



Financial Statements

December 31, 2021 and 2020

Trudeau Institute, Inc.

Financial Statements

December 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Trudeau Institute, Inc.
Saranac Lake, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trudeau Institute, Inc. (Institute), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on the Audit of the Financial Statements - Continued

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

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

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

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

Emphasis of Matter

As discussed in Note 8 to the financial statements, the 2020 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant and cooperative agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

BST + Co. CPAs, LLP

Albany, New York
March 15, 2022



Trudeau Institute, Inc.
Statements of Financial Position

	December 31,	
	2021	2020
		(Restated)
ASSETS		
Cash	\$ 921,255	\$ 900,004
Grants and contracts receivable	1,001,011	1,510,786
Investments	12,664,496	12,191,384
Prepaid expenses, supplies inventory, and other receivables	695,122	843,348
Property, plant, and equipment, net	13,378,267	14,050,607
Funds held in trusts	4,252,470	3,989,250
	\$ 32,912,621	\$ 33,485,379
LIABILITIES		
Accounts payable and accrued expenses	\$ 344,575	\$ 343,223
Deferred revenue	20,036	22,156
	364,611	365,379
CONTINGENCIES		
NET ASSETS		
Without donor restrictions		
Undesignated	21,503,505	22,177,631
Designated by the Board for the Edward C. Brewster Fund	4,000,000	4,000,000
	25,503,505	26,177,631
With donor restrictions		
Purpose restriction		
Equipment	-	129,480
Endowment		
Perpetual in nature	2,548,927	2,548,927
Time restricted for future periods	243,108	274,712
Funds held in trust	4,252,470	3,989,250
	7,044,505	6,812,889
With donor restrictions	7,044,505	6,942,369
	32,548,010	33,120,000
	\$ 32,912,621	\$ 33,485,379

See accompanying Notes to Financial Statements.

Trudeau Institute, Inc.

Statements of Activities

	<u>Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
		(Restated)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and support		
U.S. Government grants	\$ 1,308,918	\$ 716,285
Research grants	188,606	33,714
Other research revenue	3,488,531	2,411,957
New York State Urban Development Corporation d/b/a Empire State Development	-	250,446
Trust revenue	169,920	166,888
Contributions	1,403,794	1,259,564
Rental revenue	153,780	130,336
License and other revenue	415,003	194,162
Net assets released from restrictions		
Used for research	827,980	6,500
Pursuant to endowment spending-rate distribution formula	40,384	78,944
Prior year earnings on endowment not used per spending-rate distribution formula	100,000	800,000
Total revenues and support	<u>8,096,916</u>	<u>6,048,796</u>
Expenses		
Program services expenses		
Science research	5,548,323	4,802,988
Research support and capabilities	3,064,365	3,238,092
Total program services expenses	<u>8,612,688</u>	<u>8,041,080</u>
Supporting services expenses		
Management and general	1,379,978	1,344,511
Fundraising and development	286,644	304,302
Total supporting services expenses	<u>1,666,622</u>	<u>1,648,813</u>
Total expenses	<u>10,279,310</u>	<u>9,689,893</u>
Net operating activity	<u>(2,182,394)</u>	<u>(3,641,097)</u>

Trudeau Institute, Inc.

Statements of Activities - Continued

	Years Ended December 31,	
	2021	2020 (Restated)
Non-operating activity		
Realized gains (losses) on investments, net	418,742	(74,450)
Unrealized gains on investments, net	904,615	472,619
Interest and dividend income, net of investment fees	184,911	197,753
Net non-operating activity	<u>1,508,268</u>	<u>595,922</u>
Decrease in unrestricted net assets	<u>(674,126)</u>	<u>(3,045,175)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenues and support		
Contributions	698,500	130,980
Net assets released from restrictions	(968,364)	(885,444)
Total revenues and support	<u>(269,864)</u>	<u>(754,464)</u>
Non-operating activity		
Realized gains (losses) on investments, net	29,708	(12,559)
Unrealized gains on investments, net	64,179	81,961
Interest and dividend income, net of investment fees	14,893	38,629
Net non-operating activity	<u>108,780</u>	<u>108,031</u>
Unrealized gains on trusts' assets	<u>263,220</u>	<u>320,996</u>
CHANGE IN NET ASSETS	<u>(571,990)</u>	<u>(3,370,612)</u>
NET ASSETS, <i>beginning of year</i>, as originally stated	33,120,000	36,049,967
Prior period adjustment	-	440,645
NET ASSETS, <i>beginning of year</i>, as restated	<u>33,120,000</u>	<u>36,490,612</u>
NET ASSETS, <i>end of year</i>	<u>\$ 32,548,010</u>	<u>\$ 33,120,000</u>

Trudeau Institute, Inc.

