

**Bioindustrial Manufacturing and Design
Ecosystem, Inc. and Subsidiary d/b/a
BioMADE**

Consolidated Financial Statements,
Supplementary Information and
Other Reporting in Accordance with
Government Auditing Standards and Uniform Guidance

September 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors
Bioindustrial Manufacturing and Design Ecosystem, Inc. and Subsidiary d/b/a BioMADE

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bioindustrial Manufacturing and Design Ecosystem, Inc. and Subsidiary d/b/a BioMADE (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, and the changes in their net assets and their 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, during the year ended September 30, 2023, the Organization changed the manner in which it accounts for leasing arrangements due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 January 10, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 Organization'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 Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Baker Tilly US, LLP
Tewksbury, Massachusetts
January 10, 2025

Consolidated Statements of Financial Position
**Bioindustrial Manufacturing and Design
Ecosystem, Inc. and Subsidiary d/b/a BioMADE**

September 30	2023	2022
Assets		
Current Assets:		
Cash	\$ 28,470,851	\$ 8,516,890
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$48,000	430,400	1,286,470
Contributions and Grants Receivable	6,957,071	828,294
Unbilled Contributions and Grants Receivable	-	172,122
Prepaid Expenses and Other Current Assets	1,412,027	179,191
Total Current Assets	37,270,349	10,982,967
Operating Lease Right-of-Use Assets	442,480	-
Deposits and Advances	131,840	120,840
Total Assets	\$ 37,844,669	\$ 11,103,807
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 5,537,596	\$ 1,274,383
Accrued Expenses	3,603,137	556,180
Deferred Revenue	1,133,894	1,418,894
Current Portion of Operating Lease Liabilities	355,574	-
Refundable Advances	20,067,179	6,003,401
Total Current Liabilities	30,697,380	9,252,858
Operating Lease Liabilities, Net of Current Portion	92,383	-
Total Liabilities	30,789,763	9,252,858
Net Assets:		
Net Assets without Donor Restrictions	7,054,906	1,850,949
Total Net Assets	7,054,906	1,850,949
Total Liabilities and Net Assets	\$ 37,844,669	\$ 11,103,807

Consolidated Statements of Activities
**Bioindustrial Manufacturing and Design
Ecosystem, Inc. and Subsidiary d/b/a BioMADE**

For the Years Ended September 30	2023	2022
Operating Activities:		
Revenue and Other Support:		
Grant Revenue - Federal Awards	\$ 40,605,249	\$ 10,791,400
Contributions	7,000,000	-
Membership Dues	1,472,988	1,457,611
Other Income	5,020	6,668
Contributions - Nonfinancial Assets	-	200,000
Total Revenue and Other Support	49,083,257	12,455,679
Operating Expenses:		
Program Services	36,167,195	6,750,330
General and Administrative	7,722,241	4,126,205
Total Operating Expenses	43,889,436	10,876,535
Increase in Net Assets from Operations	5,193,821	1,579,144
Nonoperating Activities:		
Interest Income	10,136	1,594
Total Nonoperating Activities	10,136	1,594
Increase in Net Assets	5,203,957	1,580,738
Net Assets, Beginning of Year	1,850,949	270,211
Net Assets, End of Year	\$ 7,054,906	\$ 1,850,949

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

Consolidated Statements of Functional Expenses
**Bioindustrial Manufacturing and Design Ecosystem, Inc. and Subsidiary
d/b/a BioMADE**
For the Years Ended September 30
2023
2022

	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Subawards	\$ 30,826,978	\$ -	\$ 30,826,978	\$ 3,751,734	\$ -	\$ 3,751,734
Salaries and Related Payroll Taxes and Benefits	3,999,112	3,716,535	7,715,647	1,505,197	1,763,480	3,268,677
Consultants	515,546	1,728,040	2,243,586	663,518	1,479,308	2,142,826
Occupancy	-	816,697	816,697	145,149	173,049	318,198
Information Technology	423,378	320,755	744,133	254,192	352,823	607,015
Travel	154,745	172,867	327,612	162,376	119,823	282,199
Other Expense	-	327,341	327,341	-	-	-
Conferences and Event Costs	228,533	37,984	266,517	131,425	26,599	158,024
Equipment	-	207,917	207,917	50,208	-	50,208
Office Supplies	4,575	200,559	205,134	19,583	72,556	92,139
Insurance	-	165,971	165,971	66,834	79,680	146,514
Dues and Fees	14,315	27,398	41,713	114	6,320	6,434
Advertising	13	177	190	-	4,867	4,867
Bad Debt	-	-	-	-	47,700	47,700
	\$ 36,167,195	\$ 7,722,241	\$ 43,889,436	\$ 6,750,330	\$ 4,126,205	\$ 10,876,535

