

**CALIFORNIA INSTITUTE FOR
REGENERATIVE MEDICINE
(A Component Unit of the State of California)**

Independent Auditor's Reports, Management's Discussion and
Analysis, Basic Financial
Statements and Supplementary Information

For the Year Ended June 30, 2024

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
For The Year Ended June 30, 2024

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Independent Auditor's Report

To the Members of the
Independent Citizens Oversight Committee of the
California Institute for Regenerative Medicine
South San Francisco, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the California Institute for Regenerative Medicine (CIRM), a component unit of the State of California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise CIRM's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of CIRM, as of June 30, 2024, and the respective changes in financial position, and the respective budgetary comparisons for the Stem Cell Research and Cures Fund, California Stem Cell Research and Cures Fund of 2020, and the Licensing Revenues and Royalties Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 CIRM, 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 opinions.

Responsibilities of Management for the Financial Statements

CIRM's 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 CIRM's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CIRM’s basic financial statements. The Dolby Grant – schedule of revenues, expenditures and changes in available resources is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Dolby Grant - schedule of revenues, expenditures and changes in available resources is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2024, on our consideration of CIRM’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 CIRM’s internal control over financial reporting and compliance.



Sacramento, California
December 26, 2024

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2024

Management of the California Institute for Regenerative Medicine (CIRM) is pleased to provide this overview and analysis of the financial activities of CIRM for the year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this discussion.

Financial Highlights

All financial assets of CIRM continue to be committed and restricted for providing funds for medical research, facilities, the patient assistance program, and the operations of CIRM.

- The net position of CIRM as of June 30, 2024, was \$337,751,527 compared to the end of the prior fiscal year (FY) balance of \$213,752,376.
- CIRM's cash and investments balance as of June 30, 2024, was \$337,268,639. An increase of \$121,252,257 from the balance on June 30, 2023.
- For the year ended June 30, 2024, CIRM had total revenues of \$446,242,484, of which \$54,921,233 was related to Proposition 71 and \$390,644,046 to Proposition 14, and \$677,205 related to the Stem Cell Licensing Revenue and Royalties Fund, representing an increase of \$220,850,546 from the prior year. Total expenses for FY 2024 were \$322,243,333, of which \$91,517,647 were related to Proposition 71 and \$230,450,839 to Proposition 14, representing a \$104,015,434 increase from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CIRM's basic financial statements, which comprise the following components, in addition to management's discussion and analysis: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of CIRM's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of CIRM's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CIRM is improving or deteriorating.

The *statement of activities* presents information showing how CIRM's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated leave).

The government-wide financial statements can be found on pages 9 and 10 of this report.

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Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CIRM uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. CIRM reports three governmental-type funds, the Stem Cell Research and Cures Funds of 2004 (Prop 71) and 2020 (Prop 14) and the Licensing Revenues and Royalties Fund. All funds are special revenue funds.

Governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating CIRM's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Funds' financial statements can be found on pages 9 and 10. For the Funds' budget to actual comparisons refer to pages 11 to 13.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on the pages as listed in the table of contents of this report.

Government-Wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about CIRM's overall financial condition. This analysis addresses the financial statements of CIRM as a whole.

As noted earlier, the combined net position may serve over time as a useful indicator of CIRM's financial position. As of June 30, 2024, CIRM's net position was \$337,751,527. As of June 30, 2023, \$16,791,487 of CIRM's net position was restricted to offsetting the costs of providing treatments and cures arising from CIRM funded research to California patients who have insufficient means to purchase such treatment or cure, including the reimbursement of patient-qualified costs for research participants, and \$321,261,150 of net position was unrestricted. The remaining net position of \$(301,110) reflects its investment in capital assets net of accumulated depreciation, amortization and related debt. Net position increased by \$123,999,151 from prior year net position of \$213,752,376.

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Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Government-Wide Financial Analysis (Continued)

For the year ended June 30, 2024, total revenues increased \$220,850,546, which is primarily attributed to the increase in Proposition 71 Commercial Paper (CP) and Proposition 14 Bond Proceeds from the prior year in the amount of \$220,750,000. Investment earnings increased \$4,992,193 from the prior amount of \$4,600,291. Miscellaneous Revenues decreased during the 2023-2024 fiscal year by \$4,569,757, which was a return to typical miscellaneous revenue from a one time payoff receipt for the Viacycte loan in FY 2023. Expenses increased \$104,015,434, due primarily to an overall increase in grant awards of \$100,801,610 and an overall increase in operations expense of \$3,157,534. During the 2024 fiscal year, CIRM continued to close out Proposition 71, resulting in increased expenses of \$58,617,984. The increase was due primarily to research grant payments for existing grants that are nearing completion and met their milestone-based terms and conditions during the fiscal year. Proposition 14 expenses increased by \$35,095,421, primarily reflecting increased payments for grant awards that achieved milestones and new grants awarded during the period.