Statements of Functional Expenses

Year Ended December 31, 2021

	Program Services			Supporting Services			Total Expenses
	Science Research	Support and Capabilities	Total	Management and General	Fundraising and Development	Total	
Salaries and wages	\$ 1,895,001	\$ 1,269,889	\$ 3,164,890	\$ 974,910	\$ 103,944	\$ 1,078,854	\$ 4,243,744
Employee benefits	341,205	316,959	658,164	149,884	21,664	171,548	829,712
Payroll taxes	132,080	92,937	225,017	54,252	7,763	62,015	287,032
Professional fees	120,948	107,349	228,297	91,773	139,822	231,595	459,892
Repairs and maintenance	-	208,066	208,066	-	-	-	208,066
Contracted services	26,335	153,909	180,244	10,360	1,336	11,696	191,940
Supplies and supplies for core services	1,702,594	21,498	1,724,092	18,272	1,636	19,908	1,744,000
Travel	7,318	7,288	14,606	15,342	665	16,007	30,613
Occupancy	506,848	339,652	846,500	24,976	3,760	28,736	875,236
Insurance	73,484	49,243	122,727	3,621	545	4,166	126,893
Depreciation	742,510	497,575	1,240,085	36,588	5,509	42,097	1,282,182
	\$ 5,548,323	\$ 3,064,365	\$ 8,612,688	\$ 1,379,978	\$ 286,644	\$ 1,666,622	\$ 10,279,310

Year Ended December 31, 2020

	Program Services			Supporting Services			Total Expenses
	Science Research	Support and Capabilities	Total	Management and General	Fundraising and Development	Total	
Salaries and wages	\$ 1,636,335	\$ 1,365,222	\$ 3,001,557	\$ 936,384	\$ 220,368	\$ 1,156,752	\$ 4,158,309
Employee benefits	272,419	306,069	578,488	137,253	43,715	180,968	759,456
Payroll taxes	124,861	99,701	224,562	54,312	16,977	71,289	295,851
Professional fees	225,521	91,524	317,045	92,149	6,108	98,257	415,302
Repairs and maintenance	-	191,335	191,335	-	-	-	191,335
Contracted services	112,686	193,729	306,415	41,027	5,373	46,400	352,815
Supplies and supplies for core services	1,326,864	16,880	1,343,744	17,047	2,571	19,618	1,363,362
Travel	535	8,739	9,274	5,303	-	5,303	14,577
Occupancy	352,633	308,265	660,898	19,500	2,936	22,436	683,334
Insurance	65,544	57,298	122,842	3,624	546	4,170	127,012
Depreciation	678,961	593,535	1,272,496	37,545	5,653	43,198	1,315,694
Interest	6,629	5,795	12,424	367	55	422	12,846
	\$ 4,802,988	\$ 3,238,092	\$ 8,041,080	\$ 1,344,511	\$ 304,302	\$ 1,648,813	\$ 9,689,893

See accompanying Notes to Financial Statements.

Trudeau Institute, Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
		(Restated)
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (571,990)	\$ (3,370,612)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	1,282,182	1,315,694
Net unrealized gains on trusts' assets	(263,220)	(320,996)
Net unrealized gains on investments	(968,794)	(554,580)
Net realized (gains) losses on investments	(448,450)	87,009
(Gain) loss on sale of property and equipment	(14,000)	2,350
Decrease (increase) in		
Grants and contracts receivable	509,775	4,714,518
Prepaid expenses, supplies inventory, and other receivables	148,226	(100,196)
Increase (decrease) in		
Accounts payable and accrued expenses	1,352	67,278
Deferred revenue	(2,120)	22,156
	(327,039)	1,862,621
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of investments	(3,005,768)	(4,702,710)
Proceeds from sale of investments	3,949,900	3,662,058
Proceeds from sale of property and equipment	14,000	13,000
Purchase of property, plant, and equipment	(609,842)	(205,364)
	348,290	(1,233,016)
CASH FLOWS USED BY FINANCING ACTIVITIES		
Principal payments on loan payable	-	(75,000)
Principal payments under capital lease obligations	-	(205,000)
	-	(280,000)
Net increase in cash	21,251	349,605
CASH, beginning of year	900,004	550,399
CASH, end of year	\$ 921,255	\$ 900,004
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for		
Interest, including service fees	\$ -	\$ 13,566