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

For the Years Ended September 30	2023	2022
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 5,203,957	\$ 1,580,738
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Bad Debt Expense	-	47,700
Change in Operating Lease Right-of-Use Assets	421,298	-
Decrease (Increase) in Accounts Receivable	856,070	(1,121,770)
Increase in Contributions and Grants Receivable	(6,128,777)	(791,373)
Decrease (Increase) in Unbilled Contributions and Grants Receivable	172,122	(172,122)
Increase in Prepaid Expenses and Other Current Assets	(1,232,836)	(28,727)
Increase in Accounts Payable	4,263,213	63,779
Increase in Accrued Expenses	3,046,957	378,847
(Decrease) Increase in Deferred Revenue	(285,000)	767,989
Increase in Refundable Advances	14,063,778	5,884,047
Decrease in Operating Lease Liabilities	(415,821)	-
Net Cash Provided by Operating Activities	19,964,961	6,609,108
Net Cash Used in Investing Activities:		
Increase in Deposits and Advances	(11,000)	(120,840)
Net Increase in Cash	19,953,961	6,488,268
Cash, Beginning of Year	8,516,890	2,028,622
Cash, End of Year	\$ 28,470,851	\$ 8,516,890

1. Organization and Summary of Significant Accounting Policies:

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Bioindustrial Manufacturing and Design Ecosystem, Inc. (the Parent), and its wholly-owned subsidiary, BioMADE CES Programs (the Subsidiary), collectively referred to as "the Organization." All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Organization: Bioindustrial Manufacturing and Design Ecosystem, Inc. d/b/a BioMADE (the Organization) is a nonprofit organization incorporated on June 30, 2020 in the State of California. The Organization's mission is to enable domestic bioindustrial manufacturing at all scales, develop technologies to enhance U.S. bioindustrial competitiveness, de-risk investment in relevant infrastructure, and expand the biomanufacturing workforce to realize the economic promise of industrial biotechnology. The Organization does this by catalyzing collaboration and innovation to reduce barriers to scale-up and commercialization, accelerate technology deployment to create novel, disruptive business models, and re-develop existing biotechnology to enhance national competitiveness. The purpose of the Subsidiary is to further the charitable, educational and scientific pursuits of the Parent.

Basis of Presentation: The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (ASC) and Accounting Standards Updates (ASU) of the Financial Accounting Standards Board (FASB).

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors. Net assets without donor restrictions include net assets designated by the board for specific purposes.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of September 30, 2023 and 2022, the Organization does not have any donor restricted net assets.

Revenue and Other Support: Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Revenue represents amounts derived from membership dues, grants, and contributions.

Revenue is recognized when control of the goods and services provided is transferred to the Organization's customers and in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods and services using the following steps: 1) identification of the contract, or contracts with a customer, 2) identification of performance obligations in the contract, 3) determination of the transaction price, 4) allocation of the transaction price to the performance obligations in the contract and 5) recognition of revenue when or as the Organization satisfies the performance obligations.

The Organization generates revenue through membership dues, which are charged to the Organization's members on an annual basis and are recognized ratably over the membership term.

The Organization typically invoices its customers annually. Typical payment terms provide that customers pay upon receipt of the invoice.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

1. Organization and Summary of Significant Accounting Policies (Continued):

Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long contributed assets must be used are recorded as net assets with donor restrictions. Otherwise, the contributions are recorded as net assets without donor restrictions.

Contributions of services are reported as revenue and expenses without donor restrictions at the fair value of the service received only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as revenue and expenses without donor restrictions at the time the goods or space is received.