The recipients of CIRM's grants are required to use the granted funds to perform research. Expenditures of that type may be reported by the grant recipients as investments in capital assets of the grant recipients. CIRM works with its grantees to ensure proper reporting of these capital expenditures. Grants made by CIRM are treated as expenses of CIRM rather than investments in capital assets of CIRM even though (i) the recipients of the grants may be required to use the granted funds in a manner that is treated as investments in capital assets of the grant recipients and (ii) as a condition of each grant, CIRM obtains certain rights to use, control or benefit from the discoveries or information developed by the grant recipients.

Condensed Government Wide Statement of Net Position
(Amounts Expressed in Thousands)

	June 30,	
	2024	2023
Current and other assets	\$ 340,748	\$ 220,300
Capital assets, net	6,508	7,533
Total Assets	347,256	227,833
Current and other liabilities	1,614	5,384
Long-term liabilities	7,891	8,697
Total liabilities	9,505	14,081
Net position		
Net investment in capital assets	(301)	(113)
Restricted	16,791	16,114
Unrestricted	321,261	197,751
Total net position	\$ 337,751	\$ 213,752

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
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Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Government-Wide Financial Analysis (Continued)

Condensed Government Wide Statement of Activities
(Amounts Expressed in Thousands)

	June 30,	
	2024	2023
Revenues:		
GO bond revenue	\$ 383,850	\$ 206,400
CP revenue	52,800	9,500
Licensing and royalty revenue	-	125
Interest on loans	-	166
Investment earnings	9,562	4,601
Miscellaneous revenue	30	4,600
Total revenues	446,242	225,392
Expenses:		
State operations	22,843	19,685
Research Grants	299,193	198
Debt service - Interest	207	151
Total expenses	322,243	218,228
Change in net position	123,999	7,164
Net position, beginning of year	213,752	206,588
Net position, end of year	\$ 337,751	\$ 213,752

Capital Assets and Debt Administration

Capital Assets

CIRM's investment in capital assets decreased from \$7,533,113 to \$6,508,561 at June 30, 2024. Capital asset activity during the current fiscal year was primarily comprised of the addition of CIRM's office as a right-to-use lease asset and depreciation/amortization expense of \$1,024,552. Additional information on CIRM's capital assets can be found in Note 4 of this report.

Long-term Liabilities

As of June 30, 2024, CIRM recognized a long-term obligation of \$8,783,859 of which \$1,974,188 is for unused compensated leave and \$6,809,671 represents the lease liability related to CIRM's right-to-use lease asset, of which \$892,643 is the current portion due. Additional information on CIRM's long-term liabilities can be found in Note 5 of this report.

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Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Financial Analysis of CIRM's Combined Stem Cell Funds

The focus of the Stem Cell Funds are to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fund's financing requirements. In particular, fund balance may serve as a useful measure of the Fund's net resources available for spending for program purposes at the end of the fiscal year.

As of the year ended June 30, 2024, the Fund reported ending fund balance of \$340,026,825 compared to the June 30, 2023 ending fund balance of \$215,752,827. The combined Fund's major source of revenue in FY2024 was General Obligation (GO) Bond Revenue for Proposition 14, Commercial Paper revenue for Proposition 71 and Investment Earnings for Proposition 71, Proposition 14 and the Stem Cell Licensing Revenue and Royalties Fund. The Fund's primary expenditures are research grants and state operations.

Stem Cell Fund Budgetary Highlights

The Stem Cell Fund budget projected a combined total expenditures of \$515,238,000. Actual expenditures were less than budgeted projections by \$193,269,514 in the categories of research grants, salaries and operating expenditures. Stem Cell Fund actual includes expenditures for the current and prior year budgeted appropriations. A budget change proposal was approved for the 2023-2024 fiscal year authorizing a budget in the amount of \$2,000,000 in support of the Patient Assistant program from the Stem Cell Licensing Revenue and Royalties Fund. There were no expenditures as launch of activities will not begin until the 2024/2025 FY.