See accompanying Notes to Financial Statements.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

Trudeau Institute, Inc. (Institute) is a not-for-profit organization located in Saranac Lake, New York. The Institute was formed in March 1889. The Institute staff conducts biomedical research that focuses on the immune system and seeks new insights into vaccine development strategies to safeguard human health and combat 21st century global health crises, from drug-resistant tuberculosis to emerging viruses and pandemics, by empowering specialized research and development pursuits in regional and global translational science partnerships.

b. Basis of Accounting

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

c. Estimates

The preparation of financial statements in conformity with U.S. 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. Fair Value Measurements

The Institute reports certain assets at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date.

e. Grants and Contracts Receivable

Grants and contracts receivable are carried at original invoice less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management considers grants and contracts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required as of December 31, 2021 and 2020.

f. Investments

The Institute accounts for its investments at fair value with realized and unrealized gains and losses reported on the statement of activities as a non-operating activity. Net realized and unrealized gains (losses) on investments are determined using the specific identification method.

g. Patents, Net

Legal costs incurred to apply for patents are capitalized when management determines that the patent has a significant future economic value. If management believes that a patent application is likely to be denied or has no significant future economic value, the related patent costs will be charged to expense upon such determination. The cost incurred for patents issued that have been determined to have a significant future economic value will be amortized over their estimated useful lives. The Institute did not have any patents with significant future economic value as of December 31, 2021 and 2020.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. Property, Plant, and Equipment, Net

Property, plant, and equipment are recorded at cost, or if donated, at fair value on the date of donation, net of accumulated depreciation and amortization. Depreciation, including amortization of capital leases, is provided over the estimated useful lives of the respective assets on the straight-line basis as follows:

	<u>Years</u>
Land improvements	10-40
Buildings and improvements	10-40
Fixed equipment	5-10
Furniture, fixtures, and equipment	3-10

Operation and maintenance costs are charged to expense as incurred. At the time of disposition, the related asset cost and accumulated depreciation are removed from the general ledger, and any gain or loss is recorded in the statements of activities.

i. Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There were no impairments of long-lived assets as of December 31, 2021 and 2020.

j. Paycheck Protection Program Loan

The Institute accounts for Paycheck Protection Program ("PPP") loans as conditional contributions in the form of a refundable advance. Upon legal release, amounts forgiven are recorded as contribution revenue.

k. Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors or grantors, as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions may be designated for specific purposes by actions of the Board of Trustees.

During 1992, the Board of Trustees designated \$4,000,000 of net assets without donor restrictions as the Edward C. Brewster Fund. The income earned from the investment of these funds is to be utilized for the payment of the salary and benefits of the Institute's Director, and any income earned which is not required for this purpose is available for general operating purposes.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

k. Net Assets - Continued

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Institute reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

l. Revenue from Contracts with Customers

Revenue from contracts with customers is recognized under a five-step model as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the performance obligations are satisfied.

The Institute assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The transaction price is the amount of consideration to which the Institute expects to be entitled in exchange for transferring goods and services to the customer. Revenue from sales is recorded based on the transaction prices, which are generally established in the contract. These amounts are recorded as "other research revenue," on the statement of activities.

TICRO and Alliance Revenue: TICRO and Alliance revenue relates to research activities provided to Federal, State, and local governments, healthcare institutions, nonprofit organizations, and private businesses.

TICRO and Alliance revenue is recognized over time as the obligation to perform research is satisfied. The Institute measures the progress toward the complete satisfaction of the performance obligation using the input ("cost to cost") method. Under the cost-to-cost method, costs incurred to date are generally the best depiction of the research progress. The transaction price earned over time is recognized in the proportion that direct costs incurred to date bears to estimated total budgeted costs to complete the performance obligation.

TICRO and Alliance contracts require payment of a deposit upon the execution of a service contract with the remainder to be paid upon reaching specified research milestones, as outlined in the agreements. Amounts received but not yet earned, if any, are reported as deferred revenue.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

l. Revenue from Contracts with Customers - Continued

Education and Academic Revenue: Educational program known as the “Clarkson Trudeau Biomedical Scholars Program” where the Institute provides students with a unique balance of academic instruction, along with participation in hands on research experiences.

