Buck Institute for Research on Aging

Financial Statements
June 30, 2012
(With Summarized Comparative Information for the Year Ended June 30, 2011)

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Report of Independent Auditors

To the Board of Trustees
Buck Institute for Research on Aging

In our opinion, the accompanying statement of net assets and the related statements of activities and changes in net assets, and cash flows present fairly, in all material respects, the financial position of the Buck Institute for Research on Aging (the “Institute”) at June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Institute’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institute’s 2011 financial statements, and in our report dated September 23, 2011, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 25, 2012

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Buck Institute for Research on Aging
Statement of Net Assets
June 30, 2012
(With Summarized Comparative Information at June 30, 2011)

	2012	2011
Assets		
Cash	$ 703,309	$ 2,595,991
Grants and contributions receivable, net	7,488,949	8,792,951
Accounts and interest receivable	42,909	74,744
Investments and investments held in trust	14,652,485	16,801,847
Notes receivable	477,752	246,393
Charitable remainder trusts receivable	817,422	799,091
Deposit and other assets	504,189	737,257
Bond issuance costs, net	1,099,695	1,141,726
Property and equipment, net	108,693,786	86,854,073
Total assets	$ 134,480,496	$ 118,044,073
Liabilities		
Accounts payable and accrued expenses	$ 4,752,829	$ 5,196,166
Deferred revenue	4,892,500	2,671,098
Accrued interest payable	6,719	72,285
Notes payable	6,616,299	3,630,820
Bonds payable	80,600,000	80,600,000
Total liabilities	96,868,347	92,170,369
Commitments and contingencies		
Net assets		
Unrestricted	33,249,612	22,723,410
Temporarily restricted	4,268,417	3,055,904
Permanently restricted	94,120	94,390
Total net assets	37,612,149	25,873,704
Total liabilities and net assets	$ 134,480,496	$ 118,044,073

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

Buck Institute for Research on Aging
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2012
(With Summarized Comparative Information for the Year Ended June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
Operating revenues, gains, and other support					
Allocation from the Buck Trust	$ 5,689,335	$ -	$ -	$ 5,689,335	$ 5,764,910
Grant revenues	39,659,898	-	-	39,659,898	28,298,550
Contributions	1,591,820	2,002,117	-	3,593,937	3,013,044
Interest and investment income	55,998	-	-	55,998	78,753
Other income	244,538	-	-	244,538	129,516
Net assets released from restrictions	808,205	(808,205)	-	-	-
Total operating revenues, gains, and other support	48,049,794	1,193,912	-	49,243,706	37,284,773
Operating expenses					
Research	24,726,376	-	-	24,726,376	23,434,857
General and administrative	9,568,513	-	-	9,568,513	8,365,916
Fundraising	1,991,585	-	-	1,991,585	1,907,013
Bond interest and related costs	1,237,118	-	-	1,237,118	1,440,821
Total operating expenses	37,523,592	-	-	37,523,592	35,148,607
Change in net assets from operations	10,526,202	1,193,912	-	11,720,114	2,136,166
Nonoperating activities					
Change in value of split-interest agreements, net	-	18,601	(270)	18,331	129,436
Total nonoperating activities	-	18,601	(270)	18,331	129,436
Change in net assets	10,526,202	1,212,513	(270)	11,738,445	2,265,602
Net assets					
Beginning of year	22,723,410	3,055,904	94,390	25,873,704	23,608,102
End of year	$ 33,249,612	$ 4,268,417	$ 94,120	$ 37,612,149	$ 25,873,704

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

Buck Institute for Research on Aging
Statement of Cash Flows
Year Ended June 30, 2012
(With Summarized Comparative Information for the Year Ended June 30, 2011)