Contacting CIRM's Financial Management

This financial report is designed to provide a general overview of CIRM's finances, and to demonstrate CIRM's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the California Institute for Regenerative Medicine, Attn: Finance Office, 601 Gateway Blvd., Suite 400, South San Francisco, CA 94080.

BASIC FINANCIAL STATEMENTS

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Governmental Funds Balance Sheet and Statement of Net Position
June 30, 2024

	Stem Cell Research and Cures Fund	California Stem Cell Research and Cures Fund of 2020	Licensing Revenues and Royalties Fund	Total	Adjustments (Note 3)	Statement of Net Position
Assets						
Cash and investments	\$ 31,899,474	\$ 288,758,500	\$ 16,610,665	\$ 337,268,639	\$ -	\$ 337,268,639
Accounts receivable	-	18,126	-	18,126	-	18,126
Prepaid items	-	16,132	-	16,132	-	16,132
Due from other State funds	370,068	2,893,910	180,822	3,444,800	-	3,444,800
Capital assets, net	-	-	-	-	6,508,561	6,508,561
Total assets	<u>32,269,542</u>	<u>291,686,668</u>	<u>16,791,487</u>	<u>340,747,697</u>	<u>6,508,561</u>	<u>347,256,258</u>
Liabilities						
Accounts payable	825	699,793	-	700,618	-	700,618
Due to other State funds	-	20,254	-	20,254	-	20,254
Long-term liabilities						
Due within one year	-	-	-	-	892,643	892,643
Due in more than one year	-	-	-	-	7,891,216	7,891,216
Total liabilities	<u>825</u>	<u>720,047</u>	<u>-</u>	<u>720,872</u>	<u>8,783,859</u>	<u>9,504,731</u>
Fund balance/net position:						
Fund balances						
Nonspendable	-	16,132	-	16,132	(16,132)	-
Restricted	-	-	16,791,487	16,791,487	(16,791,487)	-
Committed	32,268,717	290,950,489	-	323,219,206	(323,219,206)	-
Total fund balances	<u>32,268,717</u>	<u>290,966,621</u>	<u>16,791,487</u>	<u>340,026,825</u>	<u>(340,026,825)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 32,269,542</u>	<u>\$ 291,686,668</u>	<u>\$ 16,791,487</u>	<u>\$ 340,747,697</u>		
Net position						
Net investment in capital assets					(301,110)	(301,110)
Restricted					16,791,487	16,791,487
Unrestricted					321,261,150	321,261,150
Total					<u>\$ 337,751,527</u>	<u>\$ 337,751,527</u>

See accompanying notes to the financial statements.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and Statement
of Activities

For the Year Ended June 30, 2024

	Stem Cell Research and Cures Fund	California Stem Cell Research and Cures Fund of 2020	Licensing Revenues and Royalties Fund	Total	Adjustments (Note 3)	Statement of Activities
Revenues:						
General obligation bond revenue	\$ -	\$ 383,850,000	\$ -	\$ 383,850,000	\$ -	\$ 383,850,000
Commercial paper revenue	52,800,000	-	-	52,800,000	-	52,800,000
Investment earnings	2,121,233	6,794,046	646,975	9,562,254	-	9,562,254
Miscellaneous revenues	-	-	30,230	30,230	-	30,230
Total revenues	<u>54,921,233</u>	<u>390,644,046</u>	<u>677,205</u>	<u>446,242,484</u>	<u>-</u>	<u>446,242,484</u>
Expenditures/expenses:						
Current:						
State operations	796,159	20,935,171	-	21,731,330	1,111,602	22,842,932
Research grants	90,721,488	208,471,757	-	299,193,245	-	299,193,245
Debt Service:						
Principal	-	836,755	-	836,755	(836,755)	-
Interest	-	207,156	-	207,156	-	207,156
Total expenditures/expenses	<u>91,517,647</u>	<u>230,450,839</u>	<u>-</u>	<u>321,968,486</u>	<u>274,847</u>	<u>322,243,333</u>
Excess of revenues over expenditures	(36,596,414)	160,193,207	677,205	124,273,998	-	-
Change in fund balance/net position	(36,596,414)	160,193,207	677,205	124,273,998	(274,847)	123,999,151
Fund balance/net position, beginning of year	68,865,131	130,773,414	16,114,282	215,752,827	(2,000,451)	213,752,376
Fund balance/net position, end of year	<u>\$ 32,268,717</u>	<u>\$ 290,966,621</u>	<u>\$ 16,791,487</u>	<u>\$ 340,026,825</u>	<u>\$ (2,275,298)</u>	<u>\$ 337,751,527</u>