Education and academic revenue is recognized ratably on the straight-line basis as the instruction and hands on research is provided over the academic semester. In accordance with the terms of the education and academic agreement, the Institute bills the University upon receipt of the final student roster, which is generally five weeks after the first day of classes for the spring and fall semesters. Amounts received but not yet earned, if any, are reported as deferred revenue.

Licensing Fees: The Institute’s licensing fees results from the Institute licensing its intellectual property (IP) rights within a specified field of use. The terms of the agreement typically include non-refundable upfront fees, and payments based upon achievement of sales-based milestones or royalties on net product sales in the case of licenses to be used in manufacturing. Non-refundable upfront fees are considered fixed, while milestone payments and royalties are identified as variable consideration.

Licenses of the Institute’s IP are considered to provide the customer with a right to use IP with significant standalone functionality. Because the license is for functional IP, revenue generally is recognized at the point in time when the Institute transfers control of the license. Therefore, the Institute recognizes revenues from non-refundable, up-front fees when the license is transferred to the customer, and the customer can use and benefit from the license. However, for arrangements that include sales-based royalties, including milestone payments based on the level of sales, the license is deemed to be the predominant item to which the royalties relate, and the Institute recognizes revenue when the related sales occur.

The balance of contracts receivable was approximately \$742,300, \$638,800, and \$557,800 as of December 31, 2021, 2020, and 2019, respectively. Contracts receivable are included as a component of “Grants and contracts receivable.” The balance of deferred revenue was approximately \$20,000 and \$22,200 as of December 31, 2021 and 2020, respectively. There was no deferred revenue as of December 31, 2019.

Contract receivables are written off when deemed uncollectible, and recoveries of accounts previously written off are recorded when received.

Contact receivables are considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not charged on outstanding receivables.

m. U.S. Government, and Research Grant Revenues

Revenues from *U.S. Government and research grants* are recognized according to the specific agreement. Generally, revenue from grants are considered non-exchange transactions. Grant revenue is recognized when conditions that are specific to each grant agreement are overcome, which is largely to the extent of projected expenses incurred.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

n. Contributions

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

In May 2020, the Institute obtained a \$791,301 loan from HSBC Banks pursuant to the PPP under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted March 27, 2020. Loans under the PPP, including accrued interest, are forgivable after twenty-four weeks if, in general, employee and compensation levels are maintained, and the proceeds are used for eligible expenses including payroll, benefits, rent, and utilities.

Management applied for forgiveness-in-full and in December 2020 received notification from HSB Bank that the application was approved by the Small Business Administration ("SBA"), and that the SBA repaid the refundable advance/PPP loan to the lender. The forgiveness of the refundable advance/PPP loan is recorded as contribution revenue during 2020.

During February 2021, the Institute received an additional \$887,450 loan from HSBC Bank under Section 311 of the Economic Aid to Hard-Hit Small Business, Nonprofits, and Venues Act (the Economic Aid Act) which allowed the Small Business Administration ("SBA"), to guarantee additional loans under the PPP. Loans under the PPP, including accrued interest, are forgivable after twenty-four weeks if, in general, employee and compensation levels are maintained, and the proceeds are used for eligible expenses including payroll, benefits, rent, utilities, certain operating expenses, and worker protection expenses.

Management applied for forgiveness-in-full and in August 2021 received notification from HSBC Bank that the application was approved by the SBA, and that the SBA repaid the refundable advance/PPP loan to the lender. The forgiveness of the refundable advance/PPP loan is recorded as contribution revenue during 2021.

o. Rental Revenues

The Institute has several month-to-month agreements and recognizes rental revenues in the month the rent is earned.

p. Tax Exempt Status

The Institute is a New York State Type B nonprofit research organization which is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and has been granted public charity tax status for contributions. The Institute is not a private foundation.

