Consolidated Financial Statements, Supplementary Information and Reports and Schedules Required by the Uniform Guidance

Texas Biomedical Research Institute
Years Ended December 31, 2025 and 2024
With Reports of Independent Auditors

Texas Biomedical Research Institute

Consolidated Financial Statements, Supplementary Information and Reports and Schedules Required by the Uniform Guidance

Years Ended December 31, 2025 and 2024

Contents

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Report of Independent Auditors

Management and Trustees
Texas Biomedical Research Institute

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Texas Biomedical Research Institute, which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Texas Biomedical Research Institute at December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards appliable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Texas Biomedical Research Institute, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

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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 Texas Biomedical Research Institute's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position as of December 31, 2025, and the consolidating statement of activities for the year then ended are presented for purposes of additional analysis and are 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 audits 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 also have issued our report dated June 18, 2026, on our consideration of Texas Biomedical Research Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Texas Biomedical Research Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Texas Biomedical Research Institute's internal control over financial reporting and compliance.

Ernst + Young LLP

June 18, 2026

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Report of Independent Auditors 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*

Management and Trustees
Texas Biomedical Research Institute

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Texas Biomedical Research Institute, which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated June 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Texas Biomedical Research Institute'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Texas Biomedical Research Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Texas Biomedical Research Institute's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Ernst + Young LLP

June 18, 2026

Texas Biomedical Research Institute

Consolidated Statements of Financial Position

	December 31	
	2025	**2024**
Assets		
Cash and cash equivalents	$ 77,082	$ 757,739
Accounts receivable	17,171,777	14,598,827
Pledges receivable *(Note 3)*	2,834,195	3,426,066
Prepaid expenses and supplies	2,812,327	5,583,701
Assets limited as to use:		
Cash	9,688,794	8,249,717
Investments *(Note 6)*	99,729,537	93,548,459
Investment in Evestra, Inc. *(Note 6)*	2,821,861	2,821,861
Funds held in trust by others *(Note 7)*	86,330,195	122,418,085
Land, buildings, and equipment, net *(Note 9)*	156,684,957	115,169,182
Right-of-use assets	199,457	28,266
Total assets	$ 378,350,182	$ 366,601,903
Liabilities and net assets		
Liabilities:		
Accounts payable	$ 14,349,200	$ 14,322,020
Accrued wages, vacation, and other liabilities	4,466,945	4,364,464
Unearned revenue	1,748,215	1,679,173
Lease liability	199,778	43,087
Bonds payable *(Note 11)*	182,345,000	182,345,000
Bond premium *(Note 11)*	7,343,989	7,949,754
Bond discount *(Note 11)*	(256,556)	(290,952)
Bond issuance costs *(Note 11)*	(1,827,259)	(1,894,657)
Total liabilities	208,369,312	208,517,889
Net assets:		
Net assets without donor restrictions	105,271,733	97,247,385
Net assets with donor restrictions	64,709,137	60,836,629
Total net assets	169,980,870	158,084,014
Total liabilities and net assets	$ 378,350,182	$ 366,601,903

See accompanying notes.

Texas Biomedical Research Institute

Consolidated Statement of Activities

	For the Year Ended December 31, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Grants and contracts	$ 74,678,500	$ –	$ 74,678,500
Contributions	5,846,441	4,530,660	10,377,101
Endowment income allocation for operations	6,822,110	2,995,207	9,817,317
External program income	187,177	–	187,177
Other revenue	189,335	–	189,335
Total operating revenues	87,723,563	7,525,867	95,249,430
Net assets released from restrictions	6,809,591	(6,809,591)	–
Total revenues, gains, and other support	94,533,154	716,276	95,249,430
Operating expenses			
Salaries and benefits	51,188,999	–	51,188,999
Supplies	12,592,914	–	12,592,914
Depreciation	8,124,054	–	8,124,054
Services and professional fees	9,595,328	–	9,595,328
Subcontracts	2,828,026	–	2,828,026
Utilities	2,533,782	–	2,533,782
Interest expense	7,177,172	–	7,177,172
Subscriptions	524,851	–	524,851
Travel	411,679	–	411,679
Insurance	1,074,471	–	1,074,471
Shipping	334,305	–	334,305
Amortization	98,880	–	98,880
Other expenses	2,054,753	–	2,054,753
Total operating expenses	98,539,214	–	98,539,214
Net (decrease) increase from operations	(4,006,060)	716,276	(3,289,784)
Nonoperating revenues, gains, and losses			
Endowment income allocation for operations	(6,822,110)	(2,995,207)	(9,817,317)
Investment gain	18,182,431	6,151,439	24,333,870
Royalty income	853,298	–	853,298
Other nonoperating losses	(108,924)	–	(108,924)
Loss on disposal of assets, net	(74,287)	–	(74,287)
Total nonoperating revenues, gains, and losses	12,030,408	3,156,232	15,186,640
Increase in total net assets	8,024,348	3,872,508	11,896,856
Beginning net assets	97,247,385	60,836,629	158,084,014
Ending net assets	$ 105,271,733	$ 64,709,137	$ 169,980,870

Texas Biomedical Research Institute

Consolidated Statement of Activities (continued)

	For the Year Ended December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Grants and contracts	$ 63,079,566	$ –	$ 63,079,566
Contributions	2,524,687	4,566,634	7,091,321
Endowment income allocation for operations	6,201,620	2,900,128	9,101,748
External program income	1,029,990	–	1,029,990
Other revenue	251,036	–	251,036
Total operating revenues	73,086,899	7,466,762	80,553,661
Net assets released from restrictions	8,714,364	(8,714,364)	–
Total revenues, gains, and other support	81,801,263	(1,247,602)	80,553,661
Operating expenses			
Salaries and benefits	48,057,699	–	48,057,699
Supplies	11,146,120	–	11,146,120
Depreciation	8,236,142	–	8,236,142
Services and professional fees	11,868,392	–	11,868,392
Subcontracts	3,221,360	–	3,221,360
Utilities	2,406,184	–	2,406,184
Interest expense	4,516,095	–	4,516,095
Subscriptions	746,811	–	746,811
Travel	501,118	–	501,118
Insurance	934,401	–	934,401
Shipping	340,912	–	340,912
Amortization	443,310	–	443,310
Other expenses	2,603,061	–	2,603,061
Total operating expenses	95,021,605	–	95,021,605
Net decrease from operations	(13,220,342)	(1,247,602)	(14,467,944)
Nonoperating revenues, gains, and losses			
Endowment income allocation for operations	(6,201,620)	(2,900,128)	(9,101,748)
Investment gain	10,250,465	3,516,543	13,767,008
Royalty income	1,102,075	–	1,102,075
Loss on disposal of assets, net	(8,054)	–	(8,054)
Total nonoperating revenues, gains, and losses	5,142,866	616,415	5,759,281
Decrease in total net assets	(8,077,476)	(631,187)	(8,708,663)
Beginning net assets	105,324,861	61,467,816	166,792,677
Ending net assets	$ 97,247,385	$ 60,836,629	$ 158,084,014

See accompanying notes.

Texas Biomedical Research Institute

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2025	**2024**
Operating activities		
Increase (decrease) in net assets	$ 11,896,856	$ (8,708,663)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	8,124,054	8,236,142
Amortization of bond issuance costs	67,399	45,933
Amortization of bond premium	(605,765)	(490,536)
Amortization of bond discount	34,396	17,866
Loss on disposal of assets, net	74,287	8,054
Net investment gain	(22,184,551)	(13,953,587)
Contributions restricted for long-term investment	–	(434,005)
Changes in operating assets and liabilities:		
Accounts receivable	(2,572,950)	(3,732,511)
Pledges receivable	591,871	1,662,854
Prepaid expenses and supplies	2,771,374	1,064,493
Accounts payable and accrued expenses	129,661	4,917,600
Lease Liability, net	(14,500)	(89,108)
Unearned revenue	69,042	272,229
Net cash used in operating activities	(1,618,826)	(11,183,239)
Investing activities		
Purchases of plant and equipment	(49,715,402)	(21,144,703)
Sale of plant and equipment	1,286	3,774
Purchases of investments	(101,900,483)	(125,296,962)
Sale of investments	153,991,845	28,258,951
Net cash provided by (used in) investing activities	2,377,246	(118,178,940)
Financing activities		
Proceeds from bonds payable	–	125,437,476
Payments for bond issue costs	–	(1,136,455)
Proceeds from contributions restricted for long-term investment	–	(116,926)
Net cash provided by financing activities	–	124,184,095
Increase (decrease) in cash, cash equivalents, and restricted cash	758,420	(5,178,084)
Cash, cash equivalents, and restricted cash at beginning of year	9,007,456	14,185,540
Cash, cash equivalents, and restricted cash at end of year	$ 9,765,876	$ 9,007,456
Supplemental disclosure of cash flow information		
Interest paid	$ 8,211,994	$ 4,647,686

See accompanying notes.

1. Significant Accounting Policies

Nature of Operations

The creation of Texas Biomedical Research Institute (Texas Biomed) was by trust indenture dated December 16, 1941, and restated November 1, 1993, appointing trustees and specifying the scientific, educational, and charitable purposes of Texas Biomed. Texas Biomed conducts scientific research and educational programs to improve the health of the global community. The main revenue sources for these activities include federal and commercial grants and contracts.

Principles of Consolidation

For the years ended December 31, 2025 and 2024, the accompanying consolidated financial statements include the accounts of Texas Biomed and the Tom Slick Memorial Trust, which is controlled by the Board of Trustees of Texas Biomed.

The Tom Slick Memorial Trust is held in the Texas Biomed endowment fund. Each month, in accordance with Texas Biomed's board-adopted spending policy, the endowment fund contributes a percentage of its earnings to Texas Biomed to be used for operations. The contribution was 9.83% and 5.75% in 2025 and 2024, respectively. In addition to the 5.75% contribution in 2024, the Board of Trustees approved an additional $3,000,000 contribution to support the costs associated with Texas Biomed's implementation of a suite of new enterprise resource planning systems, which were brought online over the course of the year. As of December 31, 2025 and 2024, all intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements of Texas Biomed are presented on the accrual basis, in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Texas Biomed is required to report information regarding its consolidated financial position and activities according to two classes of net assets. As such, the accompanying consolidated financial statements reflect net assets grouped into these two classes, described as follows:

- *Net assets without donor restrictions* – net assets that are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Trustees

- *Net assets with donor restrictions* – net assets whose use by Texas Biomed is subject to donor-imposed restrictions

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes and supplementary information. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include non-interest-bearing and interest-bearing demand deposits, as well as a money market sweep account, all of which have maturities of less than 90 days.

Restricted cash includes cash and cash equivalents that are separately maintained by management based on donor restrictions or other needs.

Assets Limited as to Use and Investments

Assets limited as to use primarily include assets designated by the donor or set aside by the Board of Trustees for capital expenditures and research, scientific recruitment, and endowment funds.