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 11,738,445	$ 2,265,602
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,855,982	3,621,581
Loss on debt extinguishment	-	438,714
(Gain) loss on disposal of property and equipment	(850)	2,937
Write-off of uncollectible pledges	183,781	417
Forgiveness of notes receivable	43,641	36,322
Change in value of split-interest agreements	(18,331)	(129,436)
Grants for long-lived assets	(13,543,940)	-
Change in operating assets and liabilities		
Grants and contributions receivable	(3,785,839)	(5,244,145)
Accounts and interest receivable	31,835	(35,479)
Notes receivable	(275,000)	(166,391)
Deposit and other assets	233,068	(90,053)
Accounts payable and accrued expenses	(1,382,898)	325,455
Deferred revenue	2,221,402	1,477,204
Bond interest payable and interest payable on swaps	(65,566)	61,729
Net cash (used in) provided by operating activities	(764,270)	2,564,457
Cash flows from investing activities		
Additions of property and equipment	(24,713,253)	(17,282,400)
Net sales (purchases) of investments	2,149,362	(7,042,692)
Net cash used in investing activities	(22,563,891)	(24,325,092)
Cash flows from financing activities		
Grants for long-lived assets	18,450,000	-
Borrowings against notes payable	3,350,000	-
Repayment of note payable	(364,521)	(346,512)
Repayment of bonds payable	-	(5,000,000)
Bond issuance proceeds	-	30,000,000
Bond issuance costs	-	(901,788)
Net cash provided by financing activities	21,435,479	23,751,700
Net (decrease) increase in cash	(1,892,682)	1,991,065
Cash		
Beginning of year	2,595,991	604,926
End of year	$ 703,309	$ 2,595,991
Supplemental cash flow information		
Interest paid	$ 1,001,386	$ 742,799
Noncash expense items	198,751	209,894
Change in noncash acquisitions of capital equipment	939,561	1,459,444
Noncash gifts	1,011	43,649

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

1. Description of the Institute

The Buck Institute for Research on Aging (the "Institute") is a nonprofit charitable entity.

The mission of the Institute is to increase the healthy, productive years of life through basic biomedical research on aging and its connection to chronic conditions commonly associated with old age. The Institute's research programs address two fundamental questions:

- What is the nature of aging?
- What factors trigger diseases associated with age?

Established as an independent, not-for-profit research center, the Institute opened in 1999 and currently houses the laboratories of principal investigators recruited for leadership in their respective fields of research.

The Institute's research programs are based on an interdisciplinary approach, involving complimentary areas of inquiry:

- The genetics and biochemistry of aging including oxidative stress, mitochondrial function and genetic determination of lifespan.
- Age-related conditions including cancer, stroke, diabetes, cardiovascular disease, macular degeneration, Alzheimer's disease and Parkinson's disease.
- Regenerative medicine (stem cell research) and aging.
- New technology to support age-related research including genomics, proteomics and bioinformatics.

The Institute considers education and training at all levels a key component of its research program. One of the most important functions is to encourage the career development of the next generation of age researchers. The Institute sponsors a series of informal (intramural) and formal (extramural) research seminars which include international and national scientific symposia for the aging research community. The Science Education Program allows high school and college students to work side by side with researchers to enhance learning and encourage students interested in entering the field of science. In addition, the Institute conducts quarterly public seminars on various topics related to aging for Bay Area residents. Docent-lead public tours are also conducted on a weekly basis.

Today, the Institute is funded, in part, by The Leonard and Beryl Buck Foundation (the "Buck Trust"), a court-supervised trust, as well as federal and private foundation grants and contributions.

The Institute is a component part of the Marin Community Foundation (the "Foundation"), which means that the Institute, the Foundation and other component parts of the Foundation are treated as a single organization for federal tax purposes. The Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Internal Revenue Service determined that the Foundation is a publicly supported organization under Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Code and, accordingly, is not subject to excise taxes applicable to private foundations. The Institute is exempt from California state tax under Revenue and Taxation Code Section 23701(d).