See accompanying notes to the financial statements.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Stem Cell Research and Cures Fund Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2024

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures:			
Current:			
State operations	\$ 404,000	\$ 796,159	\$ (392,159)
Research grants	<u>87,000,000</u>	<u>90,721,488</u>	<u>(3,721,488)</u>
Total expenditures	<u>\$ 87,404,000</u>	<u>\$ 91,517,647</u>	<u>\$ (4,113,647)</u>

See accompanying notes to the financial statements.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of State of California)
California Stem Cell Research and Cures Fund of 2020
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2024

	Original/ Final Budget	Actual	Variance with Final Budget
Expenditures:			
Current:			
State operations*	\$ 28,534,000	\$ 21,979,082	\$ 6,554,918
Research grants	399,300,000	208,471,757	190,828,243
Total expenditures	\$ 427,834,000	\$ 230,450,839	\$ 197,383,161

* This figure includes the principal and interest debt service costs.

See accompanying notes to the financial statements.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
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Licensing Revenues and Royalites Fund Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2024

	Original/ Final Budget	Actual	Variance with Final Budget
Expenditures:			
Current:			
State operations	\$ 2,000,000	\$ -	\$ 2,000,000
Total expenditures	\$ 2,000,000	\$ -	\$ 2,000,000

See accompanying notes to the financial statements.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1 – THE FINANCIAL REPORTING ENTITY

The California Institute for Regenerative Medicine (CIRM) is an agency of the State of California (State) that was established with the passage of Proposition 71, the California Stem Cell Research and Cures Act (Act). The statewide ballot measure, which provided \$3 billion in funding for stem cell research at universities, research institutions, and companies in California, was approved by California voters on November 2, 2004, and called for the establishment of a new state agency to make grants and provide loans for stem cell research, research facilities and other vital research opportunities. The Act authorized the State to issue general obligation (GO) bonds and commercial paper to fund CIRM. In July 2012, the State began to issue commercial paper in addition to bonds. CIRM began to receive revenues from the sale of commercial paper and bonds issued by the State to fund CIRM research awards and operations. Proposition 71 authorized the State to issue interim debt such as commercial paper. During the year ended June 30, 2024, CIRM received a total of \$52,800,000 in Proposition 71 funding, which consisted of commercial paper revenue. On November 3, 2020, voters approved the statewide ballot measure Proposition 14. The passage of Proposition 14, further extended CIRM's mission by establishing the California Stem Cell Research and Cures Act of 2020, providing an additional \$5.5 billion in funding. During the year ended June 30, 2024, CIRM received additional \$383,850,000 of GO bond proceeds under Proposition 14.

CIRM was established to support stem cell research for the development of regenerative medical treatments and cures and meets the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) as a blended component unit of the State. Although the governing board for CIRM is separate from the State, CIRM is fiscally dependent on the State to provide funding for its operations and the financial burden for repayment of the general obligation bonds and commercial paper issued is that of the State.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of CIRM.

The fund financial statements present a balance sheet and a statement of revenues, expenditures and changes in fund balances for its major funds. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to the Governmental Accounting Standards Board (GASB) reporting standards. CIRM reports its financial position and results of operations in funds, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures.

CIRM has combined its government-wide financial statements; the statement of net position and the statement of activities, with its fund financial statements; the balance sheet and the statement of revenues, expenditures and changes in fund balances. The two statements are titled the governmental funds balance sheet and statement of net position and the governmental funds statement of revenues, expenditures and changes in fund balances and statement of activities. An explanation of the reconciliation between the statements is detailed in Note 3.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

CIRM reports the following major governmental funds:

The *Stem Cell Research and Cures Fund* is a special revenue fund used to account for bond and commercial paper proceeds authorized under Proposition 71 in order to provide grants and loans for stem cell research and dedicated facilities for scientists.

The *California Stem Cell Research and Cures Fund of 2020* is a special revenue fund used to account for bond and commercial paper proceeds authorized under Proposition 14 to provide funding for grants and loans to fund research and construct facilities for research and pay certain costs authorized in the Health and Safety Code section 125291.100.