The Institute files Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated the Institute's tax positions and concluded that the Institute had taken no tax positions that required adjustment in its financial statements as of December 31, 2021 and 2020.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

q. *Functional Allocation of Expenses*

Expenses that are directly identifiable are charged to research programs. Expenses related to more than one function are charged to program services and other functions using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Institute. The expenses that are allocated include insurance, depreciation, and interest, which are allocated based on square footage; and salaries and benefits, which are allocated on the basis of estimates of time and effort.

r. *Subsequent Events*

The Institute has evaluated subsequent events for potential recognition or disclosure through March 15, 2022, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	December 31,	
	2021	2020
Total assets, end of the year	\$ 32,912,621	\$ 33,485,379
Less		
Investments	(6,792,035)	(6,823,639)
Prepaid expenses, supplies inventory, and other receivables	(302,997)	(246,644)
Property, plant, and equipment, net	(13,378,267)	(14,050,607)
Purpose restriction, equipment	-	(129,480)
Funds held in trusts	(4,252,470)	(3,989,250)
	<u>\$ 8,186,852</u>	<u>\$ 8,245,759</u>

The Institute has approximately \$8,186,900 of financial assets available within one year of the statement of financial position date consisting of cash of approximately \$921,300, grants and contracts receivable of approximately \$1,001,000, investments of approximately \$5,872,500, and other receivables of approximately \$392,100.

Funds held in trusts represent investments held in perpetuity in which the income is received by the Institute for general operating purposes. The Institute estimates that approximately \$170,000 of income will be available from funds held in trusts during the year ending December 31, 2022.

The Institute has an implied long-term spending policy of 5% per annum of the capital base of the general purpose endowment as described in Note 10. Although the Institute does not intend to spend from this (other than amounts appropriated for general expenditures as part of the Trustees' annual budget approval and appropriation), the amounts earned in excess of the spending policy are available if necessary. The Institute is also allowed to use the earnings each year on the research and training, free bed, and the tuberculosis research – Francis B. Trudeau Chair endowment funds for general expenditures purposes.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 2 - Liquidity and Availability - Continued

The Institute has a board designated net asset without donor restrictions of \$4,000,000. Although the Institute's Trustees do not intend to release these restrictions, these funds are available if necessary.

As discussed in Note 6, the Institute also has available a line-of-credit in the amount of \$250,000, which it could draw upon in the event of an unanticipated liquidity need.

Note 3 - Investments, at Cost and Fair Value

Investments at cost and fair value consist of the following:

	December 31,			
	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,917,401	\$ 1,917,401	\$ 3,479,719	\$ 3,479,719
Equity mutual funds	5,281,354	8,199,442	4,043,793	6,394,865
Fixed income mutual funds	1,522,711	1,522,772	1,637,035	1,672,571
Alternative investments	609,602	1,024,881	332,670	644,229
Investments, at cost and fair value	<u>\$ 9,331,068</u>	<u>\$ 12,664,496</u>	<u>\$ 9,493,217</u>	<u>\$ 12,191,384</u>

Note 4 - Property, Plant, and Equipment, Net

Property, plant, and equipment, net, consist of the following:

	December 31,	
	2021	2020
Land improvements	\$ 440,200	\$ 440,200
Buildings and improvements	28,851,188	28,845,666
Fixed equipment	2,508,555	2,459,136
Furniture, fixtures, and equipment	12,775,234	12,705,359
	<u>44,575,177</u>	<u>44,450,361</u>
Less accumulated depreciation	<u>31,328,973</u>	<u>30,531,817</u>
	13,246,204	13,918,544
Land	<u>132,063</u>	<u>132,063</u>
Property, plant, and equipment, net	<u>\$ 13,378,267</u>	<u>\$ 14,050,607</u>

Depreciation expense was approximately \$1,282,200 and \$1,315,700 for the years ended December 31, 2021 and 2020, respectively.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 5 - Capital Lease Obligations

During June 2000, the FIDA issued \$3,000,000 of Series 2000 Civic Facility Revenue Bonds. The purpose of the bond issue was acquisition of certain research equipment. The bonds bore interest as determined by the Remarketing Agent. The rate was the weekly rate unless the bonds were converted to Fixed Rate Mode in which case, the Remarketing Agent determined the fixed rate. All bonds were in the weekly mode rate (effective 1.88% at December 31, 2019). The bonds were paid in full December 1, 2020.

The project was financed under long-term lease arrangements, secured by the assets noted in the paragraph above, between the Institute and the FIDA and accounted for as a capital lease by the Institute. While the bonds were not a debt of the Institute, the long-term lease obligated the Institute to make payments and amortization of such bond and provided for the ultimate reversion of such properties to the Institute at the end of the bond agreements.