The Institute also holds a controlling financial interest in Nuvita Health Corporation (Nuvita). Nuvita was formed on June 9, 2011 for the purpose of testing and commercializing a cancer/longevity diet for dogs. The Institute anticipates the extensive data developed will have a direct application to human health and longevity. Buck Housing, LLC, a wholly owned subsidiary of the Institute whose purpose is to hold title to a housing land parcel, was formed on July 25, 2011. Healthspan, Inc., a nonprofit Delaware corporation which serves as a placeholder for the name "Healthspan" was formed on December 22, 2011. There was no activity in 2012 in these entities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America and with the AICPA Audit and Accounting Guide, *Not-For-Profit Organizations.* Accordingly, net assets and revenues, expenses and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Institute and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions are classified as unrestricted. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or otherwise limited by contractual arrangements with outside parties. Such assets primarily represent resources received from the Buck Trust to support administrative, research and education costs that have been approved by the Superior Court of the State of California, County of Marin (the "Court") for expenditure and temporarily restricted resources which become available for use by the Institute in accordance with the intentions of donors.

Temporarily Restricted Net Assets

Net assets that are subject to donor-imposed restrictions which can be fulfilled either by actions of the Institute pursuant to those stipulations and/or expire with the passage of time are classified as temporarily restricted. As of June 30, 2012, temporarily restricted net assets primarily consist of donations received for laboratory expansion, specific research and other purposes, pledges to be received in future years and charitable remainder trusts receivable. Upon the passing of time and/or satisfaction of donor-imposed stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

Permanently Restricted Net Assets

Net assets that are subject to donor-imposed restrictions that they be retained permanently by the Institute are classified as permanently restricted. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes. Permanently restricted net assets at June 30, 2012 consist of a charitable remainder trust receivable which has been designated by the donor as endowment funds whose income will be used for research in aging and age-related diseases.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash
Cash consists of cash on hand at three nationally recognized financial institutions which may at times exceed federally insured limits. However, management believes that these institutions are viable entities and therefore risk of loss is minimized.

Fair Value Measurements
The Institute determines the fair value of their financial instruments based on inputs or assumptions that market participants would use in pricing an asset or liability. The Institute categorizes their instruments using a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for identical assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; Level 3 inputs are unobservable inputs based on their own assumptions used to measure assets and liabilities at fair value. The classification of a financial asset or liability within the hierarchy is determined based on the lowest level of input that is significant to the fair value measure.

The carrying amounts of cash, receivables, accounts payable and accrued expenses approximate fair value because of the short-term maturity of these financial instruments. The carrying value of the Institute's bonds and note payable approximates fair value because interest rates reflect current market rates offered by lending institutions for loans with similar terms to companies with comparable credit risk.

The Institute's fair value measurement methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although the Institute believes their valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine fair value could result in different fair value measurement at the reporting date.

Grants and Contributions Receivable
Grants receivable consists of grants made to the Institute where expenditures have been incurred but reimbursement from the grantor has not yet been received. Contributions receivable consist of unconditional promises to give (pledges) that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated future cash flows. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. In accordance with fair value standards, the discount rates used during fiscal year 2012 were determined using the risk free rate adjusted for the risk of donor default. Amortization of the discounts is included in contribution revenue in the accompanying statement of activities and changes in net assets. Grants and contributions receivable are reviewed for collectibility and reserves for uncollectible amounts are established when needed.

Investments and Investments Held in Trust
Investments (including investments held in trust) consist of cash and cash equivalents, a repurchase agreement and a life insurance policy recorded at fair value.

Charitable Remainder Trusts Receivable
Charitable remainder trusts receivable represent the estimated fair value of the Institute's estimated remainder interest in various irrevocable trusts held by third-party trustees. The estimated fair value of these receivables was determined using investment returns consistent with the composition of the trusts' asset portfolios, single or joint life expectancy from mortality tables, and discount rates commensurate with the expected term to receipt of the assets.

Bond Issuance Costs
Bond issuance costs are amortized on a straight line basis over the life of the bonds which approximates the effective interest method. Accumulated amortization as of June 30, 2012 was $77,057.

Property and Equipment
Property and equipment additions are recorded at cost at the date of purchase or at fair value at the date of donation. Interest incurred during construction is capitalized as part of the asset. Depreciation is recorded on assets in service, using the straight-line basis over the estimated remaining useful lives of the assets, which approximates three to ten years for equipment and ten to forty years for land improvements and buildings. The carrying amount of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. There were no impairment losses recorded for the year ended June 30, 2012.