The *Licensing Revenues and Royalties Fund* is a special revenue fund used to account for all royalty and licensing revenues received through intellectual property agreements established pursuant to the California Stem Cell Research and Cures Initiative and Proposition 14. These amounts can only be used for the purpose of offsetting the costs of providing treatments and cures arising from CIRM funded research to California patients who have insufficient means to purchase such treatment or cure, including the reimbursement of patient-qualified costs for research participants.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in CIRM's accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become susceptible to accrual and are both measurable and available. Revenues are considered to be available when they are collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 12 months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The accompanying financial statements have been prepared in accordance with GAAP and the accounts are maintained by CIRM in accordance with the principles of fund accounting under standards issued by the GASB. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established in accordance with their nature and purpose. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. CASH AND INVESTMENTS

Cash and investments are reported at amortized cost, which approximates fair value. CIRM maintains its resources in the State's Surplus Money Investment Fund (SMIF) and operating accounts, which are part of the State Treasurer's pooled investment program. The resources of the SMIF are invested through the Treasurer's Pooled Money Investment Account (PMIA). Investments of the PMIA are restricted by State statutes and regulatory oversight is provided by the Pooled Money Investment Board. Investment income is distributed to the Stem Cell Fund quarterly based on the Fund's relative participation during the quarter. As of June 30, 2024, the weighted average to maturity of the PMIA investments was approximately 217 days. Neither the SMIF, nor PMIA, are rated by credit rating agencies. Additional information regarding investment risks, including interest rate risk, credit risk and foreign-currency risk of the PMIA can be found in the State's Annual Comprehensive Financial Report. The report can be found online at www.sco.ca.gov.

At June 30, 2024, \$336,913,094 was invested in SMIF and \$355,545 was held in the operating accounts of the State Treasury.

D. CAPITAL ASSETS AND LEASES

In accordance with the State's capitalization policy, capital assets are defined as assets with a useful life of at least one year and a unit acquisition cost of at least \$5,000. Capital assets are reported at historical cost. Equipment is depreciated using the straight-line method over an estimated useful life of 5 years. CIRM has entered into one lease for office space, as the lessee CIRM is required to recognize an intangible right-to-use lease asset. Right-to-use assets are initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs.

E. COMPENSATED LEAVE

The statement of net position includes unused compensated leave of \$1,974,188 which represents vested unpaid vacation and annual leave. Unused sick leave balances are not accrued as they do not vest to employees. Unused compensated leave is not considered a fund liability as it will not be paid with current financial resources.

F. POSTEMPLOYMENT BENEFITS

Eligible employees of CIRM participate in the State's miscellaneous agent multiple-employer defined benefit pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The pension plan is administered by the California Public Employees' Retirement System (CalPERS). In addition, the State also provides eligible retirees post-retirement health care benefits, such as medical, dental, vision and life insurance through its other-postemployment benefits (OPEB) plan. As a special revenue fund and bond-funded agency of the State, the State Controller's Office does not allocate CIRM a proportionate share of the State's net pension and OPEB liabilities, and related deferred outflows of resources and deferred inflows of resources for reporting in its annual stand-alone financial report. Further information regarding these plans is available in the State's Annual Comprehensive Financial Report. The report can be found online at www.sco.ca.gov.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CLASSIFICATION OF NET POSITION AND FUND BALANCE

The difference between assets and liabilities is reported as “net position” on the government-wide statement of net position and as “fund balance” on the governmental funds balance sheet.

The following describes the categories of net position and fund balances:

Net investment in capital assets represents capital assets, net of accumulated depreciation/amortization, and balances of related outstanding debt.

Restricted net position are those assets, net of their related liabilities, that have constraints placed on their use by creditors, grantors, contributors, or by enabling legislation. As of June 30, 2024, the government-wide financial statements show restricted net position of \$16,791,487, all of which is due to enabling legislation.

Unrestricted net position is the residual amount of the net position not included in the net investment of capital assets or the restricted net position.

CIRM reports fund balance consistent with GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*. GASB Statement No. 54 establishes criteria for segregating fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of the funds. CIRM evaluated its fund balance at June 30, 2024, and classified the balance into the following categories:

Nonspendable:

This category includes elements of the fund balance that cannot be spent because they are (1) not in spendable form, such as prepaid items, or (2) legally or contractually required to be maintained intact.

Restricted:

This category includes elements of the fund balance that has constraints placed upon the use of the resources either by an external party (creditors, grantors, contributors, or laws and regulations of other governments) or through a constitutional provision or enabling legislation.