The investment objectives for Texas Biomed's endowment funds are to preserve the principal value of the endowment funds in both absolute and real terms and to maximize over the long term the total rate of return (cash income plus market appreciation) earned by the endowment funds without assuming an unreasonable degree of risk. Accordingly, the Board of Trustees has adopted a spending formula that targets an annual spending rate between 4% and 5% of the trailing 12-quarter rolling average value of the endowment funds, computed annually. Since 2019, the Board has approved higher spending rates to support ongoing strategic plan initiatives and working capital needs. The spending rate was 9.83% in 2025 and 5.75% in 2024, though an additional $3,000,000 was approved in 2024 to support implementation of a new Enterprise Risk Management system.

Net appreciation on endowment funds whose income is unrestricted as to use should be reported as net assets without donor restrictions, unless such net appreciation has been restricted by the donor or by law. In those cases where a donor has placed specific restrictions on the use of endowment income, any related net appreciation is also subject to the same restriction and is reported as a part of net assets with donor restrictions until such time as the restriction has been met.

1. Significant Accounting Policies (continued)

Endowment funds are invested primarily in funds made up of U.S. equities, global equities, U.S. fixed-income securities, global fixed-income securities, alternative investments, emerging markets equities, cash, and cash equivalents. The vehicles for these investments include mutual funds and investments in limited partnerships and trusts. The basis for the investments is the aggregate fair market value. A portion of the endowment funds is invested in nine limited partnerships and two trusts. The limited partnerships and trusts are recorded at fair value, based on the net asset value of the units held by Texas Biomed.

Realized gains and losses on investments are recognized in the period in which they occur. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in net assets without donor restrictions unless the income or loss is restricted by donor or law. Market appreciation or decreases on donor-restricted gifts are classified in the accompanying consolidated financial statements as either net assets with or without donor restrictions, as stipulated by the donor.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, and that amount is then treated as the basis of the asset. The gifts are reported as restricted support 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported on the statements of changes in net assets as net assets released from restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by Texas Biomed has been limited by donors to a specific time period or purpose or those net assets that have been restricted by donors to be maintained by Texas Biomed in perpetuity. Income from the donor-restricted net assets that can be used for current operations, subject to donor restrictions on use, is reflected as an increase to net assets without donor restrictions. This accounting policy was also used for the Tom Slick Memorial Trust consistent with the terms of the documents establishing that trust, with income from the donor-restricted corpus being recorded as income without donor restrictions.

1. Significant Accounting Policies (continued)

Net assets with donor restrictions are restricted for the following purposes:

	December 31	
	2025	**2024**
Subject to expenditure for specified purpose:		
Research	$ 6,136,526	$ 5,750,649
Facility renovation/construction	5,508,616	5,340,081
Subject to spending policy and appropriation:		
Endowments (including amounts above original gift amount), which, once appropriated, are expendable to support research	17,471,375	14,315,140
Not subject to appropriation or expenditure:		
Endowments held in perpetuity	35,592,620	35,430,759
Total net assets with donor restrictions	$ 64,709,137	$ 60,836,629

Land, Buildings, and Equipment

Land, buildings, and equipment are carried at cost or at estimated fair value on the dates contributed. Texas Biomed provides for depreciation and amortization of property, plant, and equipment at amounts calculated to amortize the cost of the assets over their estimated useful lives, using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	15–30 years
Fixtures and equipment	5–10 years

Expenditures for maintenance and repairs are charged to costs or expenses; renewals and betterments are capitalized. Land, buildings, and equipment acquired by federal funds are made available for use in other similar federally sponsored projects or programs as workload permits. The land, buildings, and equipment acquired with federal funds are subject to use and disposition conditions, including possible repayments to the federal government if assets are disposed of. The amount of total land, buildings, and equipment acquired with federal funds, less accumulated depreciation, is $10,582,387 and $7,065,612 as of December 31, 2025 and 2024, respectively.

1. Significant Accounting Policies (continued)

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support.

Retirement Plan

Texas Biomed's qualified defined contribution retirement plan is available to all active full-time employees, and those who work a minimum of 1,000 hours, immediately upon employment. Contributions to the plan consist of employer contributions ranging from 7% to 9% of such employee's base salary up to the maximum amount allowed under Section 401(a)(17) of the Internal Revenue Code (the Code) based on years of service. Employees are fully vested after the completion of three years of service.

The plan is carried with the Teachers Insurance and Annuity Association and College Retirement Equities Fund and is a defined contribution (money-purchase) plan. Payments for employer contributions to the plan were $3,091,324 and $2,869,155 in 2025 and 2024, respectively.

Income Taxes

Texas Biomed is exempt from federal income taxes under Section 501(a) of the Code as an organization described under Section 501(c)(3) of the Code.

This exemption does not apply to unrelated business income, as defined by Section 512(a)(1) of the Code, which is subject to federal income tax. Texas Biomed has no tax liability resulting from such unrelated business income in 2025 or 2024.

U.S. GAAP requires management to evaluate uncertain tax positions taken by Texas Biomed. The financial statement effects of a tax position are recognized when the position is more likely than not, based on its technical merits, to be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by Texas Biomed and has concluded that, as of December 31, 2025, there are no uncertain positions taken or expected to be taken. Texas Biomed has recognized no interest or penalties related to uncertain tax positions. Texas Biomed is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

2. Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown on the consolidated statements of cash flows:

	December 31 2025	December 31 2024
Cash and cash equivalents	$ 77,082	$ 757,739
Restricted cash	9,688,794	8,249,717
	$ 9,765,876	$ 9,007,456

Amounts included in restricted cash represent contributions required to be set aside for specific use as stipulated by the donors.

3. Pledges Receivable

As of December 31, 2025 and 2024, Texas Biomed has unconditional promises to give totaling $2,834,195 and $3,426,066, respectively. Unconditional promises to give include both with and without donor restrictions for capital construction, research, faculty recruitment, or endowments. The amounts are recorded at the present value of estimated future cash flows.

Pledges receivable are due as follows:

	December 31 2025	December 31 2024
Promises to give:		
Less than one year	$ 1,461,934	$ 2,628,601
One to five years	1,525,000	970,833
	2,986,934	3,599,434
Less amount to reduce to present value	(152,739)	(173,368)
Pledges receivable	$ 2,834,195	$ 3,426,066

Texas Biomed records no allowance for uncollectible contributions based on the history of actual collections from donors making the promises to give. Texas Biomed expects all remaining promises to give will be received as pledged.

4. Internal-Use Software

Texas Biomed purchases hosting arrangements that are service contracts and that include licenses to internal-use software. These service contracts are intangible assets included in prepaid expenses and supplies on the consolidated statements of financial position. The intangible asset for internal-use software was $2,262,868 and $1,933,338 as of December 31, 2025 and 2024, respectively. Amortization of this asset was $168,412 and $187,616 in 2025 and 2024, respectively.

5. Animal Purchases

Management has elected to report the dollar value of nonhuman primates purchased but not yet assigned to research studies as prepaid expenses and supplies on the statement of financial position. The selected approach adheres to the matching principle, aligning revenues with costs, and is considered an accurate portrayal of operating results for users of Texas Biomed's financial statements. The total of this prepaid item was $448,401 and $3,488,493 as of December 31, 2025 and 2024, respectively. As the animals are placed on studies, they are expensed.

6. Investments

Investments in securities with determinable fair value are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (see Note 8).

The composition of these securities is set forth as follows:

	December 31	
	2025	**2024**
Mutual funds	$ 55,547,653	$ 61,674,000
Limited partnerships and trusts	33,890,215	31,874,459
Separately Managed Accounts	10,291,669	–
	$ 99,729,537	$ 93,548,459

Investments traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. If no sale was reported on that date, they are valued at the last reported bid price.

6. Investments (continued)

Limited partnerships and trusts are valued at the net asset values of units held at year-end. Purchases and sales of securities are recorded as of the trade date at cost. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

The holdings in the limited partnerships and trusts are primarily composed of publicly traded securities with readily determinable market values. The risks associated with these investments are numerous and include nonregulation risk, managerial risk, minimal liquidity, and limited transparency.

Separately managed accounts include an investment account held by a qualified custodian and invested on Texas Biomed's behalf according to the direction of an investment advisor. The investments in the account include fixed-income securities such as corporate and government bonds and treasuries.

Investment income earned by Texas Biomed and its allocation among net asset classifications are as follows:

	December 31	
	2025	**2024**
Dividends and interest earned on investments	$ 4,083,375	$ 2,630,687
Net realized gain on investments reported at fair value or net asset value	2,998,943	959,921
Net unrealized gain on investments reported at fair value or net asset value	17,677,471	10,471,825
Investment expenses netted against income	(425,919)	(295,425)
Total investment gain	$ 24,333,870	$ 13,767,008

	December 31	
	2025	**2024**
Net asset classification of investment income:		
Without donor restrictions	$ 18,182,431	$ 10,250,465
With donor restrictions	6,151,439	3,516,543
Total investment income	$ 24,333,870	$ 13,767,008

6. Investments (continued)

Investments in oil and gas mineral interests are considered other investments, and the investments are measured at the lower of cost or fair value. As of December 31, 2025 and 2024, Texas Biomed's investments in oil and gas mineral interests are $0. For the years ended December 31, 2025 and 2024, royalty income from oil and gas mineral interests is $853,298 and $1,102,075, respectively.

In 2008, Texas Biomed helped create a new for-profit pharmaceutical development corporation named Evestra, Inc. (Evestra). Texas Biomed transferred to Evestra certain equipment, supplies, intellectual property, and a National Institutes of Health contract for steroid manufacturing. Additionally, the former staff of Texas Biomed's Organic Chemistry Department became employees of Evestra.

As of December 31, 2025 and 2024, Texas Biomed owns 40% of Evestra's common stock and has two of five voting representatives on Evestra's board; therefore, it is accounted for as an equity investment. Although this is an equity method investment, Texas Biomed keeps the investment at cost and measures the investment at the lower of cost or fair value in accordance with Accounting Standards Codification (ASC) 325, *Investments – Other*. As of December 31, 2025 and 2024, Texas Biomed's investment in Evestra is $2,821,861. No income has been received from Evestra for the years ended December 31, 2025 or 2024.

7. Funds Held in Trust by Others

Texas Biomed's interest in funds held in trust by others is included in net assets as of December 31, 2025 and 2024. These funds are neither in the possession nor under the control of Texas Biomed.

Texas Biomed is a 10% income beneficiary of the Ruth Chapman Cowles and Andrew G. Cowles Memorial Trust and a 25% income beneficiary of the Bonnie W. Schreck Charitable Trust. These perpetual trusts are held by a third party, where the trustee has no discretion regarding the income beneficiaries' participation in the trusts. Texas Biomed's proportionate share of the fair value of the trusts, which approximates the net present value of the estimated future cash flows receivable by Texas Biomed, is reported as an asset and as permanently restricted contribution revenue at the formation of the trusts. Annual income distributions from the trusts are recognized as investment income in the appropriate net asset class according to trust restrictions. Changes in Texas Biomed's proportionate share of the fair value of the trusts are reported as gains or losses on funds held in trust by others in net assets with donor restrictions. The income from the Cowles trust is to be used primarily for postdoctoral fellowships.

