,000
Amounts appropriated for expenditure	-	(1,130,293)	(1,130,293)
<b>Endowment net assets, June 30, 2024</b>	<u>\$ 678,895,014</u>	<u>\$ 36,944,293</u>	<u>\$ 715,839,307</u>

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment net assets, July 1, 2022</b>	\$ 609,926,245	\$ 29,325,835	\$ 639,252,080
Investment return	54,208,954	2,766,417	56,975,371
Investment return designated for operations	(25,590,036)	-	(25,590,036)
Contributions	-	2,700,652	2,700,652
Amounts appropriated for expenditure	-	(1,076,908)	(1,076,908)
<b>Endowment net assets, June 30, 2023</b>	<u>\$ 638,545,163</u>	<u>\$ 33,715,996</u>	<u>\$ 672,261,159</u>

# Whitehead Institute for Biomedical Research

## Notes to Financial Statements

### June 30, 2024 and 2023

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#### 11. Retirement Plans

##### **Employee Retirement Plans**

The Institute sponsors a retirement plan for employees of Whitehead Institute for Biomedical Research which is a noncontributory defined contribution plan designed to provide retirement benefits for employees of the Institute. Contributions by the Institute are dependent on salary levels and are payable monthly. Contributions by the Institute to the Retirement Plan totaled \$2,480,375 and \$2,219,533 in 2024 and 2023, respectively. In accordance with the plan documents, \$7,250 and \$29,693 of forfeitures were utilized to reduce Institute contributions during 2024 and 2023, respectively.

The Institute also maintains a plan under IRS code 403(b), which is funded exclusively from employee voluntary contributions through payroll deductions.

##### **Deferred Compensation Plans**

The Institute has two deferred compensation plans, established in accordance with the provisions of Section 457 of the Internal Revenue Code, which provide benefits to present and future members of a select group of management and postdoctoral fellows. The deferred compensation plans permit those eligible to defer a portion of their salary until future years. Deferred compensation amounts are not available for dispersion to employees until termination, retirement, death, or an unforeseeable emergency. All amounts of compensation deferred under the plan are held for the exclusive benefit of participants and their beneficiaries. The amounts deferred at June 30, 2024 and 2023 totaled \$6,566,625 and \$5,671,088, respectively, and are included in prepaid expenses and other assets, and other liabilities in the Statements of Financial Position.

##### **Postretirement Health Care Benefits Plan**

The Institute maintains a postretirement health care benefits plan (the "Plan"). The Plan reimburses eligible retirees for a portion of the cost of purchasing a Medicare supplement plan, with the Institute's share ranging from at 50% to 70% of MIT's Medex Plan or its successor program cost. All employees of the Institute who are 55 years of age, who have at least 10 years of retirement plan eligible service after age 45, and who have retired from the Institute are eligible to participate.

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**11. Retirement Plans (continued)**

The following table sets forth the funded status of the plan at June 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
<b>Change in Benefit Obligation:</b>		
Postretirement benefit obligation at beginning of year	\$ 10,440,498	\$ 9,916,741
Service cost	695,074	667,246
Interest cost	578,564	469,614
Assumption changes and actuarial loss (gain)	488,779	(398,727)
Benefits paid	<u>(221,166)</u>	<u>(214,377)</u>
Postretirement benefit obligation at end of year	<u>11,981,749</u>	<u>10,440,497</u>
<b>Change in Plan Assets:</b>		
Fair value of plan assets at beginning of year	6,568,054	6,122,909
Actual return on plan assets net of expenses	803,458	584,522
Employer contribution to VEBA trust	75,000	75,000
Benefits paid	<u>(221,166)</u>	<u>(214,377)</u>
Fair value of plan assets at end of year	<u>7,225,346</u>	<u>6,568,054</u>
Unfunded status	<u><u>\$ (4,756,403)</u></u>	<u><u>\$ (3,872,443)</u></u>
<b>Cumulative Amounts Recognized in Net Assets Without Donor Restrictions</b>		
Net gain at beginning of year	\$ (2,297,331)	\$ (1,768,834)
Amortization of net gain	35,473	37,192
Assumption changes and actuarial loss (gain)	488,779	(398,727)
(Gain) on fair value of plan assets	<u>(356,122)</u>	<u>(166,962)</u>
Net gain at end of year	<u><u>\$ (2,129,201)</u></u>	<u><u>\$ (2,297,331)</u></u>

There are no unrecognized prior service costs or transition obligations.

Assumptions are made about discount rate, return on investments, compensation increases, and anticipated trends in the cost of health care. Per capita increase in health care and prescription drug benefits were assumed to increase by 7.0% in fiscal year 2025 and 5.0% in 2029.