Under the Proposition 14 Statute the monies within the Licensing Revenues and Royalties Fund shall be appropriated for the purpose of offsetting the costs of providing treatments and cures arising from institute-funded research to California patients who have insufficient means to purchase such treatment or cure, including the reimbursement of patient-qualified costs for research participants.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CLASSIFICATION OF NET POSITION AND FUND BALANCE (CONTINUED)

Committed:

Committed fund balance represents amounts that can only be used for the specific purposes pursuant to constraints imposed by the government’s highest level of decision making (for CIRM, this is the Independent Citizens Oversight Committee (ICOC)). Removal or modification of use of funds can be accomplished only by formal action of the ICOC which established the constraints. Removal or modification of use of funds can be accomplished only by formal action of the ICOC which established the constraints.

Both commitments, and modification or removal, must occur prior to the end of the reporting period; that is, the fiscal year being reported upon. For CIRM, resources in this category would include funding that has been set aside for previously executed legally enforceable contracts but that has not yet been spent, including multi-year contracts, if such contracts have been approved by the ICOC and if funds are redirected, such redirection would require ICOC approval.

H. RISK MANAGEMENT

CIRM participates in the State’s self-insurance programs. The State is primarily self-insured against loss or liability. The State generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs or it becomes fixed and determinable. Information regarding the State’s risk management programs is included in the State’s Annual Comprehensive Financial Report. The report can be found online at www.sco.ca.gov.

I. BUDGETARY CONTROL

The State prepares an annual budget, which is prepared primarily on the modified accrual basis of accounting for governmental funds. Estimated revenues are included in the recommended budget, but revenues are not included in the annual budget bill adopted by the State Legislature. Under State law, the State cannot adopt a spending plan that exceeds estimated revenues. Under the State Constitution, money may be withdrawn from the Treasury only through a legal appropriation. The legal level of budgetary control is at the fund level. CIRM is not a part of the State’s annual budget, but instead is continuously appropriated. State operations expenditures of the Stem Cell Funds reflect a net savings of the budgeted amounts by \$6,162,759. Budgetary savings in the amount of \$187,106,755 represents net savings in research grant payments.

J. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

Implementation of the following Statements did not have an impact on CIRM’s financial reporting for the year ended June 30, 2024.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. Paragraphs 4 – 10 are effective for CIRM’s year ended June 30, 2024. The objectives of those paragraphs are to enhance the comparability in accounting and financial reporting related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

L. FUTURE ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for CIRM’s financial statements for the year ending June 30, 2025.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to better meet the information needs of financial statement users by including information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for CIRM’s financial statements for the year ending June 30, 2025.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for CIRM’s financial statements for the year ending June 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for CIRM’s financial statements for the year ending June 30, 2026.

CIRM has not determined the impact, if any, of these Statements on its financial reporting.

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

**NOTE 3 – RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS
AND GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The fund balance of the CIRM differs from net position of governmental activities primarily because of the long-term economic resources focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. At June 30, 2024, the differences included the following:

Fund balance	\$ 340,026,825
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the Fund.	
Capital assets	104,299
Right-to-use lease assets	8,125,384
Less: accumulated depreciation and amortization	<u>(1,721,122)</u>
Total capital assets, net	<u>6,508,561</u>
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the Fund.	
Accrued unused compensated leave	(1,974,188)
Lease liability	<u>(6,809,671)</u>
Total long-term liabilities	<u>(8,783,859)</u>
Net position	<u><u>\$ 337,751,527</u></u>

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

**NOTE 3 – RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS
AND GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

The net change in fund balance for the CIRM differs from the change in net position for governmental activities primarily because of the long-term economic resources focus of the statement of activities versus the current financial resources focus of the statement of revenues, expenditures and changes in fund balance. The differences are described below:

Net change in fund balance	\$	124,273,998
<p>The Fund reports purchases of capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. The statement of activities reports the gain or loss on disposal of capital assets but the Fund does not report any gain or loss.</p>		
Depreciation and amortization expense		(1,024,552)
<p>The repayment of principal on leases consumes the current financial resources of the Fund.</p>		
		836,755
<p>The change in unused compensated leave balance does not require the use of current resources</p>		
		(87,050)
Change in net position	\$	123,999,151