Deferred Revenue
Deferred revenue represents funds which have been received from grants that are considered to be exchange transactions. These funds are for specific programs or studies which have not yet been completed or taken place.

Bonds Payable
The carrying amounts of the Institute's debt instruments approximate fair value, based on current interest rates.

Revenue Recognition
Contributions are recognized at fair value as revenue when they are received or unconditionally pledged. The Institute reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction. Contributions are reported as unrestricted revenue when the contribution restrictions are accomplished in the same year as the contribution received. Generally, grants that support the Institute's research and development programs are considered exchange transactions and, accordingly, are recorded as revenue when earned.

Functional Allocation of Expenses
The Institute allocates the costs of supporting its various programs and other activities to the programs and supporting services benefited whenever such costs are attributed to more than one program or activity. These allocations are based on the payroll expense associated with the respective activities or on the basis of area allocations, as appropriate.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the fair value of interest rate swaps, certain factors associated with charitable remainder trusts and the collectability of contributions and grants receivable. Actual results could differ from those estimates.

Concentrations of Credit Risk
Financial instruments that potentially subject the Institute to credit risk consist primarily of investments held in trust and grants and contributions receivable. The Institute's investments held in trust have been placed with major counterparties. The Institute closely monitors these investments and has not experienced significant credit losses. Grants and contributions receivable consist of grants receivable from the Federal government and other institutions and pledges due from donors.

Summarized Comparative Information
The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a full presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended June 30, 2011, from which the summarized comparative information was derived.

Subsequent Events
The Institute evaluates events or transactions that occur after the Statement of Net Assets date but before the financial statements are issued for potential recognition or disclosure in the financial statements. The Institute has evaluated all subsequent events through September 25, 2012, the date the financial statements were issued, and no items were noted that needed to be disclosed.

3. Allocations From the Buck Trust

As a part of various court orders and the legal settlement agreement that established the Foundation as the distribution trustee for the income of the Buck Trust (the "Court Orders") on July 1, 1987, the investment trustees set aside a portion of the Buck Trust's income for three Major Projects. The three Major Projects include the Institute, the Buck Institute for Education and The Marin Institute. The Major Projects receive allocations totaling 20% of the total distribution, based upon a 5% rolling average spending rule, net of trustee fees and expenses with the Institute receiving 75% of this amount.

Additionally, a July 1992 court order established that the selection of the Institute as a Major Project and the allocation of funding to the Institute, as stated above, shall not be altered during the period for which the Institute's construction bonds are outstanding, if such alteration would either adversely affect any ratings of the bonds then outstanding or cause interest on the bonds to become subject to federal taxation (Note 11).

Allocations from the Buck Trust are pledged as collateral for the benefit of bond holders (Notes 5 and 11). In addition, the Institute has a promissory note payable to the Buck Trust (Note 9).

4. Grants and Contributions Receivable

At June 30, 2012, grants and contributions receivable are expected to be collected in the following periods:

Due in one year or less	
Grants, net	$ 4,196,600
Contributions	971,738
	5,168,338
Due between one and five years - contributions	1,451,442
Due in more than five years - contributions	1,123,965
	7,743,745
Less: Discount on multi-year contributions	(254,796)
Total grants and contributions receivable	$ 7,488,949

Grants are all expected to be received in one year or less. Contributions to be received after one year are discounted at June 30, 2012, at discount rates ranging from 1.67% to 2.92%. Contributions receivable are primarily designated for the costs associated with the laboratory expansion campaigns, specific research and other purposes.