Interest expense was paid to the Bond Trustees monthly in an amount equal to interest owed. Interest expense (including service fees) was approximately \$12,600 for the year ended December 31, 2020.

Note 6 - Line-of-Credit

The Institute has a \$250,000 revolving demand note (line-of-credit) with HSBC Bank, of which no balance was outstanding at both December 31, 2021 and 2020. The line-of-credit is renewable annually and is secured by the assets of the Institute. Interest is payable monthly at a rate of .5% below the prime rate (2.75% at both December 31, 2021 and 2020). The line-of-credit requires the Institute to maintain a zero balance for 30 days during the year.

Note 7 - Loan Payable

The Institute had a term note with HSBC Bank, which was payable in monthly installments of \$25,000 plus interest at a rate of 2.80%, that was paid in full March 1, 2020. The loan was secured by unrestricted cash, securities, instruments, or other property of the Institute; and required the Institute to comply with certain reporting requirements and two financial ratio covenants.

Interest incurred on the term loan totaled approximately \$200 for the year ended December 31, 2020.

Note 8 - Restatement

The financial statements of the Institute as of and for the year ended December 31, 2020 have been restated to correct an understatement of prepaid expenses, supplies inventory, and other receivables; and an understatement of license and other revenue. Because a portion of the understatements related to years prior to 2020, net assets (without donor restrictions, undesignated category) at December 31, 2019 were also restated. The effects of the restatement on the Institutes previously issued financial statements are as follows:

	As Previously Stated	Increase (Decrease)	As Restated
As of and for the year ended December 31, 2020			
Prepaid expenses, supplies inventory, and other receivables	\$ 250,549	\$ 592,799	\$ 843,348
License and other revenue	\$ 42,008	\$ 152,154	\$ 194,162
Net assets (without donor restrictions, undesignated category) at December 31, 2019	\$ 36,049,967	\$ 440,645	\$ 36,490,612

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 9 - Pension Plan

The Institute has a defined contribution pension plan covering substantially all full-time employees meeting eligibility requirements. Benefits under this plan are funded through the purchase of individual retirement annuity contracts and certificates through Teachers Insurance and Annuity Association and College Retirement Equities Fund, respectively, as defined by the plan. Contributions to the plan are based on a percentage of salary. Total pension expense for this plan was approximately \$220,600 and \$214,500 for the years ended December 31, 2021 and 2020, respectively.

Note 10 - Endowment

The Institute's endowment consists of four individual funds, as well as funds held in trust, established by donors to provide annual funding for general operations. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Trustees.

Interpretation of Relevant Law

The Board of Trustees of the Institute has interpreted the New York Not-for-Profit Corporation Law (NPCL) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute retains in perpetuity (a) the original value of initial and subsequent gifts to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. 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 the NPCL. The Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Institute and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Institute;
7. The investment policies of the Institute; and
8. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the fund, giving due consideration of the effect that such alternatives may have on the Institute.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 10 - Endowment - Continued

Interpretation of Relevant Law - Continued

The following is the endowment net asset composition by type of fund:

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Designated by the Board for the Edward C. Brewster Fund	\$ 4,000,000	\$ -	\$ 4,000,000
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity			
Research and training	-	485,000	485,000
General purposes	-	797,722	797,722
Free bed	-	161,539	161,539
Tuberculosis research - Francis B. Trudeau Chair	-	1,104,666	1,104,666
Funds held in trust	-	4,252,470	4,252,470
Accumulated investment earnings	-	243,108	243,108
Total funds	<u>\$ 4,000,000</u>	<u>\$ 7,044,505</u>	<u>\$ 11,044,505</u>

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Designated by the Board for the Edward C. Brewster Fund	\$ 4,000,000	\$ -	\$ 4,000,000
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity			
Research and training	-	485,000	485,000
General purposes	-	797,722	797,722
Free bed	-	161,539	161,539
Tuberculosis research - Francis B. Trudeau Chair	-	1,104,666	1,104,666
Funds held in trust	-	3,989,250	3,989,250
Accumulated investment earnings	-	274,712	274,712
Total funds	<u>\$ 4,000,000</u>	<u>\$ 6,812,889</u>	<u>\$ 10,812,889</u>

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted the NPCL to permit spending from underwater endowments in accordance with prudent measures required under law. The Institute did not have any underwater endowments as of December 31, 2021 and 2020.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 10 - Endowment - Continued