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 4 – CAPITAL ASSETS

CIRM’s capital assets are comprised of its Right-to-use office lease and equipment at June 30, 2024. The lease amortization expense for the year totaled \$1,005,202 and equipment depreciation expense totaled \$19,350, for an ending capital asset balance, net of accumulated depreciation and amortization, of \$6,508,561. Information on changes in capital assets is presented below:

	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024
Capital assets being depreciated:				
Equipment	\$ 117,317	\$ -	\$ (13,018)	\$ 104,299
Right-to-use lease assets	8,125,384	-	-	8,125,384
Total capital assets, being depreciated	<u>8,242,701</u>	<u>-</u>	<u>(13,018)</u>	<u>8,229,683</u>
Less accumulated depreciation and amortization for:				
Equipment	(39,453)	(19,350)	13,018	(45,785)
Right-to-use lease assets	(670,135)	(1,005,202)	-	(1,675,337)
Total accumulated depreciation and amortization	<u>(709,588)</u>	<u>(1,024,552)</u>	<u>13,018</u>	<u>(1,721,122)</u>
Total capital assets, being depreciated, net	<u>7,533,113</u>	<u>(1,024,552)</u>	<u>-</u>	<u>6,508,561</u>
Government activities capital assets, net	<u>\$ 7,533,113</u>	<u>\$ (1,024,552)</u>	<u>\$ -</u>	<u>\$ 6,508,561</u>

NOTE 5 – LONG-TERM LIABILITIES

As of June 30, 2024, long-term liabilities consisted of accrued unused compensated leave, which represents vested unpaid vacation and annual leave and the lease liability related to the right-of-use office lease.

Changes in long-term liabilities are summarized below:

	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024	Current Portion
Accrued unused compensated leave	\$ 1,887,138	\$ 931,755	\$ (844,705)	\$ 1,974,188	\$ -
Lease liability	7,646,426	-	(836,755)	6,809,671	892,643
Total long term liabilities	<u>\$ 9,533,564</u>	<u>\$ 931,755</u>	<u>\$ (1,681,460)</u>	<u>\$ 8,783,859</u>	<u>\$ 892,643</u>

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 6 – LEASES

For fiscal year 2023-2024, CIRM has one lease for the office space at 601 Gateway Boulevard in South San Francisco. CIRM’s obligations under the lease commenced on November 20, 2022, which is the date that CIRM received the certificate of occupancy, and obligations are effective through November 30, 2030. CIRM assumed its noncancellable right to use the office space and obligation to make monthly payments under the lease.

The following schedule summarizes future minimum payments under the noncancelable lease:

Year ending June 30	Principal	Interest	Total
2025	\$ 892,643	\$ 182,585	\$ 1,075,228
2026	951,097	156,388	1,107,485
2027	1,012,218	128,491	1,140,709
2028	1,076,115	98,816	1,174,931
2029	1,142,896	67,283	1,210,179
2030	1,734,701	37,532	1,772,233
Total	<u>\$ 6,809,671</u>	<u>\$ 671,096</u>	<u>\$ 7,480,766</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

As a component unit of the State of California, other State agencies provided CIRM with various services during the year ended June 30, 2024. The State Controller's Office provided expedited claim schedule processing, California leave accounting system (CLAS) services and EFT services, and the Department of Human Resources (CalHR) provided training services. The Department of General Services provided accounting services, the Department of Justice and Office of Administrative Law provided legal support, the Department of Technology provided accounting system support, and CalPERS collected benefit fund replacement. Amounts paid for these services for the year ended June 30, 2024, are summarized below:

Department of General Services	\$ 414,065
Department of Human Resources	1,404
Department of Justice	1,430
Department of Technology	10,605
CalPERS	41,528
State Compensation Insurance	4,480
State Controller	32,818
	<u>\$ 506,331</u>

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SUPPLEMENTARY INFORMATION

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
(A Component Unit of the State of California)
Schedule of Revenues, Expenditures and Changes in Available Resources
For the Year Ended June 30, 2023

	Dolby Grant
Revenues:	
Investment earnings	\$ 13,081
Expenditures:	
Current:	
State operations	-
Excess of revenues over expenditures	13,081
Available resources, beginning of year	326,613
Available resources, end of year	\$ 339,694

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

To the Members of the
Independent Citizens Oversight Committee of the
California Institute for Regenerative Medicine
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the California Institute for Regenerative Medicine (CIRM), a component unit of the State of California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise CIRM’s basic financial statements, and have issued our report thereon dated December 26, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Macias Gini & O'Connell LLP

Sacramento, California
December 26, 2024