7. Funds Held in Trust by Others (continued)

Bond proceeds related to the Series 2021 and Series 2024 revenue bonds (see Note 11) are held in a trust managed by a third party and invested in money market accounts. The money market accounts are considered Level 1 in the fair value hierarchy as of December 31, 2025. See Note 8 for an explanation of the fair value hierarchy levels.

	December 31	
	2025	**2024**
Ruth Chapman Cowles and Andrew G. Cowles Memorial Trust 10% interest in income generated from trust	$ 3,230,333	$ 3,087,685
Bonnie W. Schreck Charitable Trust 25% interest in income generated from trust	237,269	218,055
Series 2021 bonds money market account	83,178	1,322,525
Series 2024 bonds money market account	82,779,415	117,789,820
Total funds held in trust by others	$ 86,330,195	$ 122,418,085

8. Fair Value Measurements

ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value, which are either observable or unobservable. Observable inputs reflect assumptions that market participants would use in pricing an asset or a liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon management's own market assumptions. The fair value hierarchy under ASC 820 consists of the following three levels:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that are accessible to the reporting entity at the measurement date.

- Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable, either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs include the following:

  – Quoted prices for similar assets and liabilities in active markets

  – Quoted prices for identical or similar assets or liabilities in markets that are not active

8. Fair Value Measurements (continued)

  - Observable inputs other than quoted prices that are used in the valuation of the assets or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals)

  - Inputs that are derived principally from or corroborated by observable market data

- Level 3 – Unobservable inputs for the asset or liability (i.e., supported by little or no market activity). Level 3 inputs include management's own judgment about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

Texas Biomed's investments in funds are reported at a net asset value based on the fair value of the underlying investments held by the funds less their liabilities as a practical expedient as of the measurement date. Investments measured under this method are not categorized in the fair value hierarchy and are presented for reconciliation purposes.

8. Fair Value Measurements (continued)

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following tables present the financial instruments carried at fair value as of December 31, 2025 and 2024, by caption on the consolidated statements of financial position and by level in the ASC 820 fair value hierarchy. None of Texas Biomed's holdings are concentrated in one specific industry or investment type.

		Fair Value Measurement at December 31, 2025, Using		
	December 31, 2025	**Quoted Prices in Active Markets for Identical Assets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Investments:				
Mutual funds:				
U.S. equities	$ 41,579,198	$ 41,579,198	$ –	$ –
International equities	9,375,385	9,375,385	–	–
U.S. fixed-income securities	4,593,070	4,593,070	–	–
Total mutual funds	55,547,653	55,547,653	–	–
Separately Managed Accounts	10,291,669	–	10,291,669	–
Investments measured at net asset value:				
Limited partnerships and trusts:				
International equities	28,510,083			
Global fixed-income securities	1,874,097			
Hedge funds	3,506,035			
Total measured at net asset value	33,890,215			
Total investments	$ 99,729,537			
Funds held in trust by others				
Cowles (Bank of Oklahoma)	$ 3,230,333	$ –	$ –	$ 3,230,333
Schreck (Frost Bank)	237,269	–	–	237,269
Series 2021 bonds- money market	83,178	83,178	–	–
Series 2024 bonds- money market	82,779,415	82,779,415	–	–
	$ 86,330,195	$ 82,862,593	$ –	$ 3,467,602

8. Fair Value Measurements (continued)

		Fair Value Measurement at December 31, 2024, Using		
	December 31, 2024	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments:				
Mutual funds:				
U.S. equities	$ 39,378,634	$ 39,378,634	$ –	$ –
International equities	8,682,768	8,682,768	–	–
U.S. fixed-income securities	13,612,598	13,612,598	–	–
Total mutual funds	61,674,000	61,674,000	–	–
Investments measured at net asset value:				
Limited partnerships and trusts:				
International equities	26,672,626			
Global fixed-income securities	2,003,783			
Hedge funds	3,198,050			
Total measured at net asset value	31,874,459			
Total investments	$ 93,548,459			
Funds held in trust by others				
Cowles (Bank of Oklahoma)	$ 3,087,685	$ –	$ –	$ 3,087,685
Schreck (Frost Bank)	218,055	–	–	218,055
Series 2021 bonds- money market	1,322,525	1,322,525	–	–
Series 2024 bonds- money market	117,789,820	117,789,820	–	–
	$ 122,418,085	$ 119,112,345	$ –	$ 3,305,740

The valuation methodologies used for instruments measured at fair value as presented in the table above are as follows:

Investments that are valued at quoted prices available in an active market and interest-bearing cash are classified within Level 1 of the valuation hierarchy.

The fair values of investments in limited partnerships, trusts and separately managed accounts are measured at the entities' net asset value per share. The table on the following page includes additional disclosures required by ASC 820 for the fair value measurements of investments in certain entities that calculate fair value based on net asset value per share.

8. Fair Value Measurements (continued)

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
December 31, 2025				
International equities[a]	$ 28,510,083	$ –	Daily-Monthly	5-30 days
Global fixed-income securities[b]	1,874,097	–	N/A	N/A
Hedge funds[c]	3,506,035	–	Quarterly-Annually	60-65 days
	$ 33,890,215	$ –		
December 31, 2024				
International equities[a]	$ 26,672,626	$ –	Monthly	10–30 days
Global fixed-income securities[b]	2,003,783	–	N/A	N/A
Hedge funds[c]	3,198,050	–	Quarterly–annually	60–65 days
	$ 31,874,459	$ –		

[a] International equities include investments in trusts and limited partnerships that invest in international securities outside the United States. Management of the trusts and partnerships manages its respective investment portfolios. They focus on maximizing intrinsic value in the form of earnings, assets, and dividends provided by their companies and aggregated within their portfolio by implementing a strong price discipline and by quality appraisals that seek to identify strong companies.

[b] Global fixed-income securities include investments in limited partnerships that invest in fixed-income securities, such as corporate and government bonds. Management of the partnerships manages its respective investment portfolios. Their strategy is to seek global bond investments offering high yield and attractive fundamentals, maintaining primary focus on sovereign debt with a goal of unlocking potential benefits of mean-reversion tendencies in interest rates and currency valuations.

[c] Hedge funds include investments in limited partnerships that invest in securities and financial instruments of issuers. Management of the partnerships practices a conservative but flexible form of event-driven investing that favors safer, more predictable transactions, while accepting lower expected returns.

8. Fair Value Measurements (continued)

Funds held in trust by others were classified as Level 3 because Texas Biomed must rely on the trustee's measurement of fair value of the investments held by the trust.

Level 3 Reconciliation

The changes in assets measured at fair value for which Texas Biomed has used Level 3 inputs to determine fair value are as follows:

	Funds Held in Trust by Others
Balance, December 31, 2023	$ 2,754,809
Unrealized gain included on the consolidated statement of changes in net assets	550,931
Balance, December 31, 2024	3,305,740
Unrealized gain included on the consolidated statement of changes in net assets	161,862
Balance, December 31, 2025	$ 3,467,602

9. Land, Buildings, and Equipment

At December 31, land, buildings, and equipment, less total accumulated depreciation, were as follows:

	2025	2024
Argyle buildings and improvements	$ 13,418,872	$ 12,637,869
Argyle land	1,856,819	1,856,819
Land	255,025	255,025
Buildings and improvements	173,991,367	164,284,642
Fixtures and equipment	40,087,324	41,189,467
Construction-in-progress	56,670,846	19,865,791
Less accumulated depreciation	(129,595,296)	(124,920,431)
Net land, buildings, and equipment	$ 156,684,957	$ 115,169,182

9. Land, Buildings, and Equipment (continued)

Land, buildings, and equipment not used in the research operations of Texas Biomed are identified separately and valued at cost. Currently, this is limited to property leased to The Argyle Club (The Argyle) included in the table above as Argyle buildings and improvements and Argyle land. The Argyle is a related party to Texas Biomed as Texas Biomed has representation (but not control) on The Argyle's board.

The Argyle is a nonprofit organization operated as a social welfare organization. Membership in The Argyle requires initial and annual contributions to Texas Biomed. Texas Biomed leases a building, its contents, surrounding land, and a parking lot to The Argyle for a monthly rental fee of $6,000.

10. Endowment Funds and Funds Functioning as Endowments

Texas Biomed holds donor-restricted and Board-designated endowment funds established primarily to fund specified activities for and within Texas Biomed and the research community as a whole. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act provides statutory guidelines for management, investment, and expenditure of endowment funds held by charitable organizations, which apply in the absence of explicit donor stipulations. The intent of Texas Biomed is to preserve the historic dollar value of original permanently restricted gifts.

Texas Biomed classifies the historic value of donor-restricted gifts to be held in perpetuity as net assets with donor restrictions. The remaining accumulated earnings of the donor-restricted endowment funds are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure. Board-designated endowment funds are reported in net assets without donor restrictions.

10. Endowment Funds and Funds Functioning as Endowments (continued)

Activity of endowments and funds functioning as endowments is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets at December 31, 2023	$ 51,293,307	$ 48,578,555	$ 99,871,862
Contributions	108,186	218,055	326,241
Investment income	193,998	90,731	284,729
Net unrealized/realized gain on investments	7,458,579	3,425,811	10,884,390
Gain on funds held in trust by others	–	332,876	332,876
Appropriation of endowment assets for expenditure	(6,201,620)	(2,900,128)	(9,101,748)
Endowment net assets at December 31, 2024	52,852,450	49,745,900	102,598,350
Contributions	112,650	–	112,650
Investment income	587,730	261,488	849,218
Net unrealized/realized gain on investments	12,715,032	5,889,952	18,604,984
Gain on funds held in trust by others	–	161,862	161,862
Appropriation of endowment assets for expenditure	(11,822,110)	(2,995,207)	(14,817,317)
Endowment net assets at December 31, 2025	$ 54,445,752	$ 53,063,995	$ 107,509,747

Texas Biomed has adopted investment and spending policies for endowment assets reflecting a disciplined, consistent management philosophy that accommodates reasonable and probable events. Preservation of capital and return on investment are of primary importance.

The primary investment objective is to preserve financial assets generated through donor gifts, so that the proceeds may be distributed for the purposes intended by the donors and to the benefit of Texas Biomed, at a level of risk deemed acceptable by the Board of Trustees.

To satisfy its long-term rate-of-return objectives, Texas Biomed relies on an investment policy outlined by its board-appointed Investment Committee, which includes a desired mix of international and U.S. bonds, stocks, alternative investments, and cash and cash equivalents. Texas Biomed, at the direction of its Investment Committee, rebalances the portfolio periodically to maintain the desired distribution of assets within each asset class.