Funds with Deficiencies - Continued

Changes in endowment net assets are as follows:

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, <i>beginning of year</i>	\$ 4,000,000	\$ 6,812,889	\$ 10,812,889
Investment return, net	-	108,780	108,780
Investment return, net, funds held in Trust	-	263,220	263,220
Appropriation of endowment assets pursuant to spending-rate policy	-	(40,384)	(40,384)
Appropriation of endowment assets pursuant to Trustee appropriations	-	(100,000)	(100,000)
Endowment net assets, <i>end of year</i>	<u>\$ 4,000,000</u>	<u>\$ 7,044,505</u>	<u>\$ 11,044,505</u>

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, <i>beginning of year</i>	\$ 4,000,000	\$ 7,262,806	\$ 11,262,806
Investment return, net	-	108,031	108,031
Investment return, net, funds held in Trust	-	320,996	320,996
Appropriation of endowment assets pursuant to spending-rate policy	-	(78,944)	(78,944)
Appropriation of endowment assets pursuant to Trustee appropriations	-	(800,000)	(800,000)
Endowment net assets, <i>end of year</i>	<u>\$ 4,000,000</u>	<u>\$ 6,812,889</u>	<u>\$ 10,812,889</u>

Borrowing from Endowments

The Institute has borrowed approximately \$1,135,900 from its general purpose donor restricted endowment funds to cover operations at both December 31, 2021 and 2020. The Institute has borrowed approximately \$151,400 and \$234,300 from its other donor restricted endowment funds to cover operations at December 31, 2021 and 2020, respectively. It is the Institute's intention to pay these amounts back to the endowments.

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Institute expects its endowment funds, over time, to provide an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 10 - Endowment - Continued

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has an implied long-term spending policy of 5% per annum of the capital base of the endowment. The policy and per annum value is adjusted and approved annually by the Finance Committee and the Board of Trustees to accommodate interim operating requirements; appropriating for distribution each year a specific percentage of its endowment fund's average fair value over the prior four quarters through the calendar year-end preceding the fiscal year in which the distribution is planned.

In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long-term, the Institute expects the current spending policy to allow its endowment to grow at an average of 6% annually. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 11 - Fair Value of Financial Instruments

U.S. GAAP provides a framework for measuring fair value that includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following three levels of inputs may be used to measure fair value:

- Level 1 Quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.
- Level 3 Unobservable inputs that are supported by little or no market activity.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 11 - Fair Value of Financial Instruments - Continued

The following is a description of the valuation methodologies used for assets measured at fair value and there has been no changes in methodologies used at December 31, 2021 and 2020:

- Money Market Funds: The carrying amounts approximate fair value because of the short maturity of these instruments.
- Mutual Funds: Valued at the net asset value (NAV) of shares held by the Institute at year end.
- Alternative Investments: Limited partnerships and real estate mutual funds are valued at the NAV of shares held by the Institute at year end. The NAV is used as a practical expedient to estimate fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute 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 could result in a different fair value measurement at the reporting date.

A summary of assets and liabilities measured at fair value on a recurring basis is as follows:

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Investments, at fair value				
Investments				
Mutual funds				
Fixed income bond funds	\$ 1,522,772	\$ -	\$ -	\$ 1,522,772
Equity Large Cap	3,592,880	-	-	3,592,880
Equity Small/Mid Cap	2,315,227	-	-	2,315,227
Equity International Development	2,291,335	-	-	2,291,335
	9,722,214	-	-	9,722,214
Money Market funds	1,917,401	-	-	1,917,401
Investments	<u>\$ 11,639,615</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 11,639,615
Investments measured at NAV (a)				
Other investments				
Limited partnerships				323,759
Real Estate Mutual Funds				701,122
Investments at fair value				<u>\$ 12,664,496</u>
Funds held in trust				
Mutual funds				
Fixed Income	\$ 1,083,232	\$ -	\$ -	\$ 1,083,232
Equities	2,914,424	-	-	2,914,424
Real Estate	118,122	-	-	118,122
Other	87	-	-	87
	4,115,865	-	-	4,115,865
Money Market funds	136,605	-	-	136,605
Funds held in trust	<u>\$ 4,252,470</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 4,252,470

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 11 - Fair Value of Financial Instruments - Continued