**Whitehead Institute for Biomedical Research**  
**Notes to Financial Statements**  
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**11. Retirement Plans (continued)**

The components of the annual cost of the postretirement health care benefit plan include costs for service, interest, expected return on plan assets and actuarial changes related to composition of employee base and/or retention estimates. The components of net periodic benefit cost other than the service cost component are included in postretirement related changes on the Statement of Activities.

	<b>2024</b>	<b>2023</b>
<b>Components of Net Periodic Benefit Cost</b>		
Service cost	\$ 695,074	\$ 667,246
Interest cost	578,564	469,614
Expected return on plan assets	(447,335)	(417,560)
Amortization of net gain	(35,473)	(37,192)
Net periodic benefit cost	<u>\$ 790,830</u>	<u>\$ 682,108</u>

As an indicator of sensitivity, a one-percentage point change in the assumed health care cost trend rate would affect 2024 and 2023 as shown in the following table:

	<b>2024</b>	<b>2023</b>
<b>Impact of 1% increase change in health care cost trend rate</b>		
On interest cost plus service cost during past year	\$ 243,000	\$ 217,000
On accumulated postretirement benefit obligation	1,816,000	1,601,000
<b>Impact of 1% decrease change in health care cost trend rate</b>		
On interest cost plus service cost during past year	(195,000)	(174,000)
On accumulated postretirement benefit obligation	(1,498,000)	(1,317,000)

The significant assumptions underlying the actuarial computations at June 30, 2024 and 2023 were as follows:

	<b>2024</b>	<b>2023</b>
<b>Assumptions used to determine benefit obligations</b>		
Discount rate	5.32 %	5.22 %
<b>Assumptions used to determine net periodic benefit cost</b>		
Discount rate	5.22 %	4.64 %
Expected return on assets	7.00 %	7.00 %

There are no required contributions to the postretirement health care benefit plan for fiscal 2025. The expected employer contributions for fiscal 2025 is \$75,000.

**Whitehead Institute for Biomedical Research**  
**Notes to Financial Statements**  
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**11. Retirement Plans (continued)**

The following table shows projected future expected benefit payments by fiscal year:

2025	\$ 453,000
2026	502,000
2027	583,000
2028	660,000
2029	663,000
2030 - 2034	4,511,000

In selecting the long-term rate of return on assets, the Institute considered the average rate of earnings expected on the funds invested to provide for the benefit of the Plan. This included considering asset allocation and the expected returns likely to be earned over the life of the Plan as well as assessing current valuation measures, income, economic growth and inflation forecasts, and historical risk premiums. This basis is consistent with prior years.

The investment objective and strategy of the Plan is to achieve returns above the balanced composite benchmark and maintain a level of volatility that approximates that of the composite benchmark.

The Plan's target and actual asset allocations at June 30, 2024 and 2023 are as follows:

<b>Asset category</b>	<b>Target Allocation</b>	<b>2024</b>	<b>2023</b>
Cash and equivalents	5 %	1%	2%
Fixed income mutual funds	30 %	29%	31%
Equity mutual funds	65 %	70%	67%
		<u>100%</u>	<u>100%</u>

The following is a summary of the Institute's postretirement medical benefits plan assets at June 30, 2024 and 2023.

	<b>2024</b>	<b>2023</b>
Cash and equivalents	\$ 88,116	\$ 114,873
Equity mutual funds	5,036,153	4,399,186
Fixed income	2,101,077	2,053,995
Total investments	<u>\$ 7,225,346</u>	<u>\$ 6,568,054</u>

All investments are considered Level 1 investments in the fair value hierarchy based upon the lowest level of significant input to the valuations as discussed in Note 5.

The Institute believes the Plan asset portfolio has appropriate levels of diversification through the investment in multiple mutual fund and bond offerings, the underlying assets of which are representative across industries. As such, the Institute does not believe there is significant concentration risk within the Plan asset portfolio. There are no unfunded commitments associated with the Institute's postretirement health care benefits plan assets.

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**12. Functional and Natural Classification of Expenses**

The Institute's expenses by functional and natural classification for the years ended June 30, 2024 and 2023 were as follows:

	<b>2024</b>		
	<b>Research</b>	<b>General &amp; Administrative</b>	<b>Total</b>
Salaries and benefits	\$ 28,376,976	\$ 11,011,301	\$ 39,388,277
Other expenses	86,709,423	7,614,167	94,323,590
Depreciation and gain on disposals	4,742,496	711,616	5,454,112
Interest and debt administration	3,269,389	455,561	3,724,950
Total expenses	<u>\$ 123,098,284</u>	<u>\$ 19,792,645</u>	<u>\$ 142,890,929</u>

  

	<b>2023</b>		
	<b>Research</b>	<b>General &amp; Administrative</b>	<b>Total</b>
Salaries and benefits	\$ 27,539,577	\$ 7,957,502	\$ 35,497,079
Other expenses	67,740,512	7,361,053	75,101,565
Depreciation and loss on disposals	5,112,050	812,217	5,924,267
Interest and debt administration	3,197,033	507,954	3,704,987
Total expenses	<u>\$ 103,589,172</u>	<u>\$ 16,638,726</u>	<u>\$ 120,227,898</u>

The expenses reported within each functional classification reflect both direct costs and an allocation of relevant indirect costs that support the Institute's research. Indirect costs are allocated to research operations using reasonable cost allocation methods. Depreciation, interest, and debt administration are allocated based on square footage.