10. Endowment Funds and Funds Functioning as Endowments (continued)

A reconciliation of endowment net assets to investments is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets at December 31, 2025	$ 54,445,752	$ 53,063,995	$ 107,509,747
Investment fees not withheld from investments	1,774,332	–	1,774,332
Funds held in trust by others	–	(3,467,602)	(3,467,602)
Funds in liquidity account held as cash equivalents	(3,233,979)	(2,852,961)	(6,086,940)
Investments at December 31, 2025	$ 52,986,105	$ 46,743,432	$ 99,729,537

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets at December 31, 2024	$ 52,852,450	$ 49,745,900	$ 102,598,350
Investment fees not withheld from investments	1,774,332	–	1,774,332
Funds held in trust by others	–	(3,305,740)	(3,305,740)
Funds in liquidity account held as cash equivalents	(4,063,747)	(3,454,736)	(7,518,483)
Investments at December 31, 2024	$ 50,563,035	$ 42,985,424	$ 93,548,459

Texas Biomed has adopted spending policies allowing endowment funds to be utilized only in accordance with the purposes established by the donor or Board of Trustees designation. In addition, it is Texas Biomed’s policy not to spend or appropriate underwater endowment funds. An underwater endowment fund is one with a fair market value lower than the value of the gift that originally created that fund.

Texas Biomed had no underwater endowment funds as of December 31, 2025 and 2024.

11. Bonds Payable and Notes Payable

Bonds Payable

Indebtedness at December 31, 2025 and 2024, includes bonds issued through Public Finance Authority. The balance of outstanding bonds payable at December 31 consists of the following:

	2025	2024
Public Finance Authority Revenue Bonds:		
Tax Exempt Series 2021A Bonds	$ 31,205,000	$ 31,205,000
Taxable Series 2021B Bonds	30,450,000	30,450,000
Greater Texas Cultural Education Facilities Finance Corporation Revenue Bonds:		
Tax Exempt Series 2024A Bonds	98,600,000	98,600,000
Taxable Series 2024B Bonds	22,090,000	22,090,000
Total bonds payable	$ 182,345,000	$ 182,345,000

On September 15, 2021, Public Finance Authority issued Series 2021A tax-exempt revenue bonds on behalf of Texas Biomed with a principal amount of $31,205,000 and premium of $4,253,210. Texas Biomed received proceeds of $35,017,213 net of issuance costs, including underwriter's discount of $129,971, as part of a loan agreement between Public Finance Authority and Texas Biomed dated August 1, 2021. The net bond proceeds loaned to Texas Biomed are primarily being used to prepay debt obligations and finance capital improvements. Texas Biomed is obligated to repay the loan by making payments of principal, premium, and interest on the bonds when due. This is an unsecured general obligation supported by a pledge of Texas Biomed's full faith and credit.

The Series 2021A bonds bear fixed interest rates ranging from 3.00% to 5.00%. Interest on the bonds is payable June 1 and December 1 of each year. The bonds are scheduled to mature beginning June 1, 2027 through June 1, 2048.

On and after June 1, 2031, the Series 2021A bonds are subject to optional redemption, at the direction of Texas Biomed, in whole or in part, at the redemption price of par plus accrued interest to the date fixed for redemption. The bonds are also subject to mandatory sinking fund redemption annually from June 1, 2042 through June 1, 2048.

11. Bonds Payable and Notes Payable (continued)

On September 15, 2021, Public Finance Authority issued $30,450,000 Series 2021B taxable revenue bonds on behalf of Texas Biomed. Texas Biomed received proceeds of $30,019,673 net of issuance costs, including underwriter's discount of $126,827, as part of a loan agreement between Public Finance Authority and Texas Biomed dated August 1, 2021. The net bond proceeds loaned to Texas Biomed are primarily being used to prepay debt obligations and finance capital improvements. Texas Biomed is obligated to repay the loan by making payments of principal and interest on the bonds when due. This is an unsecured general obligation supported by a pledge of Texas Biomed's full faith and credit.

The bonds bear a fixed interest rate of 3.625%. Interest on the bonds is payable June 1 and December 1 of each year. The bonds are scheduled to mature beginning June 1, 2049 through June 1, 2051.

The Series 2021B bonds are subject to a make-whole redemption, at the option of Texas Biomed. The bonds are also subject to mandatory sinking fund redemption annually from June 1, 2049 through June 1, 2051.

Restrictive covenants in the loan agreement for Series 2021A and 2021B bonds include filings of annual financial statements and limitations on creation of liens. In addition, Texas Biomed agrees that it will maintain a debt service coverage ratio, as calculated at the end of any two consecutive fiscal years, equal to or above 1.10:1.00, and as calculated as of the end of any fiscal year, equal to or above 1.00:1.00. The bonds are considered Level 1 in the fair value hierarchy as of December 31, 2025 and 2024.

On July 23, 2024, Greater Texas Cultural Education Facilities Finance Corporation issued Series 2024A tax-exempt revenue bonds on behalf of Texas Biomed with a principal amount of $98,600,000 and premium of $5,056,294. Texas Biomed received proceeds of $102,728,716 net of issuance costs, including underwriter's discount of $408,133, as part of a loan agreement between Greater Texas Cultural Education Facilities Finance Corporation and Texas Biomed dated July 1, 2024. The net bond proceeds loaned to Texas Biomed are primarily being used to finance capital improvements. Texas Biomed is obligated to repay the loan by making payments of principal, premium, and interest on the bonds when due. This is an unsecured general obligation supported by a pledge of Texas Biomed's full faith and credit.

The Series 2024A bonds bear fixed interest rates ranging from 5.00% to 5.25%. Interest on the bonds is payable June 1 and December 1 of each year. The bonds are scheduled to mature beginning June 1, 2037 through June 1, 2054.

11. Bonds Payable and Notes Payable (continued)

On and after June 1, 2034, the Series 2024A bonds are subject to optional redemption, at the direction of Texas Biomed, in whole or in part, at the redemption price of par plus accrued interest to the date fixed for redemption. The bonds are also subject to mandatory sinking fund redemption annually from June 1, 2045 through June 1, 2054.

On July 23, 2024, Greater Texas Cultural Education Facilities Finance Corporation issued Series 2024B taxable revenue bonds on behalf of Texas Biomed with a principal amount of $22,090,000 and a discount of $308,818. Texas Biomed received proceeds of $21,573,370 net of issuance costs, including underwriter's discount of $91,437, as part of a loan agreement between Greater Texas Cultural Education Facilities Finance Corporation and Texas Biomed dated July 1, 2024. The net bond proceeds loaned to Texas Biomed are primarily being used to finance capital improvements. Texas Biomed is obligated to repay the loan by making payments of principal and interest on the bonds when due. This is an unsecured general obligation supported by a pledge of Texas Biomed's full faith and credit.

The bonds bear a fixed interest rate of 6.25%. Interest on the bonds is payable June 1 and December 1 of each year. The bonds are scheduled to mature beginning June 1, 2030 through June 1, 2037.

The Series 2024B bonds are subject to a make-whole redemption, at the option of Texas Biomed. The bonds are also subject to mandatory sinking fund redemption annually from June 1, 2030 through June 1, 2037.

Restrictive covenants in the loan agreement for Series 2024A and 2024B bonds include filings of annual financial statements and limitations on creation of liens. In addition, Texas Biomed agrees that it will maintain a debt service coverage ratio, as calculated at the end of any two consecutive fiscal years, equal to or above 1.10:1.00, and as calculated as of the end of any fiscal year, equal to or above 1.00:1.00. The bonds are considered Level 1 in the fair value hierarchy as of December 31, 2025.

11. Bonds Payable and Notes Payable (continued)

The aggregate maturities due on the Series 2021 and Series 2024 bonds at December 31, 2025, are as follows:

Fiscal Year	Principal Amount
2026	$ –
2027	860,000
2028	905,000
2029	950,000
2030	3,270,000
Thereafter	176,360,000
	$ 182,345,000

Notes Payable

On June 6, 2017, Texas Biomed entered into a new unsecured promissory note for a $3,000,000 one-year line of credit with a financial institution, available through June 5, 2018. The line of credit may be extended each year and was extended on the following dates:

Extension Date	Maturity
June 14, 2018	June 13, 2019
June 3, 2019	August 3, 2020
July 24, 2020	August 3, 2021
July 27, 2021	December 1, 2021
November 18, 2021	November 17, 2022
November 18, 2022	November 17, 2023
November 30, 2023	November 29, 2024
December 24, 2024	December 23, 2025
January 14, 2026	January 13, 2027

The interest rate is variable based on changes in the American Interbank Offered Rate Term-30. On September 15, 2021, the note was paid in full. The amount outstanding was $0 as of December 31, 2025 and 2024.

11. Bonds Payable and Notes Payable (continued)

Interest expense is reported on the consolidated statements of activities under operating expenses. Total interest expense for Texas Biomed was $7,177,172 and $4,516,095 for the years ended December 31, 2025 and 2024, respectively.

	December 31 2025	December 31 2024
Interest incurred	$ 8,211,994	$ 4,647,686
Interest capitalized	(1,034,822)	(131,591)
Interest expense	$ 7,177,172	$ 4,516,095

12. Contract Revenue

Texas Biomed generates revenue from federal and non-federal grants and contracts with governments and other customers. Contract revenue is recognized under ASC 606, Revenue from Contracts with Customers, beginning January 1, 2020. While grant revenue is not within the scope of ASC 606, it is accounted for similarly. Some contracts are billed on a cost-reimbursement basis, and some are billed based on milestones. For cost-reimbursement contracts, revenue is recognized as expenses are incurred, similar to grants. For milestone contracts, revenue is recognized as milestones are completed. Milestone contracts have a specific transaction price for each milestone, as outlined in each contract agreement. All contract revenue is presented on the consolidated statements of activities under grants and contracts. Contract revenue totaled $22,874,039 and $19,559,198 for 2025 and 2024, respectively.

The timing of billings, cash collections, and revenue recognition results in contract assets and contract liabilities. Payments are due from customers upon receipt of invoice.

A contract asset is a right to payment when revenue is earned. Contract assets are presented in accounts receivable on the consolidated statements of financial position. The contract asset balance was $4,169,132 and $2,777,552 at December 31, 2025 and 2024, respectively. A contract liability is an obligation to transfer goods or services to a customer for which a payment has been received (or an amount is due) from the customer. Contract liabilities are presented in unearned revenue on the consolidated statements of financial position. The contract liability balance was $0 as of December 31, 2025 and 2024.

13. Functional Expenses

Texas Biomed incurs expenses in three functional categories – research programs, fundraising, and general and administrative. The research programs function includes costs incurred for external research programs. The costs incurred in the efforts of gathering contributions are included in the fundraising function. The costs remaining after allocation to these two functions are categorized as general and administrative.