The Organization must determine whether a contribution (or a promise to give) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. The Organization cannot consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as refundable advances until such conditions are met.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Government grants are recognized as reimbursable expenses are incurred and upon meeting the contractual requirements of the funding source.

Accounts Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon management's assessment of the collectability of accounts receivable, which considers historical write-off experience and any specific risks identified in customer collection matters. Bad debts are written off against the allowance when identified. As of each of September 30, 2023 and 2022, the allowance for doubtful accounts amounted to approximately \$48,000.

Unbilled Contributions and Grants Receivables: Unbilled contribution receivables represent amounts incurred under government grants for services performed, that have not yet been billed.

Contract Balances: The Organization's contract balances, resulting from contracts with customers include deferred revenue. Deferred revenue consists of membership fees billed and collected in advance for future membership periods are recorded as deferred membership fees until earned.

Opening and closing balances for accounts receivable and contract balances from contracts with customers consist of the following:

	September 30, 2023	September 30, 2022	October 1, 2021
Accounts Receivable, Net	\$ 430,400	\$ 1,286,470	\$ 212,400
Deferred Revenue	\$ 1,133,894	\$ 1,418,894	\$ 650,905

1. Organization and Summary of Significant Accounting Policies (Continued):

Refundable Advances: Refundable advances consists of payments received from government grants for which the aforementioned revenue recognition criteria have not been met.

Cash: The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash, accounts receivable and contributions and grants receivable. The Organization maintains its cash with high-credit quality financial institutions. The Organization believes it is not exposed to any significant losses due to credit risk on cash. Accounts receivable and contributions and grants receivable are carried at amounts based upon management's judgment of potential defaults. Management identifies troubled receivables balances by assessing of the members' or donor's credit worthiness. Consequently, the Organization believes that its exposure to losses due to credit risk on receivables is limited.

Leases: In 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842). ASU 2016-02 and all related amendments replaces the leasing standards under ASC 840 and expands disclosure requirements for leasing arrangements.

Effective October 1, 2022, the Organization adopted the guidance and expanded disclosure requirements under ASC 842 using the modified retrospective approach. The Organization's consolidated financial statements as of and for the year ended September 30, 2022 continue to be accounted for under ASC 840 and have not been adjusted.

ASC 842 requires lessees to recognize the assets and liabilities that arise from leases on the statements of financial position. At the lease commencement date, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Lease expense for the Organization's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

Upon transition to ASC 842, the Organization elected the package of practical expedients permitted under the transition guidance, which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities each in the amount of \$638,450. At the date of adoption, the Organization had no leases classified as finance leases.

The Organization determines if an arrangement is a lease at inception. An arrangement is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. The Organization reassesses its determination if the terms and conditions of the arrangement are changed. Leases are classified at the commencement date, the date on which the lessor makes the underlying asset available to the lessee, as either operating or finance leases based on the economic substance of the lease.

Lease right-of-use (ROU) assets and related lease liabilities are recognized on the statements of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and the corresponding lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The Organization determines the present value of lease payments using the implicit rate when readily determinable. When the implicit rate is not readily determinable, the Company has made the private company election to utilize a risk-free discount rate for a period comparable with that of the lease term for all classes of underlying assets.

1. Organization and Summary of Significant Accounting Policies (Continued):

Lease ROU assets also include any lease payments made at or before commencement date, net of lease incentives, and initial direct costs incurred. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with ASC 842.

The Organization has elected the policy to not separate lease and nonlease components for all classes of underlying assets.

The Organization has elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, lease payments for short-term leases are recognized on a straight-line basis over the lease term.

The Organization's evaluation of whether an arrangement is a lease often requires consideration of whether the Organization has obtained substantially all rights to control an identifiable underlying asset, whether the lessor has substantive substitution rights and whether the arrangement contains an embedded lease. The Organization's consideration of these factors may require significant judgment.

For operating leases, lease expense for lease payments is recognized on a straightline basis over the lease term. For finance leases, lease expense includes amortization expense of the ROU asset recognized on a straightline basis over the lease term and interest expense recognized on the finance lease liability.