5. Investments and Investments Held in Trust

As of June 30, 2012, investments and investments held in trust at fair value consisted of the following:

Short term investments	$ 12,879,692
Repurchase agreement, maturing November 16, 2026, at variable interest rates	1,750,000
Cash surrender value of life insurance	22,793
	$ 14,652,485

Short term investments are comprised of highly liquid investments. Investments include a current balance of $5.3 million in a gross revenue fund as established and amended under the terms of the bond Indenture Agreements to receive contributions and revenues from the operations of the Institute including payments from the Buck Trust. There are no restrictions on the disbursements from the gross revenue fund. Additionally, The Board of Trustees has restricted $5.3 million for an earthquake insurance reserve.

The repurchase agreement is held by a trustee in a reserve account related to the 2001 Bonds (Note 11), and is collateralized with securities having value at least equal at all times to the total amount of the repurchase obligation, including interest.

The following table summarizes the valuation of the Institute's investments as of June 30, 2012.

	Level 1	Level 2	Level 3	Total Fair Value
Short term investments	$ 12,879,692	$ -	$ -	$ 12,879,692
Cash surrender value of life insurance	-	-	22,793	22,793
Repurchase agreement	-	1,750,000	-	1,750,000
Fair value June 30, 2012	$ 12,879,692	$ 1,750,000	$ 22,793	$ 14,652,485

In 2012, the Institute purchased a life insurance value with a cash surrender value of $22,793.

6. Charitable Remainder Trusts Receivable

The following table summarizes the valuation of the Institute's Charitable Remainder Trusts of June 30, 2012.

	Level 1	Level 2	Level 3	Total Fair Value
Charitable Remainder Trusts, fair value June 30, 2012	$ -	$ -	$ 817,422	$ 817,422

The following table summarizes the Institute's Level 3 reconciliation as of June 30, 2012.

	Fair Value Measurements Using Level 3 Inputs
Balance at June 30, 2011	$ 799,091
Unrealized gains	18,331
Balance at June 30, 2012	$ 817,422

Beneficial trusts held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement.

7. Deposit

At June 30, 2012, the deposit included in deposit and other assets consists of a $500,000 deposit with the City of Novato related to the expansion of the existing campus. The terms of the deposit allow the City of Novato to keep the deposit if a Development Agreement is executed prior to October 29, 2016, or if the build-out of additional campus buildings occurs prior to that date.

8. Property and Equipment

As of June 30, 2012, property and equipment consisted of the following:

Land	$ 5,787,083
Land improvements	8,343,912
Buildings	121,923,027
Computer equipment	2,703,615
Furniture, fixtures and equipment	16,850,896
	155,608,533
Less: Accumulated depreciation	(47,290,712)
	108,317,821
Construction in progress	375,965
	$ 108,693,786

The Institute finished construction on the Regenerative Medicine Research Center (RMRC), a facility supported by the California Institute for Regenerative Medicine, and received a temporary certificate of occupation on April 1, 2012. Interest in the amount of $1,269,090 incurred during construction was included in the cost of the building. Depreciation expense for the year ended June 30, 2012 was $3,813,951. Property and equipment included above that was purchased with federal funds totaled $3,381,789 at June 30, 2012.

9. Notes Payable

As of June 30, 2012, notes payable consisted of the following:

Promissory note payable to the Leonard and Beryl Buck Foundation, a related party, noninterest bearing, principal payments due monthly through June 2023. Imputed interest at 3.17% to 6.09% of $195,627 was recorded as an in-kind gift in 2012	$ 6,543,686
Promissory note payable, collateralized by certain equipment of the Institute, bearing interest at 7.998%, principal and interest payments due monthly and maturing August 2013	72,613
	6,616,299
Less: Current maturities	(661,243)
	$ 5,955,056

Aggregate principal maturities of notes payable as of June 30, 2012 are as follows:

Year Ending June 30,	
2013	$ 661,243
2014	610,213
2015	599,422
2016	599,422
2017	599,422
Thereafter	3,546,578
	$ 6,616,299