The following tables show the allocation of expenses from the functional categories to the natural expense classifications:

	Research	Supporting Activities			
Allocation	**Research Program Activities**	**General and Administrative**	**Fundraising**	**Supporting Subtotal**	**Total Expenses**
For the year ended December 31, 2025					
Salaries and benefits	$ 30,475,776	$ 19,937,910	$ 775,313	$ 20,713,223	$ 51,188,999
Supplies	7,493,940	5,088,695	10,279	5,098,974	12,592,914
Depreciation	7,035,598	645,218	443,238	1,088,456	8,124,054
Services and professional fees	2,030,613	7,475,036	89,679	7,564,715	9,595,328
Subcontracts	2,823,585	4,441	–	4,441	2,828,026
Utilities	–	2,533,782	–	2,533,782	2,533,782
Interest expense	–	7,177,172	–	7,177,172	7,177,172
Subscriptions	2,056	505,974	16,821	522,795	524,851
Travel	232,450	177,112	2,117	179,229	411,679
Insurance	–	1,074,471	–	1,074,471	1,074,471
Shipping	302,722	31,239	344	31,583	334,305
Amortization	85,912	12,750	218	12,968	98,880
Other expenses	384,994	1,596,104	73,655	1,669,759	2,054,753
	$ 50,867,646	$ 46,259,904	$ 1,411,664	$ 47,671,568	$ 98,539,214

13. Functional Expenses (continued)

Allocation	Research Program Activities	Supporting Activities: General and Administrative	Supporting Activities: Fundraising	Supporting Activities: Supporting Subtotal	Total Expenses
For the year ended December 31, 2024					
Salaries and benefits	$ 28,006,653	$ 19,562,910	$ 488,136	$ 20,051,046	$ 48,057,699
Supplies	9,410,944	1,726,266	8,910	1,735,176	11,146,120
Depreciation	7,095,652	542,907	597,583	1,140,490	8,236,142
Services and professional fees	2,195,784	9,358,265	314,343	9,672,608	11,868,392
Subcontracts	3,225,226	1,402	(5,268)	(3,866)	3,221,360
Utilities	–	2,406,184	–	2,406,184	2,406,184
Interest expense	10,110	4,505,985	–	4,505,985	4,516,095
Subscriptions	243	704,860	41,708	746,568	746,811
Travel	292,709	188,952	19,457	208,409	501,118
Insurance	–	934,401	–	934,401	934,401
Shipping	293,261	47,533	118	47,651	340,912
Amortization	433,053	10,060	197	10,257	443,310
Other expenses	436,970	2,095,934	70,157	2,166,091	2,603,061
	$ 51,400,605	$ 42,085,659	$ 1,535,341	$ 43,621,000	$ 95,021,605

Texas Biomed expenses advertising costs as incurred. Advertising expenses recognized totaled $126,122 and $199,425 in 2025 and 2024, respectively.

14. Leases

Texas Biomed has financing leases for scientific equipment and copiers. The leases have an implied interest rate of 2.43%. The scientific equipment leases each contain a $1.00 purchase option upon satisfaction of all obligations under the leases.

14. Leases (continued)

At December 31, amortization of the lease right-of-use assets and interest expense on the lease liabilities were as follows:

	2025	2024
Amortization	$ 31,483	$ 397,378
Interest expense	5,124	(36,074)

15. Liquidity Management

The following reflects Texas Biomed's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Amounts not available include amounts set aside for long-term investing in the endowment that could be drawn upon if the governing board approves that action; however, amounts already appropriated from the donor-restricted endowment for general expenditure within one year of the consolidated statements of financial position date have not been subtracted as unavailable.

	December 31	
	2025	2024
Financial assets	$ 135,135,573	$ 128,986,370
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(64,709,137)	(60,836,629)
Financial assets available to meet cash needs for general expenditures within one year	$ 70,426,436	$ 68,149,741

15. Liquidity Management (continued)

Texas Biomed is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Texas Biomed must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Texas Biomed's liquidity management, it has the policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, Texas Biomed could also draw upon the line of credit (as further discussed in Note 11).

16. Contingencies and Commitments

Texas Biomed is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on Texas Biomed's consolidated financial position.

At December 31, 2025 and 2024, Texas Biomed had $37,436,343 and $44,165,719 in future construction commitments, respectively.

17. Subsequent Events

Texas Biomed has evaluated subsequent events through June 18, 2026, the date the accompanying consolidated financial statements were available to be issued.

Supplementary Information

Texas Biomedical Research Institute

Consolidating Statement of Financial Position

December 31, 2025

	Texas Biomedical Research Institute	Tom Slick Memorial Trust	Eliminations	Total
Assets				
Cash and cash equivalents	$ 77,082	$ –	$ –	$ 77,082
Receivables:				
Accounts receivable	17,160,058	17,788,954	(17,777,235)	17,171,777
Pledges receivable	2,834,195	–	–	2,834,195
Prepaid expenses and supplies	2,812,327	–	–	2,812,327
Assets limited as to use:				
Cash	9,653,958	34,836	–	9,688,794
Investments	99,729,537	–	–	99,729,537
Investment in Evestra, Inc.	2,821,861	–	–	2,821,861
Funds held in trust by others	86,330,195	–	–	86,330,195
Land, buildings, and equipment, net	156,684,957	–	–	156,684,957
Right-of-use assets	199,457	–	–	199,457
Total assets	$ 378,303,627	$ 17,823,790	$ (17,777,235)	$ 378,350,182
Liabilities				
Accounts payable	$ 32,126,435	$ –	$ (17,777,235)	$ 14,349,200
Accrued wages, vacation, and other liabilities	4,466,945	–	–	4,466,945
Unearned revenue	1,748,215	–	–	1,748,215
Lease liability	199,778	–	–	199,778
Bonds payable	182,345,000	–	–	182,345,000
Bond premium	7,343,989	–	–	7,343,989
Bond discount	(256,556)	–	–	(256,556)
Bond issuance costs	(1,827,259)	–	–	(1,827,259)
Total liabilities	226,146,547	–	(17,777,235)	208,369,312
Net assets				
Net assets without donor restrictions	98,376,990	6,894,743	–	105,271,733
Net assets with donor restrictions	53,780,090	10,929,047	–	64,709,137
Total net assets	152,157,080	17,823,790	–	169,980,870
Total liabilities and net assets	$ 378,303,627	$ 17,823,790	$ (17,777,235)	$ 378,350,182

Texas Biomedical Research Institute

Consolidating Statement of Activities

Year Ended December 31, 2025

	Texas Biomedical Research Institute			Tom Slick Memorial Trust				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Consolidated Total
Operating revenues								
Grants and contracts	$ 74,678,500	$ –	$ 74,678,500	$ –	$ –	$ –	$ –	$ 74,678,500
Contributions	5,846,441	4,530,660	10,377,101	–	–	–	–	10,377,101
Endowment income allocation for operations	6,822,110	2,995,207	9,817,317	–	–	–	–	9,817,317
External program income	187,177	–	187,177	–	–	–	–	187,177
Other revenue	189,335	–	189,335	–	–	–	–	189,335
Total operating revenues	87,723,563	7,525,867	95,249,430	–	–	–	–	95,249,430
Net assets released from restrictions	6,809,591	(6,809,591)	–	–	–	–	–	–
Total revenues, gains, and other support	94,533,154	716,276	95,249,430	–	–	–	–	95,249,430
Operating expenses								
Salaries and benefits	51,188,999	–	51,188,999	–	–	–	–	51,188,999
Supplies	12,592,914	–	12,592,914	–	–	–	–	12,592,914
Depreciation	8,124,054	–	8,124,054	–	–	–	–	8,124,054
Services and professional fees	9,595,328	–	9,595,328	–	–	–	–	9,595,328
Subcontracts	2,828,026	–	2,828,026	–	–	–	–	2,828,026
Utilities	2,533,782	–	2,533,782	–	–	–	–	2,533,782
Interest expense	7,177,172	–	7,177,172	–	–	–	–	7,177,172
Subscriptions	524,851	–	524,851	–	–	–	–	524,851
Travel	411,679	–	411,679	–	–	–	–	411,679
Insurance	1,074,471	–	1,074,471	–	–	–	–	1,074,471
Shipping	334,305	–	334,305	–	–	–	–	334,305
Amortization	98,880	–	98,880	–	–	–	–	98,880
Other expenses	2,017,978	–	2,017,978	1,931,048	–	1,931,048	(1,894,273)	2,054,753
Total operating expenses	98,502,439	–	98,502,439	1,931,048	–	1,931,048	(1,894,273)	98,539,214
Net (decrease) increase from operations	(3,969,285)	716,276	(3,253,009)	(1,931,048)	–	(1,931,048)	1,894,273	(3,289,784)
Nonoperating revenues, gains, and losses								
Endowment income allocation for operations	(6,822,110)	(2,995,207)	(9,817,317)	–	–	–	–	(9,817,317)
Investment gain	16,670,532	6,151,439	22,821,971	3,109,186	–	3,109,186	(1,597,287)	24,333,870
Royalty income	695,281	–	695,281	455,003	–	455,003	(296,986)	853,298
Other nonoperating losses	(108,924)	–	(108,924)	–	–	–	–	(108,924)
Loss on disposal of assets	(74,287)	–	(74,287)	–	–	–	–	(74,287)
Total nonoperating revenues, gains, and losses	10,360,492	3,156,232	13,516,724	3,564,189	–	3,564,189	(1,894,273)	15,186,640
Change in net assets	6,391,207	3,872,508	10,263,715	1,633,141	–	1,633,141	–	11,896,856
Beginning net assets	91,985,783	49,907,582	141,893,365	5,261,602	10,929,047	16,190,649	–	158,084,014
Ending net assets	$ 98,376,990	$ 53,780,090	$ 152,157,080	$ 6,894,743	$ 10,929,047	$ 17,823,790	$ –	$ 169,980,870

Reports and Schedules Required by the Uniform Guidance

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Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Management and Trustees
Texas Biomedical Research Institute

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Texas Biomedical Research Institute's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Texas Biomedical Research Institute's major federal programs for the year ended December 31, 2025. Texas Biomedical Research Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Texas Biomedical Research Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Texas Biomedical Research Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Texas Biomedical Research Institute's compliance with the compliance requirements referred to above.

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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 Texas Biomedical Research Institute's federal programs.

Auditor's 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 Texas Biomedical Research Institute's compliance based on our audit. 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, *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 Texas Biomedical Research Institute'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 Texas Biomedical Research Institute'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 Texas Biomedical Research Institute'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 Texas Biomedical Research Institute'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs and summarized in the table below.

Finding No.	Assistance Listing No.	Program (or Cluster) Name	Compliance Requirement
2025-001	Various	Research and Development Cluster	Procurement and Suspension and Debarment

Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Texas Biomedical Research Institute's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Texas Biomedical Research Institute's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Texas Biomedical Research Institute is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Texas Biomedical Research Institute's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs and summarized in the table below to be a material weakness.

Finding No.	**Assistance Listing No.**	**Program (or Cluster) Name**	**Compliance Requirement**
2025-001	Various	Research and Development Cluster	Procurement and Suspension and Debarment

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 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.