Operating leases are included in operating lease ROU assets and current and noncurrent operating lease liabilities on the accompanying consolidated statement of financial position as of September 30, 2023. As of September 30, 2023, the Company had no finance leases.

Functional Allocation of Expenses: The costs of providing the Organization's program and other activities have been summarized on a functional basis in the consolidated statements of activities. Expenses related directly to program services or supporting activities are charged directly while other expenses that are common to several functions are allocated based on management's estimates, among major classes of programs services and supporting activities.

The expenses that are allocated include the following:

Expense	Method of Allocation
Consultants	Time and Effort
Salaries and Related Payroll Taxes and Benefits	Time and Effort
Information Technology	Time and Effort

Income Taxes: The Organization is a nonprofit Organization as described in Section 501(c)(6) of the Internal Revenue Code and is exempt from federal and state income taxes on trade or business profits generated by activities related to the Organization's exempt function. The Organization may be subject to federal and state income taxes for profits generated from trade or business activities unrelated to the Organization's exempt function. As of September 30, 2023 and 2022, management believes that the Organization has not generated any unrelated business taxable income.

The Organization assesses the recording of uncertain tax positions by evaluating the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the consolidated financial statements. The Organization's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its consolidated statements of activities.

1. Organization and Summary of Significant Accounting Policies (Continued):

The Organization has not recognized any liabilities for uncertain tax positions or unrecognized benefits as of September 30, 2023 and 2022. The Organization does not expect any material change in uncertain tax benefits within the next 12 months.

Use of Estimates: Management has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the consolidated financial statements in accordance with GAAP. Actual results experienced by the Organization may differ from those estimates.

Subsequent Events: Management has evaluated subsequent events spanning the period from September 30, 2023 through January 10, 2025, the date the consolidated financial statements were available to be issued.

Recently Issued Accounting Standards Not Yet Adopted: In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which, as amended, requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13, as amended, is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. The Organization is currently assessing the effect that ASU No. 2016-13, as amended, will have on its results of operations, financial position and cash flows.

2. Availability and Liquidity:

The following reflects the Organization's financial assets as of September 30, 2023 and 2022 reduced by amounts not available for general use within one year of September 30, 2023 and 2022 due to contractual or donor-imposed restrictions.

Financial Assets at End of Year:	2023	2022
Cash	\$ 28,470,851	\$ 8,516,890
Contributions and Grants Receivable	6,957,071	828,294
Accounts Receivable, Net of Allowance for Doubtful Accounts	430,400	1,286,470
Unbilled Contributions and Grants Receivable	-	172,122
Total Financial Assets at End of Year	35,858,322	10,803,776
Less: Amounts Unavailable for General Expenditures within One Year:		
Due to Contractual or Donor-Imposed Restriction:	-	-
Financial Assets Available to Meet Cash Needs for General Expenditures over the Next 12 Months	<u>\$ 35,858,322</u>	<u>\$ 10,803,776</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations may come due.

3. Related Party Transactions:

The Organization was formed as a subordinate organization to the Engineering Biology Research Consortium (EBRC), a related party. Effective June 23, 2023, the Organization's bylaws were amended and the subordinate relationship with EBRC was terminated.

The Organization has common board members with EBRC and the Chief Executive Officer of the Organization serves as the President of EBRC.

During the year ended September 30, 2023, the Organization entered into an agreement with EBRC to perform various financial and other services for EBRC. Under the terms of this agreement, EBRC shall pay a set fee to the Organization as well as provide reimbursement for any out of pocket expenses incurred by the Organization on behalf of EBRC. For the year ended September 30, 2023, the Organization incurred \$48,377 in expenses related to this agreement which are included in salary and information technology expenses on the accompanying consolidated statements of functional expenses. During the year ended September 30, 2022, EBRC reimbursed the Organization for shared executive assistance salary expense. Expenses reimbursed for the year ended September 30, 2022 amounted to \$10,070, and are included as an offset to salary expense on the accompanying consolidated statements of functional expenses. As of September 30, 2022, the Organization had outstanding receivables due from EBRC in the amount of \$10,070, which is included in accounts receivable on the accompanying consolidated statements of financial position.