**13. Related Parties**

Under the terms of an affiliation agreement (the "Affiliation Agreement") between the Institute and Massachusetts Institute of Technology ("MIT"), the Institute is obligated to reimburse MIT for certain costs, as defined, associated with joint faculty members. The terms of the Affiliation Agreement address the academic affiliation between the Institute and MIT. This Affiliation Agreement may be terminated by either party with two years' written notice. As of June 30, 2024, neither party had indicated an intention to terminate the agreement. Various financial commitments may result should the Institute initiate termination. Revenue from MIT totaled \$2,938,251 and \$2,391,451 for the years ended June 30, 2024 and 2023, respectively, including \$64,000 of contributed data center storage space each year. The Institute incurred charges from MIT of \$7,313,317 and \$5,100,208 in the years ended June 30, 2024 and 2023, respectively. Accounts receivable balances as of June 30, 2024 and 2023 were \$350,065 and \$47,007, respectively.

In June 2024, the Institute entered into an investment participation agreement with MIT (the "Investment Agreement"). Under the terms of the Investment Agreement, the Institute is entitled to deposit assets in MIT's general endowment investment pool in exchange for units in the pool. The units represent a contractual entitlement to distributions from the investment pool, which is managed and invested by MIT. The Institute will receive an annual distribution and may request limited additional withdrawals each year. As of June 30, 2024, there were no assets deposited with MIT. Subsequent to June 30, 2024, \$51,692,624 had been deposited.

**Whitehead Institute for Biomedical Research**  
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**14. Commitments and Contingencies**

**Lease Commitments**

The Institute is committed under a certain operating lease for property rental. The related asset and obligation are recorded at the present value of the remaining lease payments. The cash flows are discounted using an estimated incremental borrowing rate based on information available upon adoption of ASU 2016-02 *Leases*. When the lease offers the option to extend the lease term, the Institute has included this extension in its calculation to the extent that the option is reasonably assured of being exercised. The right-of-use asset and lease liability are included in prepaid expenses and other assets and other liabilities, respectively, in the Statement of Financial Position.

The Institute made an accounting policy election to not apply the recognition requirements of the guidance to short-term leases with a term of 12 months or less. The Institute also made an accounting policy election to not separate non-lease components from lease components for all classes of assets.

The components of total lease cost for the year ending June 30, 2024 were as follows:

	<b>2024</b>
Operating lease cost	\$ 316,565
Variable lease cost	-
Total lease cost	<u>\$ 316,565</u>

Future lease payments for operating leases with initial terms of one year or more as of June 30, 2024 are as follows:

2025	\$ 269,408
2026	280,184
2027	291,392
2028	303,047
2029	207,348
Total undiscounted cash flows	<u>1,351,379</u>
Discount	<u>(61,396)</u>
Lease liability	<u>\$ 1,289,983</u>

The table below shows the balance of the lease liability and right-of-use asset, and other lease information as of June 30, 2024:

	<b>2024</b>
Lease liability	\$ 1,289,983
Right-of-use asset	1,289,983
Remaining lease term	4.67 years
Discount rate	1.74%



**Whitehead Institute for Biomedical Research**  
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**14. Commitments and Contingencies (continued)**

**Research Grants**

Research grants provide for the recovery of direct and indirect costs. Direct and indirect costs charged to federal grants are subject to federal audit. Related indirect costs from federal grants are recorded at a predetermined rate that was negotiated with the federal government for the period beginning July 1, 2021 through June 30, 2024. As of June 30, 2024, the Institute had negotiated a rate effective for the period July 1, 2024 to June 30, 2027.

The Institute was reimbursed for employee benefit costs from grantors at a fixed rate, which was negotiated with the federal government effective for the fiscal year ended June 30, 2024. The employee benefit cost rate is negotiated annually and as of June 30, 2024, the Institute had negotiated a rate for the fiscal year ending June 30, 2025.

**Letter of Credit**

The Institute has available a letter of credit in the amount of \$225,000. In accordance with the terms of the letter of credit, the Institute holds \$225,000 in cash as collateral. At June 30, 2024, there was no outstanding balance on the letter of credit.

**15. Subsequent Events**

The Institute has evaluated subsequent events through October 31, 2024, which is the date the financial statements were issued. There were no subsequent events that require adjustment to the audited financial statements or disclosures.