Government Auditing Standards requires the auditor to perform limited procedures on Texas Biomedical Research Institute's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Texas Biomedical Research Institute's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Texas Biomedical Research Institute is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Texas Biomedical Research Institute's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Texas Biomedical Research Institute as of and for the year ended December 31, 2025, and have issued our report thereon dated June 18, 2026, which contained an unmodified opinion on those financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to June 18, 2026. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst & Young LLP

June 22, 2026

Texas Biomedical Research Institute

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2025

Cluster/Federal Agency/Major Subdivision/Federal Grantor	Assistance Listing Name/Project	Assistance Listing Number	Pass-Through Entity (PTE)	PTE Subaward #	Direct	Pass-through	Total	Amounts Provided to Subrecipients
Research and Development								
U.S. Department of Defense								
Defense Threat Reduction Agency								
Defense Threat Reduction Agency								
	Scientific Research - Combating Weapons of Mass Destruction	12.351	Advanced Technology International	MCDC2021-477	$ –	$ 2,459,620	$ 2,459,620	$ –
U.S. Army								
U.S. Army Medical Research Acquisition Activity								
	Military Medical Research and Development	12.420			212,144	–	212,144	172,858
	Military Medical Research and Development	12.420	Southwest Research Institute	Q99026NS	–	2,815	2,815	–
	Military Medical Research and Development	12.420	Stanford University	62949067-236407	–	321,279	321,279	–
	Subtotal – Military Medical Research and Development				212,144	324,094	536,238	172,858
Medical CBRN Defense Consortium								
Medical CBRN Defense Consortium								
	Test Support to the Battelle Accelerated Therapeutics for Combating Acute Viral Epidemics (BAT-CAVE) Program	12.RD	Battelle Memorial Institute	851268	–	19,603	19,603	–
Defense Advanced Research Projects Agency (DARPA)								
Defense Advanced Research Projects Agency (DARPA)								
	Research and Technology Development	12.910	Texas A&M Engineering Experiment Station	M2404608	–	519,438	519,438	–
TOTAL - U.S. Department of Defense					**212,144**	**3,322,755**	**3,534,899**	**172,858**
U.S. Department of Health and Human Services								
Centers for Disease Control								
Centers for Disease Control								
Centers for Disease Control and Prevention	Occupational Safety and Health Program	93.262	The Board of Regents of the University of Nebraska	34-5420-2008-134	–	6,234	6,234	–
Office of the Secretary								
Office of the Assistant Secretary for Preparedness and Response								
Immediate Office of the Secretary of Health and Human Services	Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development	93.360	Albert B. Sabin Vaccine Institute, Inc.	MSA 020442-00	–	(1,911)	(1,911)	–
Immediate Office of the Secretary of Health and Human Services	Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development	93.360	Battelle Memorial Institute	846639	–	115,262	115,262	–
	Subtotal – Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development				–	113,351	113,351	–
Immediate Office of the Secretary of Health and Human Services	BARDA RTOR BIO-AMT-2301: IDIQ Contact Management Support Activities	93.RD			2,298,211	–	2,298,211	–
Immediate Office of the Secretary of Health and Human Services	Efficacy studies in SUDV (Gulu variant) challenged Rhesus macaque non-human primates (NHP)	93.RD	Mapp Biopharmaceutical, Inc.	SUB-2022-7079-0005	–	482,352	482,352	–
Immediate Office of the Secretary of Health and Human Services	Sample Prep and Irradiation	93.RD	Mapp Biopharmaceutical, Inc.	SUB-20207063-005	–	(3)	(3)	–
Immediate Office of the Secretary of Health and Human Services	Correlate of Protection (CoP) Studies to Support Development of the cAd3-EBO-S (Sudan virus) Candidate Vaccine	93.RD	Battelle Memorial Institute	904065	–	4,962,039	4,962,039	–
Administration for Strategic Preparedness and Response								
Administration for Strategic Preparedness and Response								
	Efficacy Testing of a Marburg Virus Monoclonal Antibody Medical Countermeasure	93.RD	Mapp Biopharmaceutical, Inc.	SUB-2022-7071-0006	–	314,452	314,452	–
National Institutes of Health								
National Institute of Environmental Health Science								
National Institutes of Health	Environmental Health	93.113	The Trustees of Columbia Univ. in the City of NY	1(GG017501-01)/SAPO G15462	–	33,430	33,430	–
National Institutes of Health	Environmental Health	93.113	New York University, Grossman School of Medicine	23-A1-00-1008906	–	20,784	20,784	–
	Subtotal – Environmental Health				–	54,214	54,214	–

Cluster/Federal Agency/Major Subdivision/Federal Grantor	Assistance Listing Name/Project	Assistance Listing Number	Pass-Through Entity (PTE)	PTE Subaward #	Direct	Pass-through	Total	Amounts Provided to Subrecipients
National Institute of Environmental Health Sciences Superfund Research Program								
National Institutes of Health	NIEHS Superfund Hazardous Substances_Basic Research and Education	93.143	The Trustees of Columbia Univ. in the City of NY	6(GG015160-22) PROJECT 3	$ –	$ (1,663)	$ (1,663)	$ –
National Institutes of Health	NIEHS Superfund Hazardous Substances_Basic Research and Education	93.143	The Trustees of Columbia Univ. in the City of NY	6(GG015160-36) PROJECT 3	–	8,015	8,015	–
National Institutes of Health	NIEHS Superfund Hazardous Substances_Basic Research and Education	93.143	The Trustees of Columbia Univ. in the City of NY	6(GG015160-48) PROJECT 3	–	6,346	6,346	–
National Institutes of Health	NIEHS Superfund Hazardous Substances_Basic Research and Education	93.143	The Trustees of Columbia Univ. in the City of NY	9(GG015160-29)	–	5,905	5,905	–
National Institutes of Health	NIEHS Superfund Hazardous Substances_Basic Research and Education	93.143	The Trustees of Columbia Univ. in the City of NY	9(GG015160-42)	–	3,831	3,831	–
	Subtotal –NIEHS Superfund Hazardous Substances_Basic Research and Education				–	22,434	22,434	–
National Institute of Mental Health								
National Institutes of Health	Mental Health Research Grants	93.242			1,245,085	–	1,245,085	324,882
National Institutes of Health	Mental Health Research Grants	93.242	Board of Regents - University of Wisconsin-Madison	1042	–	435,479	435,479	–
National Institutes of Health	Mental Health Research Grants	93.242	Oregon Health & Science University	1017296_TBRI	–	33,452	33,452	–
	Subtotal –Mental Health Research Grants				1,245,085	468,931	1,714,016	324,882
National Institute on Drug Abuse								
National Institutes of Health	Drug Use and Addiction Research Programs	93.279			1,006,570	–	1,006,570	267,287
National Institutes of Health	Drug Use and Addiction Research Programs	93.279	University of Texas at San Antonio	1000004418	–	441,845	441,845	–
National Institutes of Health	Drug Use and Addiction Research Programs	93.279	New York Medical College	124921-301007-####-20	–	354,745	354,745	–
National Institutes of Health	Drug Use and Addiction Research Programs	93.279	New York Medical College	124901-301007-####-20	–	161,590	161,590	–
National Institutes of Health	Drug Use and Addiction Research Programs	93.279	The Board of Regents of the University of Nebraska	34-5160-2184-001	–	259,382	259,382	–
	Subtotal –Drug Use and Addiction Research Programs				1,006,570	1,217,562	2,224,132	267,287
National Center for Advancing Translational Sciences								
National Institutes of Health	National Center for Advancing Translational Sciences	93.350	University of Texas Health Science Center at San Antonio	175959/175949	–	8,281	8,281	–
National Institutes of Health	National Center for Advancing Translational Sciences	93.350	University of Texas Health Science Center at San Antonio	178031/178013	–	12,402	12,402	–
	Subtotal-National Center for Advancing Translational Sciences				–	20,683	20,683	–
Office of the Director								
National Institutes of Health	Research Infrastructure Programs	93.351			10,424,772	–	10,424,772	438,832
National Institutes of Health	Research Infrastructure Programs	93.351	Trinity University	NIH22033-2	–	40,999	40,999	–
National Institutes of Health	Research Infrastructure Programs	93.351	Oregon Health & Science University	1021707_TXBIOMED	–	15,149	15,149	–
National Institutes of Health	Research Infrastructure Programs	93.351	Tulane University of Louisiana	TUL-HSC 563355-25/26	–	929	929	–
	Subtotal-Research Infrastructure Programs				10,424,772	57,077	10,481,849	438,832
National Institutes of Health	Construction Support	93.352			2,223,741	–	2,223,741	–
National Cancer Institute								
National Institutes of Health	Cancer Cause and Prevention Research	93.393	The University of Texas MD Anderson Cancer Center	3002645826	–	97,197	97,197	–
National Institutes of Health	Cancer Biology Research	93.396	Beckman Research Institute of the City of Hope	63485.2010181.669303	–	30,342	30,342	–
National Heart, Lung, and Blood Institute								
National Institutes of Health	Cardiovascular Diseases Research	93.837	Yale University	CON-80005142(GR124525)	–	42,937	42,937	–
National Institutes of Health	Lung Diseases Research	93.838			79,814	–	79,814	33,163
National Institutes of Health	COVID-19: Lung Diseases Research	93.838	Columbia University Medical Center	RTI 22-312-0217571-66178	–	14,749	14,749	–
	Subtotal-Lung Diseases Research				79,814	14,749	94,563	33,163