During the year ended September 30, 2023, EBRC awarded the Organization with a contribution of \$7,000,000, which constitutes 14% of revenues for the year then ended, and is included in contributions on the accompanying consolidated statements of activities. There were no other transactions between the Organization and EBRC during the years ended September 30, 2023 and 2022.

4. Contributions and Grants Receivable:

Contributions and grants receivable as of September 30, 2023 and 2022 amounted to \$6,957,071 and \$828,294, respectively, and are due within one year of the date of the consolidated statements of financial position.

5. Leasing Arrangements:

For the year ended September 30, 2023, the Organization leases office space under an operating lease arrangement, which expires on June 30, 2024. The lease provides for minimum monthly rental payments, escalating annually, and allows for lease termination upon the satisfaction of certain conditions, as defined. The lease does not include renewal terms. During the year ended September 30, 2023, the Organization began leasing office space under a second operating lease which expires November 30, 2025. The second lease also provides for minimum monthly rental payments, escalating annually, and allows for lease termination upon the satisfaction of certain conditions, as defined. The second lease includes the option to renew for one additional period of five years. The Organization does not intend to renew this lease therefore the renewal is not included in the calculation of the ROU asset. For the years ended September 30, 2023 and 2022 both leases require security deposits totaling \$118,840 and \$107,840, respectively, which are included in deposits and advances on the statements of financial position.

5. Leasing Arrangements (Continued):

Operating lease right-of-use assets and lease liabilities as of September 30, 2023 are as follows:

Right-of-Use Assets:	
Operating Leases	<u>\$ 442,480</u>
Lease Liabilities:	
Current	\$ 355,574
Long-Term	<u>92,383</u>
Total Lease Liabilities	<u>\$ 447,957</u>

The components and classification of lease expense for the year ended September 30, 2023 are as follows:

Component	Classification	
Operating Lease Expense	General and Administrative	<u>\$ 439,504</u>
Total Lease Expense		<u>\$ 439,504</u>

The weighted average remaining lease term and discount rate for operating leases as of September 30, 2023 were as follows:

Weighted Average Remaining Lease Term: 1.3 Years

Weighted Average Discount Rate: 3.0%

Future minimum operating lease payments as of September 30, 2023 are as follows:

<u>Year Ending</u>	
<u>September 30,</u>	
2024	\$ 362,534
2025	80,426
2026	<u>13,470</u>
Total Future Minimum Lease Payments	456,430
Less: Present Value Discount	<u>8,473</u>
Present Value of Lease Liabilities	447,957
Less: Current Portion	<u>355,574</u>
Long-Term Portion	<u>\$ 92,383</u>

5. Leasing Arrangements (Continued):

Cash flow information for the year ended September 30, 2023 is as follows:

Cash Paid for Amounts Included in Measurement of
Lease Liabilities:

Operating Cash Flows from Operating Leases	<u>\$ 433,698</u>
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Operating Lease Right-of-Use Assets Obtained in
Exchange for Operating Lease Liabilities

<u>\$ 225,328</u>

During the year ended September 30, 2022, the Organization was party to a noncancelable operating lease arrangement for office space expiring through June 2024. During the year ended September 30, 2022, rent expense incurred under this arrangement amounted to \$182,766.

6. Conditional Contributions:

As of September 30, 2023 and 2022, the Organization has government grants that are considered conditional contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. These government grant funds are contingent upon meeting the contractual requirements from the grantors. The total promised from these conditional contributions amount to \$418,523,527 and \$92,799,891 as of September 30, 2023 and 2022, respectively. As of September 30, 2023 and 2022, \$369,268,883 and \$78,753,656, respectively, of these conditional contributions remain.

7. Contributions - Nonfinancial Assets:

The Organization received contributed nonfinancial assets and services recognized as revenue and other support within the consolidated statements of activities. The contributed nonfinancial assets did not have donor-imposed restrictions. During the years ended September 30, 2023 and 2022, contributed nonfinancial assets consisted of the following:

	<u>2023</u>	<u>2022</u>
Services - Salaries and Related Payroll Taxes and Benefits	<u>\$ -</u>	<u>\$ 200,000</u>

Contributed services recognized consist of salaries and related payroll taxes and benefits. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar positions.