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Investments				
Mutual funds				
Fixed income bond funds	\$ 1,672,572	\$ -	\$ -	\$ 1,672,572
Equity Large Cap	2,848,441	-	-	2,848,441
Equity Small/Mid Cap	1,417,798	-	-	1,417,798
Equity International Development	2,128,626	-	-	2,128,626
	<u>8,067,437</u>	<u>-</u>	<u>-</u>	<u>8,067,437</u>
Money Market funds	3,479,718	-	-	3,479,718
Investments	<u>\$ 11,547,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,547,155</u>
Investments measured at NAV (a)				
Other investments				
Limited partnerships				442,740
Real Estate Mutual Funds				<u>201,489</u>
Investments at fair value				<u>\$ 12,191,384</u>
Funds held in trust				
Mutual funds				
Fixed Income	\$ 1,198,252	\$ -	\$ -	\$ 1,198,252
Equities	2,499,920	-	-	2,499,920
Real Estate	79,448	-	-	79,448
Other	71,416	-	-	71,416
	<u>3,849,036</u>	<u>-</u>	<u>-</u>	<u>3,849,036</u>
Money Market funds	140,214	-	-	140,214
Funds held in trust	<u>\$ 3,989,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,989,250</u>

(a) Certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the financial statements.

The following tables summarize investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 2021 and 2020:

	December 31, 2021				
	Fair Value	Unfunded Commitments	Redemption		
Frequency (if Currently Eligible)			Notice Period	Available	
Investment in Limited Partnerships					
Equinox Venture Capital Fund, LP	\$ 323,759	\$ 72,212	None	None	12-14 yrs. from 2008
Investment in Real Estate and Equity Mutual Funds	<u>701,122</u>	<u>-</u>	Daily	N/A	Immediate
Total	<u>\$ 1,024,881</u>	<u>\$ 72,212</u>			

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 11 - Fair Value of Financial Instruments - Continued

	December 31, 2020				
	Fair Value	Unfunded Commitments	Frequency (if Currently Eligible)	Redemption	
				Available	Notice Period
Investment in Limited Partnerships					
Equinox Venture Capital Fund, LP	\$ 442,740	\$ 72,212	None	None	12-14 yrs. from 2008
Investment in Real Estate and Equity Equity Mutual Funds	201,489	-	Daily	N/A	Immediate
Total	<u>\$ 644,229</u>	<u>\$ 72,212</u>			

Note 12 - New York State Urban Development Corporation (d/b/a Empire State Development)

The State of New York identified up to \$35,000,000 to support an initiative with the Institute and Clarkson University (Clarkson) to support the faculty, facilities, and educational programs that was used to create a self-sustaining biomedical research and development cluster. The State of New York extended the support up to \$15,000,000 to be used to help cover the costs of ongoing programs, operations, and staffing at the Institute's biomedical research laboratories, as well as allow the Institute to continue to operate and expand its research laboratories to conduct biomedical research in New York State. The support ended during 2019 and the Institute recognized revenues of approximately \$250,400 during the year ended December 31, 2020.

Note 13 - Risk and Uncertainties

a. Concentration of Credit Risk

The Institute maintains cash balances in one financial institution located in New York. The Institute's account at this institution is insured, up to certain limits, by the Federal Deposit Insurance Corporation (FDIC). At times, the Institute has bank deposits in excess of amounts insured by the FDIC.

The Institute maintains its investments with a brokerage firm that is a member of the Securities Investor Protection Corporation (SIPC). Cash and securities held at the member brokerage firm are insured by the SIPC up to \$500,000 per customer, including a maximum of \$250,000 for cash.

Investment securities, whether held by the Institute or in trusts for the Institute, are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

b. Significant Contributor

Two customers and one customer accounted for 36% and 16% of the total revenues and support without donor restrictions, excluding net assets released for operations for the year ended December 31, 2021 and 2020, respectively.

Trudeau Institute, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 13 - Risk and Uncertainties - Continued

b. Significant Contributor - Continued

Empire State Development represented approximately 25% and 55% of the grants and contracts receivable balance as of December 31, 2021 and 2020, respectively, and two customers and one customer represented 40% and 14% of the grants and contracts receivable balance as of December 31, 2021 and 2020, respectively.

Note 14 - Contingencies

The Institute is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from grants. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources. Compliance with such laws and regulations can be subject to future governmental review and interpretations as well as regulatory actions unknown and unasserted at this time.