Texas Biomedical Research Institute

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2025

Cluster/Federal Agency/Major Subdivision/Federal Grantor	Assistance Listing Name/Project	Assistance Listing Number	Pass-Through Entity (PTE)	PTE Subaward #	Direct	Pass-through	Total	Amounts Provided to Subrecipients
National Institutes of Health	Strong Heart Study Cardiovascular Center	93.RD	Board of Regents of the University of Oklahoma	RS20180873-05	$ –	$ 61,873	$ 61,873	$ –
National Institutes of Health	Strong Heart Study Cardiovascular Center	93.RD	Board of Regents of the University of Oklahoma	RS20180873-06	–	390,730	390,730	–
National Institutes of Health	Strong Heart Study Cardiovascular Center	93.RD	Board of Regents of the University of Oklahoma	RS20180873-04	–	32,852	32,852	–
National Institute of Diabetes and Digestive and Kidney Diseases								
National Institutes of Health	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Texas at San Antonio	1000003823	–	7,096	7,096	–
National Institute of Neurological Disorders and Stroke								
National Institutes of Health	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			237,290	–	237,290	–
National Institutes of Health	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Texas at San Antonio	1000006589	–	93,661	93,661	–
	Subtotal-Extramural Research Programs in the Neurosciences and Neurological Disorders				237,290	93,661	330,951	–
National Advisory Allergy and Infectious Diseases								
National Institutes of Health	Allergy and Infectious Diseases Research	93.855			14,500,757	–	14,500,757	1,919,288
National Institutes of Health	COVID-19 Allergy and Infectious Diseases Research	93.855			(168,509)	–	(168,509)	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Autoimmunity Biologic Solutions	2R42AI141323-02	–	18,407	18,407	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Baylor College of Medicine	7000001402	–	181,354	181,354	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Beckman Research Institute of the City of Hope	62697.2009497.669303	–	173,373	173,373	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Benaroya Research Institute at Virginia Mason	FY25ITN665	–	137,066	137,066	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Emory University	A595759	–	69,563	69,563	–
National Institutes of Health	COVID-19 Allergy and Infectious Diseases Research	93.855	Emory University	A683253	–	243,251	243,251	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Fox Chase Chemical Diversity Center	95-R42AI138630-TBRI	–	74,186	74,186	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Harvard University	117402-5121643	–	70,287	70,287	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Icahn School of Medicine at Mount Sinai	U19AI135972-07	–	9,420	9,420	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Icahn School of Medicine at Mount Sinai	IF300302101-940002	–	161,358	161,358	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Icahn School of Medicine at Mount Sinai	0255-H533-4609	–	47,999	47,999	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	2005284848	–	151,236	151,236	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Kenyatta University	P0541	–	45,565	45,565	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	NC State University	PAM-P24-003924-SA01	–	218,453	218,453	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Ohio State University	SPC-1000013280 (GR135314)	–	51,045	51,045	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	POP Biotechnologies, Inc.	N/A	–	134,898	134,898	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	POP Biotechnologies, Inc.	1479-02-TB	–	69,101	69,101	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Rutgers Biomedical Health Sciences	SUB00002677	–	217,137	217,137	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Seattle Children's Research Institute	12798SUB	–	102,990	102,990	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Texas A&M University	M2404856	–	50,651	50,651	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	The Curators of the University of Missouri	C00085931-2	–	138,774	138,774	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	The Henry M. Jackson Foundation	PO1114759FMP6754HJFAward67996	–	1,172	1,172	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	The Regents of the University of California, LA	15600000073578	–	500,822	500,822	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	The Regents of the University of California, LA	15600000153626	–	389,450	389,450	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	The Scripps Research Institute	5-53907	–	(51,428)	(51,428)	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	The Scripps Research Institute	5-54725	–	65,273	65,273	–
National Institutes of Health	COVID-19 Allergy and Infectious Diseases Research	93.855	The Scripps Research Institute	5-54852	–	150,342	150,342	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	The Scripps Research Institute	GR000373	–	127,596	127,596	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	The Scripps Research Institute	GR000373-1	–	40,619	40,619	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	The Washington University	WU-20-346-MOD-5	–	54,695	54,695	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Trustees of the University of Pennsylvania	581937	–	22	22	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Trustees of the University of Pennsylvania	587023	–	125	125	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Trustees of the University of Pennsylvania	503256	–	12,238	12,238	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Alabama at Birmingham	000525397-SC003.A05	–	12,128	12,128	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Alabama at Birmingham	000532029-SC001	–	181,320	181,320	–
National Institutes of Health	COVID-19 Allergy and Infectious Diseases Research	93.855	University of California at San Francisco	13632sc	–	(62,857)	(62,857)	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Chicago	AWD104016 (SUB00000938)	–	102,641	102,641	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Chicago	AWD104210(SUB00000937)	–	94,907	94,907	–

Texas Biomedical Research Institute

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2025

Cluster/Federal Agency/Major Subdivision/Federal Grantor	Assistance Listing Name/Project	Assistance Listing Number	Pass-Through Entity (PTE)	PTE Subaward #	Direct	Pass-through	Total	Amounts Provided to Subrecipients
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Chicago	AWD104211(SUB00000941)	$ –	$ 824,461	$ 824,461	$ –
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Chicago	AWD104245 (SUB00000935)	–	757,190	757,190	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Massachusetts Chan Medical School	SUB00000388	–	6,111	6,111	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Massachusetts Chan Medical School	WA01489289	–	10,036	10,036	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of North Carolina	5128818	–	81	81	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of North Carolina at Charlotte	20230455-01-TBR	–	69,218	69,218	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Notre Dame	205018TBRI-A	–	312,703	312,703	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	University of Notre Dame	205018TBRI-C	–	556,571	556,571	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	UT Health San Antonio	177745/177744	–	12,254	12,254	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	UTHSCSA	178107/178106	–	58,954	58,954	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	UTHSCSA	169928/169926	–	36,669	36,669	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	UTHSCSA	172158/172157	–	2,518	2,518	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Vanderbilt University	OSA00000405	–	36,146	36,146	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Vanderbilt University	OSA00000405-2	–	23,680	23,680	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	Vanderbilt University Medical Center	VUMC127502	–	371,821	371,821	–
National Institutes of Health	Allergy and Infectious Diseases Research	93.855	West Virginia University Research Corporation	20-238-TBRI	–	54,568	54,568	–
	Subtotal-Allergy and Infectious Diseases Research				14,332,248	7,118,160	21,450,408	1,919,288
National Institute of General Medical Sciences								
National Institutes of Health	Biomedical Research and Research Training	93.859			374,920	–	374,920	–
Eunice Kennedy Shriver National Institute of Child Health and Human Development								
National Institute on Aging								
National Institutes of Health	Aging Research	93.866			430,004	–	430,004	238,732
National Institutes of Health	Aging Research	93.866	Trinity University	NIH20009	–	(17,919)	(17,919)	–
National Institutes of Health	Aging Research	93.866	UT Health San Antonio	176770/176019	–	77,245	77,245	–
National Institutes of Health	Aging Research	93.866	University of Texas Health Science Center at Houston	SA0002975	–	14,322	14,322	–
National Institutes of Health	Aging Research	93.866	University of Texas Health Science Center at San Antonio	176109/175923	–	5,646	5,646	–
National Institutes of Health	Aging Research	93.866	Wake Forest University BMC	2357-45202-11000003210	–	43,196	43,196	–
National Institutes of Health	Aging Research	93.866	Wake Forest University BMC	2556-45202-11000003097	–	71,238	71,238	–
National Institutes of Health	Aging Research	93.866	University of Texas Health Science Center at San Antonio	175227/174596	–	48,798	48,798	–
National Institutes of Health	Aging Research	93.866	UT Health San Antonio	176110/175922	–	5,519	5,519	–
	Subtotal-Aging Research				430,004	248,045	678,049	238,732
TOTAL - U.S. Department of Health and Human Services					**$ 32,652,655**	**$ 15,856,968**	**$ 48,509,623**	**$ 3,222,184**
TOTAL - RESEARCH AND DEVELOPMENT CLUSTER					**$ 32,864,799**	**$ 19,179,723**	**$ 52,044,522**	**$ 3,395,042**
Economic Development Cluster								
U.S. Department of Commerce								
Economic Development Administration	Economic Adjustment Assistance	11.307			2,033,086	–	2,033,086	–
TOTAL - U.S. Department of Commerce					**$ 2,033,086**	**$ –**	**$ 2,033,086**	**$ –**
TOTAL - ECONOMIC DEVELOPMENT CLUSTER					**$ 2,033,086**	**$ –**	**$ 2,033,086**	**$ –**
TOTAL - EXPENDITURES OF FEDERAL AWARDS					**$ 34,897,885**	**$ 19,179,723**	**$ 54,077,608**	**$ 3,395,042**

See accompanying notes to schedule of expenditures of federal awards.

Texas Biomedical Research Institute

Notes to Schedule of Expenditures of Federal Awards

December 31, 2025

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Texas Biomedical Research Institute (Texas Biomed) under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with 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 consolidated financial statements.

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 the Uniform Guidance. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Texas Biomed has elected not to use the de minimis indirect cost rates, as applicable, allowed under the Uniform Guidance.

3. Reconciliation to Consolidated Financial Statements

Texas Biomed recognizes revenues from grants and contracts at the time eligible direct and indirect costs are incurred under the terms of the awards and recognized as expenditures. Revenue recognized from the expenditure of federal awards is reconciled to Texas Biomed’s consolidated statement of activities for the year ended December 31, 2025, as follows:

Revenues reported in Texas Biomed’s consolidated financial statements:	
Grants and contracts	$ 74,678,500
Less amounts not subject to Uniform Guidance	(21,365,514)
Plus program income	183,546
Plus subrecipient accruals – 2024	906,434
Less subrecipient accruals – 2025	(325,358)
Total federal award expenditures	$ 54,077,608

Texas Biomedical Research Institute

Schedule of Findings and Questioned Costs

Year Ended December 31, 2025

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes X No
Significant deficiency(ies) identified?	___ Yes X None reported
Noncompliance material to financial statements noted?	___ Yes X No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	X Yes ___ No
Significant deficiency(ies) identified?	___ Yes X None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes ___ No

Section I – Summary of Auditor's Results (continued)

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
12.351, 12.420, 12.RD, 12.910, 93.113, 93.143, 93.242, 93.262, 93.279, 93.350, 93.351, 93.352, 93.360, 93.393, 93.396, 93.837, 93.838, 93.847, 93.853, 93.855, 93.859, 93.866, 93.RD	Research and Development Cluster
11.307	Economic Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,622,328
Auditee qualified as low-risk auditee?	____ Yes X No

Section II – Financial Statement Findings

No findings were noted.

Section III – Federal Award Findings and Questioned Costs

Finding 2025-001 – Procurement and Suspension and Debarment

Identification of the federal program:
U.S. Department of Health and Human Services
U.S. Department of Defense
Research and Development Cluster
Assistance Listing Number:
93.351 – Research Infrastructure Programs

Federal Award Numbers	Award Period	Pass-Through Entity, if Applicable
P51OD011133-26	5/1/2024-4/30/2025	N/A
P51OD011133-27	5/1/2025-4/30/2026	N/A

Criteria or specific requirement (including statutory, regulatory, or other citation)
2 CFR 200.303(a) requires that a non-federal entity must “(a) establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2025-001 – Procurement and Suspension and Debarment (continued)

200.318 General procurement standards.
(i) ***Procurement records.*** The recipient or subrecipient must maintain records sufficient to detail the history of each procurement transaction. These records must include the rationale for the procurement method, contract type selection, contractor selection or rejection, and the basis for the contract price.

200.319 Competition.
(a) All procurement transactions under the Federal award must be conducted in a manner that provides full and open competition and is consistent with the standards of this section and § 200.320.

200.320 Procurement Methods
There are three types of procurement methods described in this section: informal procurement methods (for micro-purchases and simplified acquisitions); formal procurement methods (through sealed bids or proposals); and noncompetitive procurement methods. For any of these methods, the recipient or subrecipient must maintain and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319.

(a) ***Informal procurement methods for small purchases.*** These procurement methods expedite the completion of transactions, minimize administrative burdens, and reduce costs. Informal procurement methods may be used when the value of the procurement transaction under the Federal award does not exceed the simplified acquisition threshold as defined in § 200.1. Recipients and subrecipients may also establish a lower threshold. Informal procurement methods include:

(1) **Micro-purchases** —

(i) ***Distribution.*** The aggregate amount of the procurement transaction does not exceed the micro-purchase threshold defined in § 200.1. To the extent practicable, the recipient or subrecipient should distribute micro-purchases equitably among qualified suppliers.