10. Interest Rate Swaps

On September 23, 2008, the Institute terminated its forward swap with Lehman Brothers Special Financing Inc. (“LBSF”) in accordance with the interest rate swap agreement because of the insolvency of LBSF’s guarantor, Lehman Brothers Holdings Inc. and the resultant bankruptcy proceedings filed against Lehman Brothers Holdings on September 15, 2008. With the assistance of bond counsel and financial advisors, the Institute paid a Settlement Amount of approximately $2.0 million to terminate the swap agreement with LBSF on October 16, 2008. On August 26, 2010, LBSF formally notified the Institute of its demand for Alternative Dispute Resolution (mediation) on its claim that the Institute owes an additional $12.1 million in Settlement Amount plus interest at the Default Rate (calculated by LBSF to be $4.7 million as of March 1, 2011). Such mediation was held on March 1, 2011 and remains open. The Institute and the Institute’s legal counsel believe that the Settlement Amount paid to LBSF was properly determined pursuant to the forward swap contract and that no further liability to LBSF exists. However, as with any legal matter, the ultimate outcome may result in additional costs to the Institute.

11. Bonds Payable

In September 2010, the Institute through the Infrastructure and Economic Development Bank (the “CIEDB”) issued $30.0 million of variable rate demand revenue bonds (the “2010 Bonds”). Interest payments are due monthly, with annual principal payments from 2015 through 2041. The 2010 Bonds have an initial seven-year fixed interest rate of 2.75%. After this initial period, the 2010 Bonds revert to a variable interest rate.

The proceeds of the 2010 Bonds were used to fund the construction of the RMRC (a 65,700 square-foot stem cell research facility), refund outstanding 2001 Bonds and pay financing costs. As of June 30, 2012 there are unspent bond proceeds of $2.2 million restricted to construction and equipment.

The Institute also has outstanding $50.6 million of variable rate demand revenue bonds, which were issued by the CIEDB (the “2001 Bonds”). Interest payments are due monthly with annual principal payments due 2016 through 2038. The effective interest rate was 0.13% in fiscal 2012. The 2001 Bonds are supported by a letter of credit, which expires on September 9, 2013. As of June 30, 2012, no amounts were outstanding on the letter of credit. On September 28, 2011 the Institute entered into a 5% interest rate cap agreement on $10.3 million of the 2001 outstanding bonds with U.S. Bank National Association.

The CIEDB Series 2010 and 2001 Bonds are subject to optional, mandatory, and extraordinary redemption by the Institute; and optional and mandatory tender for purchase by the bond holders.

Aggregate principle maturities of the bonds as of June 30, 2012 are as follows:

Year Ending June 30,		
2015	$	425,000
2016		1,025,000
2017		1,825,000
Thereafter		77,325,000
	$	80,600,000

Certain gross revenues and property of the Institute, including Institute allocations from the Buck Trust (Note 3), are pledged as collateral for the benefit of the bond holders and related to the letter of credit. The Institute must maintain its status as a 501(c)(3) organization and submit quarterly to the bond custodian a certification that the Institute maintains an adequate provision for debt service.

The Institute has a $2.0 million Revolving Line of Credit Agreement which expires in September 2013. As of June 30, 2012, no amounts were outstanding on the Line of Credit.

12. Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the year ended June 30, 2012 as follows:

Unrestricted	$	523,955
Program		56,000
Laboratory expansion campaigns		228,250
	$	808,205

Temporarily restricted net assets were available for the following purposes as of June 30, 2012:

Program	$	490,956
Laboratory expansion campaigns		296,421
Planned gift expectancies		723,301
For use in ensuing fiscal years		2,757,739
	$	4,268,417

13. Retirement Plans

The Institute has two defined contribution plans which cover all eligible employees. Employees are eligible for one of the plans at date of hire and the Institute matches the employee contributions after completion of three months of service, subject to a maximum contribution of 5% of an employee’s salary. In addition, employees are eligible for a second plan after completion of one year of service where the Institute contributes 5% of the employee’s salary below and 10% of the salary above the Social Security earnings base. During the year ended June 30, 2012, the Institute contributed $971,127 to the plans.

14. Commitments and Contingencies

Grants
Certain grants that the Institute administers and for which it receives reimbursements are subject to audit and final acceptance by granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Institute expects such amounts, if any, to be insignificant.