

**CALIFORNIA INSTITUTE FOR REGENERATIVE
MEDICINE**

Report to the
Independent Citizens Oversight Committee

For the Year Ended June 30, 2024

mGO.

Certified
Public
Accountants

December 26, 2024

Members of the Independent Citizens Oversight Committee
of the California Institute for Regenerative Medicine

We are pleased to present this report related to our audit of the financial statements of the California Institute for Regenerative Medicine (CIRM), as of and for the year ended June 30, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for CIRM's financial reporting process.

This report is intended solely for the information and use of the Independent Citizens Oversight Committee, and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to CIRM.

Macias Gini & O'Connell LLP

Sacramento, California

TABLE OF CONTENTS

Required Communications	2
Exhibit A—Recent Accounting Pronouncements	5

REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding CIRM's financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described in our engagement letter dated September 1, 2023. Our audit of CIRM's financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We conducted our audit consistent with the planned scope and timing in our planning letter dated September 4, 2024.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by CIRM.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates are listed in the following table.

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in CIRM's financial statements.

SIGNIFICANT ACCOUNTING ESTIMATES

Leases	<p>The State Controller's Office has established a policy and calculation tools for use by all State Agencies and Departments who have leases which meet the criteria to be reported under the provisions of GASB Statement No. 87 <i>Leases</i>.</p> <p>The most significant assumption used in the calculation of the right-to-use lease asset and related lease liability is the incremental borrowing rate used in the present value calculation. All other calculation factors are supported by the lease agreement.</p> <p>MGO reviewed the incremental borrowing rate established by the State Controller's Office for State Agencies and Departments used in calculating the present value of future lease payments and the right-to-use lease assets. We noted the incremental borrowing rate appears consistent with rates used by local governments, and is being applied consistently across all State Agencies and Departments.</p>
---------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Other Information Included in the Annual Report

Our responsibility for other information included in annual reports is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read CIRM's required supplementary information (management's discussion and analysis) and supplementary information (Dolby Grants - Schedule of Revenues, Expenditures and Changes in Available Resources, and subjected that information to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. We did not identify material inconsistencies with the audited financial statements.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in CIRM's financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Independent Citizens Oversight Committee, and MGO each play an important role.

Our Responsibilities

1. AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
2. Maintain a system of quality management over compliance with independence rules and firm policies.

CIRM's Responsibilities

1. Timely inform MGO, before the effective date of transactions or other business changes, of the following:
 - a. New affiliates, directors, or officers.
 - b. Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
2. Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
3. Understand and conclude on the permissibility, prior to CIRM and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with MGO.
4. Not entering into arrangements of nonaudit services resulting in MGO being involved in making management decisions on behalf of CIRM.
5. Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at CIRM.

EXHIBIT A

Recent Accounting Pronouncements

RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of the date of this communication but are not yet effective and may affect the future financial reporting by CIRM.

Pronouncement	Summary
GASB Statement No. 101, <i>Compensated Absences</i>	<p>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.</p> <p>Statement No. 101 is effective for CIRM's year ending June 30, 2025.</p>
GASB Statement No. 102, <i>Certain Risk Disclosures</i>	<p>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.</p> <p>Statement No. 102 is effective for CIRM's year ending June 30, 2025.</p>
GASB Statement No. 103, <i>Financial Reporting Model Improvements</i>	<p>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.</p> <p>Statement No. 103 is effective for CIRM's fiscal year ending June 30, 2026.</p>
GASB Statement No. 104, <i>Disclosure of Certain Capital Assets</i>	<p>The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets.</p> <p>Statement No. 104 is effective for CIRM's fiscal year ending June 30, 2026.</p>