(ii) ***Micro-purchase awards.*** Micro-purchases may be awarded without soliciting competitive price or rate quotations if the recipient or subrecipient considers the price reasonable based on research, experience, purchase history, or other information; and maintains documents to support its conclusion. Purchase cards may be used as a method of payment for micro-purchases.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2025-001 – Procurement and Suspension and Debarment (continued)

(iii) ***Micro-purchase thresholds.*** The recipient or subrecipient is responsible for determining and documenting an appropriate micro-purchase threshold based on internal controls, an evaluation of risk, and its documented procurement procedures. The micro-purchase threshold used by the recipient or subrecipient must be authorized or not prohibited under State, local, or tribal laws or regulations.

(2) **Simplified acquisitions** —

(i) ***Simplified acquisition procedures.*** The aggregate dollar amount of the procurement transaction is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If simplified acquisition procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. Unless specified by the Federal agency, the recipient or subrecipient may exercise judgment in determining what number is adequate.

(ii) ***Simplified acquisition thresholds.*** The recipient or subrecipient is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk, and its documented procurement procedures, which may be lower than, but must not exceed, the threshold established in the FAR.

(b) ***Formal procurement methods.*** Formal procurement methods are required when the value of the procurement transaction under a Federal award exceeds the simplified acquisition threshold of the recipient or subrecipient. Formal procurement methods are competitive and require public notice. The following formal methods of procurement are used for procurement transactions above the simplified acquisition threshold determined by the recipient or subrecipient in accordance with paragraph (a)(2)(ii) of this section:

(1) ***Sealed bids.*** This is a procurement method in which bids are publicly solicited through an invitation and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid conforms with all the material terms and conditions of the invitation and is the lowest in price. The sealed bids procurement method is preferred for procuring construction services.

(i) For sealed bidding to be feasible, the following conditions should be present:

(A) A complete, adequate, and realistic specification or purchase description is available;

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2025-001 – Procurement and Suspension and Debarment (continued)

(B) Two or more responsible bidders have been identified as willing and able to compete effectively for the business; and

(C) The procurement lends itself to a firm-fixed-price contract, and the selection of the successful bidder can be made principally based on price.

(ii) If sealed bids are used, the following requirements apply:

(A) Bids must be solicited from an adequate number of qualified sources, providing them with sufficient response time prior to the date set for opening the bids. Unless specified by the Federal agency, the recipient or subrecipient may exercise judgment in determining what number is adequate. For local governments, the invitation for bids must be publicly advertised.

(B) The invitation for bids must define the items or services with specific information, including any required specifications, for the bidder to properly respond;

(C) All bids will be opened at the time and place prescribed in the invitation for bids. For local governments, the bids must be opened publicly.

(D) A firm-fixed-price contract is awarded in writing to the lowest responsive bid and responsible bidder. When specified in the invitation for bids, factors such as discounts, transportation cost, and life-cycle costs must be considered in determining which bid is the lowest. Payment discounts must only be used to determine the low bid when the recipient or subrecipient determines they are a valid factor based on prior experience.

(E) The recipient or subrecipient must document and provide a justification for all bids it rejects.

(2) ***Proposals.*** This is a procurement method used when conditions are not appropriate for using sealed bids. This procurement method may result in either a fixed-price or cost-reimbursement contract. They are awarded in accordance with the following requirements:

(i) Requests for proposals require public notice, and all evaluation factors and their relative importance must be identified. Proposals must be solicited from multiple qualified entities. To the maximum extent practicable, any proposals submitted in response to the public notice must be considered.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2025-001 – Procurement and Suspension and Debarment (continued)

(ii) The recipient or subrecipient must have written procedures for conducting technical evaluations and making selections.

(iii) Contracts must be awarded to the responsible offeror whose proposal is most advantageous to the recipient or subrecipient considering price and other factors; and

(iv) The recipient or subrecipient may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby the offeror's qualifications are evaluated, and the most qualified offeror is selected, subject to negotiation of fair and reasonable compensation. The method, where the price is not used as a selection factor, can only be used to procure architectural/engineering (A/E) professional services. The method may not be used to purchase other services provided by A/E firms that are a potential source to perform the proposed effort.

(c) ***Noncompetitive procurement.*** There are specific circumstances in which the recipient or subrecipient may use a noncompetitive procurement method. The noncompetitive procurement method may only be used if one of the following circumstances applies:

(1) The aggregate amount of the procurement transaction does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);

(2) The procurement transaction can only be fulfilled by a single source;

(3) The public exigency or emergency for the requirement will not permit a delay resulting from providing public notice of a competitive solicitation;

(4) The recipient or subrecipient requests in writing to use a noncompetitive procurement method, and the Federal agency or pass-through entity provides written approval; or

(5) After soliciting several sources, competition is determined inadequate.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2025-001 – Procurement and Suspension and Debarment (continued)

200.324 Contract cost and price.
(a) The recipient or subrecipient must perform a cost or price analysis for every procurement transaction, including contract modifications, in excess of the simplified acquisition threshold. The method and degree of analysis conducted depend on the facts surrounding the particular procurement transaction. For example, the recipient or subrecipient should consider potential workforce impacts in their analysis if the procurement transaction will displace public sector employees. However, as a starting point, the recipient or subrecipient must make independent estimates before receiving bids or proposals.

(b) Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that the costs incurred or cost estimates included in negotiated prices would be allowable for the recipient or subrecipient under subpart E of this part. The recipient or subrecipient may reference its own cost principles as long as they comply with subpart E of this part.

(c) The recipient or subrecipient must not use the “cost plus a percentage of cost” and “percentage of construction costs” methods of contracting.

Condition
Texas Biomed did not comply with procurement requirements per the Uniform Guidance. Specifically, Texas Biomed did not comply with informal procurement methods for small purchases and noncompetitive procurement requirements.

Texas Biomed also did not comply with its own procurement policy in relation to procurements of small purchases and noncompetitive procurements. Additionally, Texas Biomed did not maintain records for certain procurements sufficient to detail the history of procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price, and the performance of a cost or price analysis, when required.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2025-001 – Procurement and Suspension and Debarment (continued)

Cause
Texas Biomed did not have effective internal controls and procedures in place to ensure Texas Biomed complied with federal procurement requirements and Texas Biomed's procurement policy and also maintained records for procurements sufficient to detail the history of procurement, including the rationale for the method of procurement and other required elements, including a cost or price analysis, when required.

Effect or potential effect
Texas Biomed did not comply with the general procurement standards, methods of procurement, and cost or price analysis requirements, according to the Uniform Guidance.

Questioned costs
$211,839 in total for 3 procurements as follows:

$38,000 – Assistance Listing Number 93.351, Award Identification Number – P51OD011133-26 Procurement Date of January 28, 2025
$162,986 – Assistance Listing Number 93.351, Award Identification Number – P51OD011133-27, Procurement Date of May 22, 2025
$10,853 – Assistance Listing Number 93.351, Award Identification Number – P51OD011133-27, Procurement Date of May 22, 2025

Per 2 CFR 200.1, *questioned cost* means an amount, expended or received from a Federal award, that in the auditor's judgment:

(1) Is noncompliant or suspected noncompliant with Federal statutes, regulations, or the terms and conditions of the Federal award;
(2) At the time of the audit, lacked adequate documentation to support compliance; or
(3) Appeared unreasonable and did not reflect the actions a prudent person would take in the circumstances.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2025-001 – Procurement and Suspension and Debarment (continued)

Questioned costs were computed as the value of the individual procurements tested that were not compliant with the Uniform Guidance or that lacked adequate documentation to support compliance regarding the history of the procurement, including the rationale of the procurement and the performance of a cost or price analysis, when required. None of the questioned costs were related to procurements that appeared unreasonable.

Context

EY issued a material weakness for Texas Biomed related to internal control over procurement in the prior year. Based upon the implementation date for the corrective action of September 2025 through November 2025, provided by management, the finding related to this internal control had not been remediated for the full period under audit. As such, we did not test the operating effectiveness of this control and are issuing a material weakness consistent with the prior year finding.

EY tested 13 procurements over the micro-purchase threshold of $10,000, with expenditures totaling $1,383,894 from a population of 53 procurements over the micro-purchase threshold of $10,000 ($15,000 effective October 1, 2025), with expenditures totaling $4,752,988 during the year ended December 31, 2025.

For 1 procurement with expenditures in the amount of $162,986, related to a purchase order dated May 22, 2025 for $660,754, for animal food, Texas Biomed did not perform a cost or price analysis prior to the procurement. Since the total purchase order for this procurement exceeded $250,000, the simplified acquisition threshold, a cost or price analysis was required. EY observed that a cost analysis was performed for this same vendor for animal food on October 22, 2025.

For 1 procurement with expenditures in the amount of $38,000, related to a purchase order dated January 28, 2025 for the same amount, for lab services, Texas Biomed did not obtain quotes or document sole source justification or the history of the procurement, including the rationale for the method of procurement, at the time of the procurement. Subsequently, Texas Biomed prepared sole source documentation for the procurement during the audit.

For 1 procurement with expenditures in the amount of $10,853, related to a purchase order dated May 22, 2025 for $232,000, for fuel, Texas Biomed did not document sole source justification at the time of the procurement but instead utilized outdated sole source justification prepared over a year earlier under a separate procurement.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2025-001– Procurement and Suspension and Debarment (continued)

We consider the expenditures related to these procurements to be questioned costs due to Texas Biomed not adhering to federal procurement requirements per the Uniform Guidance and also Texas Biomed's procurement policy.

Identification as a repeat finding, if applicable
This is a repeat finding – Finding 2023-002 and 2024-002.

Recommendation
Texas Biomed should comply with federal procurement requirements, as well as Texas Biomed's procurement policy with regards to obtaining quotes for small purchases and documentation of sole source justification at the time of the procurement, as applicable. Texas Biomed should re-evaluate and document sole source justifications for vendors retained from year to year each time a new procurement is made from that vendor. Texas Biomed should retain written documentation for procurements, documenting the history of the procurement prior to the procurement of goods or services including, but not limited to, the rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price, and the performance of a cost or price analysis, when required.

Views of responsible officials
Management agrees with the finding and implemented corrective action as of November 2025. The instances of noncompliance noted above occurred prior to November 2025.

For the procurement with expenditures of $162,986 for animal food, a cost analysis was performed on October 22, 2025 and provided during the audit. This was a sole source procurement, but it should be noted that the cost analysis showed the supplier Texas Biomed used was 55% lower in cost than another supplier of similar, though not identical, animal food.

For the procurement with expenditures of $38,000 for lab services, sole source documentation was prepared during the audit explaining that this is the only lab found to provide the services needed, accept Texas Biomed's samples, and provide the results needed timely.

For the procurement with expenditures of $10,853 for fuel, sole source documentation was updated July 1, 2025.

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