8. Economic Dependency:

During the years ended September 30, 2023 and 2022, the Organization generated a substantial portion of its contributions from one federal grantor, respectively. Contributions from this grantor approximated 73% and 81% of the Organization's total revenue and other support during the years ended September 30, 2023 and 2022, each respectively.

9. Commitments and Contingencies:

Legal: From time to time, the Organization is included in legal and administrative proceedings and claims of various types, which arise in the ordinary course of business. In the opinion of the Organization's management, based upon information furnished by counsel and others, the ultimate liability, if any, of the aforementioned claims is not expected to have a material impact on the Organization's financial position.

Indemnifications: In the ordinary course of business, the Organization enters into various agreements containing standard indemnification provisions. The Organization's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable agreement through the end of the applicable statute of limitations. The aggregate maximum potential future liability of the Organization under such indemnification provisions is uncertain. For the years ended September 30, 2023 and 2022, respectively, no amounts have been accrued related to such indemnification provisions.

10. Subsequent Events:

Operating Lease Arrangement: In November 2023, the Organization entered into a noncancelable lease agreement for additional office space in Broadway, Minnesota commencing in April 2024, which provides for escalating monthly payments ranging from 19,616 to 23,540 expiring in October 2031. The lease includes the option to renew for two additional periods of five years each.

In March 2024, the Organization entered into a noncancelable lease agreement for office space in Emeryville, California commencing in July 2024, which provides for escalating monthly payments ranging from \$76,545 to \$94,140 expiring in April 2032. The lease includes the option to renew for one additional period of five years.

Creation of Subsidiaries: In December 2024, the Organization created a subsidiary, BioMADE Meridian, LLC. The Organization is the sole member of BioMADE Meridian, LLC. Effective December 17, 2024, BioMADE Meridian, LLC entered into a purchase agreement to purchase property in the amount of \$16,500,000.

In December 2024, the Organization created a subsidiary, BioMADE PPN, LLC. The Organization is the sole member of BioMADE PPN, LLC.

In December 2024, the Organization created a subsidiary, BioMADE MN, LLC. BioMADE PPN, LLC is the sole member of BioMADE MN, LLC.

Schedule of Expenditures of Federal Awards

Bioindustrial Manufacturing and Design
Ecosystem, Inc. and Subsidiary d/b/a BioMADE

For the Year Ended September 30

2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster:				
Department of Defense:				
Direct Funding:				
Air Force Defense Research Sciences Program	12.800	N/A	\$ 25,100,587	\$ 35,610,339
Total Department of Defense			25,100,587	35,610,339
Department of Commerce:				
Direct Funding:				
Arrangements for Interdisciplinary Research Infrastructure	11.619	N/A	4,215,085	4,767,404
Total Department of Commerce			4,215,085	4,767,404
National Science Foundation:				
Direct Funding:				
STEM Education (formerly Education and Human Resources)	47.076	N/A	-	228,045
Total National Science Foundation			-	228,045
Total Research and Development Cluster			29,315,672	40,605,788
Total Expenditures of Federal Awards			\$ 29,315,672	\$ 40,605,788

The accompanying notes are an integral part of this Schedule.

Notes to the Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bioindustrial Manufacturing and Design Ecosystem, Inc. d/b/a BioMADE (the Organization) under programs of the federal government for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Costs

The Organization has elected not to use the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.



Independent Auditors' 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 Board of Directors
Bioindustrial Manufacturing and Design Ecosystem, Inc. and Subsidiary d/b/a BioMADE

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, the accompanying consolidated financial statements of Bioindustrial Manufacturing and Design Ecosystem, Inc. and Subsidiary d/b/a BioMADE (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of September 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected in a timely basis. A *significant deficiency* is a deficiency, or 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness as item 2023-001.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Baker Tilly US, LLP
Tewksbury, Massachusetts
January 10, 2025



Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Bioindustrial Manufacturing and Design Ecosystem, Inc. and Subsidiary d/b/a BioMADE

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bioindustrial Manufacturing and Design Ecosystem, Inc. and Subsidiary d/b/a BioMADE (collectively referred to as the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Baker Tilly US, LLP
Tewksbury, Massachusetts
January 10, 2025

Year Ended September 30, 2023**I. Summary of Independent Auditors' Report**Schedule of Expenditures of Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported
- Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Types of auditors' report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes X No

Identification of major programs

Assistance Listing Number(s)Name of Federal Program or Cluster

Research and Development Cluster:

12.800

Air Force Defense Research Sciences Programs

11.619

Arrangements for Interdisciplinary Research Infrastructure

47.076

STEM Education (formerly Education and Human Resources)

Dollar threshold used to distinguish between Type A and Type B programs

\$1,218,174

Auditee qualifies as low-risk auditee?

 Yes X No

Year Ended September 30, 2023

II. Financial Statement Findings:

- A. Significant Deficiencies or Material Weaknesses in Internal Control over Financial Reporting:

Material Weakness

2023-001 - General Ledger Maintenance

Condition: Several material audit adjustments were required to present the financial statements and schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America.

Criteria: An effective system of internal controls allows management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct misstatements on a timely basis.

Effect: Significant adjustments that were material in the aggregate in relation to the financial statements were not detected and recorded on a timely basis.

Cause: Timely reconciliation of certain general ledger accounts was not performed by management. As a result, material adjustments were required to be made to the Organization's financial statement accounts.

Recommendation: We recommend the Organization review its policies and procedures to ensure that all account balances and transactions are periodically reviewed for proper treatment in accordance with accounting principles generally accepted in the United States of America.

View of Responsible Officials and Planned Corrective Actions: See management's attached corrective action plan.

- B. Compliance Findings:

None noted.

III. Federal Award Findings and Questioned Costs:

- A. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance:

None noted.

- B. Compliance Findings:

None noted.

Year Ended September 30, 2023

Prior Year Findings:

II. Financial Statement Findings:

A. Significant Deficiencies or Material Weaknesses in Internal Control over Financial Reporting:

None

B. Compliance Findings:

None

III. Federal Award Findings and Questioned Costs:

A. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance:

Significant Deficiency**2022-001 Reporting**

Identification of the Federal Programs:

U.S. Department of Defense, ALN 12.800, Grant Number FA8650-21-2-5028

Condition and Criteria: Formally documented internal control procedures ensure submission of the required quarterly SF-425 federal financial reports as required by Regulation Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Organization's quarterly SF-425 reports for the year ended September 30, 2022 were not submitted on behalf of the Organization.

Resolution: No similar finding exists as a result of the fiscal year 2023 audit.

B. Compliance Findings:

See 2022-001 in Section IIIA of this Schedule.

Corrective Action Plan

Finding: 2023-001 – General Ledger Maintenance

Person Responsible for Corrective Action:

David Weil, Chief of Staff

Corrective Action Planned:

1. Replacement of the general ledger maintenance owner.
2. Engagement of CrossCountry Consulting's Risk & Compliance department to assess and assist the organization with the implementation of additional internal controls which will specifically address the material weakness identified.
3. Addition of a robust general ledger review and reconciliation on a timely basis as part of the month-end closing process.
4. Addition of quarterly reviews of general ledger activity and procedures with an external Accounting Advisory firm. Detailed review of annual results will take place prior to commencement of annual external audit.

Anticipated Completion Date:

1. The Interim Financial Controller will work with the current general ledger owner for a period of eight weeks to assume ownership until a full-time replacement can be hired. The transition is underway and will be completed by January 15th, 2025, with a goal of having a full-time replacement in place by end of March 2025.
2. This agreement is being drafted and work will begin by December 6th, 2024. The assessment and implementation of additional controls will be completed by end of March 2025.
3. This will begin immediately and will be an ongoing requirement for BioMADE's finance department. All monthly close activity for FY 2024 will be completed by end of January 2025 and monthly close for FY 2025 will commence immediately and be completed on a monthly cycle through the remainder of FY 2025.
4. This will begin immediately and will be an ongoing requirement through the completion of the FY24 and FY25 external audits.

David Weil

David Weil, 1/9/2025