ASSURANCE DIMENSIONS

Financial Statements and Independent Auditor's Report

Middle Tennessee Research Institute

September 30, 2025 and 2024

Middle Tennessee Research Institute

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ASSURANCE DIMENSIONS

INDEPENDENT AUDITOR'S REPORT

To the Board and Management of
Middle Tennessee Research Institute

Opinion

We have audited the accompanying financial statements of **Middle Tennessee Research Institute** (the "Organization"), a not-for-profit corporation, which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 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. 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 the Organization 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.

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 from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within 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 from 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 generally accepted 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, including omissions, 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.

"Assurance Dimensions" is the brand name under which Assurance Dimensions, LLC including its subsidiary McNamara and Associates, LLC (referred together as "AD LLC") and AD Advisors, LLC ("AD Advisors"), provide professional services. AD LLC and AD Advisors practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable laws, regulations, and professional standards. AD LLC is a licensed independent CPA firm that provides attest services to its clients, and AD Advisors provide tax and business consulting services to their clients. AD Advisors, and its subsidiary entities are not licensed CPA firms.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Assurance Dimensions

Jacksonville, Florida
January 9, 2026

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Middle Tennessee Research Institute

Statements of Financial Position

As of September 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	$ 288,173	$ 323,301
Contracts and grants receivable	109,013	103,517
Investments	500,498	500,403
Prepaid expenses	1,323	3,963
Total assets	$ 899,007	$ 931,184
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 80,712	$ 138,180
Total liabilities	80,712	138,180
Net assets:		
Without donor restrictions	287,367	647,138
Without donor restrictions - active and residual funds	530,928	145,866
Total net assets	818,295	793,004
Total liabilities and net assets	$ 899,007	$ 931,184

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

Middle Tennessee Research Institute
Statement of Activities
For the Year Ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Grant and contract revenue - federal	$ 356,222	$ -	$ 356,222
Grant and contract revenue - non-federal	595,667	-	595,667
Total support and revenues	951,889	-	951,889
Expenses:			
Program	689,998	-	689,998
Administrative	305,295	-	305,295
Total expenses	995,293	-	995,293
Net change in net assets from operating activities	(43,404)	-	(43,404)
Non-operating activities:			
Gain on extinguishment of debt	39,592	-	39,592
Interest income	29,103	-	29,103
Total non-operating activities	68,695	-	68,695
Change in net assets	25,291	-	25,291
Net assets at the beginning of the year	793,004	-	793,004
Net assets at the end of the year	$ 818,295	$ -	$ 818,295

The accompanying notes are an integral part of this financial statement.

Middle Tennessee Research Institute
Statement of Activities
For the Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Grant and contract revenue - federal	$ 123,497	$ -	$ 123,497
Grant and contract revenue - non-federal	130,378	-	130,378
Total support and revenues	253,875	-	253,875
Expenses:			
Program	307,741	-	307,741
Administrative	526,995	-	526,995
Total expenses	834,736	-	834,736
Net change in net assets from operating activities	(580,861)	-	(580,861)
Non-operating activities:			
Gain on extinguishment of debt	223,442	-	223,442
Interest income	50,363	-	50,363
Total non-operating activities	273,805	-	273,805
Change in net assets	(307,056)	-	(307,056)
Net assets at the beginning of the year	1,100,060	-	1,100,060
Net assets at the end of the year	$ 793,004	$ -	$ 793,004

The accompanying notes are an integral part of this financial statement.

Middle Tennessee Research Institute
Statement of Functional Expenses
For the Year Ended September 30, 2025

	Program	Administrative	Total
Personnel and benefits	$ 257,911	$ 252,502	$ 510,413
Outside personnel costs	373,851	8,131	381,982
Conferences, travel, and training	37,479	6,803	44,282
Professional fees	4,200	20,089	24,289
Lab, clinic and education supplies	13,168	-	13,168
Other administrative	215	10,803	11,018
Membership and publication fees	3,174	2,741	5,915
Insurance	-	4,226	4,226
Total expenses	$ 689,998	$ 305,295	$ 995,293

The accompanying notes are an integral part of this financial statement.

Middle Tennessee Research Institute
Statement of Functional Expenses
For the Year Ended September 30, 2024

	Program	Administrative	Total
Personnel and benefits	$ 178,691	$ 272,519	$ 451,210
Closing transfer of study funds	-	173,100	173,100
Outside personnel costs	84,539	9,240	93,779
Conferences, travel, and training	31,876	8,565	40,441
Provision for credit losses	-	28,831	28,831
Professional fees	1,971	14,213	16,184
Other administrative	-	13,063	13,063
Membership and publication fees	3,733	5,230	8,963
Clinical study reimbursements	4,657	-	4,657
Lab and clinic supplies	2,274	-	2,274
Insurance	-	2,234	2,234
Total expenses	$ 307,741	$ 526,995	$ 834,736

The accompanying notes are an integral part of this financial statement.

Middle Tennessee Research Institute
Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 25,291	$ (307,056)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on extinguishment of debt	(39,592)	(223,442)
Provision for credit losses	-	13,994
Change in:		
Prepaid expenses	2,640	5,477
Contracts and grants receivable	(5,496)	(5,499)
Accounts payable and accrued expenses	(17,876)	(65,545)
Net cash used by operating activities	(35,033)	(582,071)
Cash flows from an investing activity:		
Net proceeds (purchases) of investments	(95)	497,905
Net change in cash and cash equivalents	(35,128)	(84,166)
Cash and cash equivalents, beginning of period	323,301	407,467
Cash and cash equivalents, end of period	$ 288,173	$ 323,301

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

Note A – Nature of Business and Organization

Middle Tennessee Research Institute (the "Organization") is a not-for-profit corporation, which is organized as a Nonprofit Research and Education Corporation as authorized by Title 38 United States Code Sections 7361 through 7366. The Organization facilitates the receipt and administration of research funds for the conduct of Veterans Administration approved medical research, education and training. The mission of the Organization is to facilitate innovative research and education, improve healthcare programs that benefit our nation's Veterans, and provide outstanding support and advocacy to the research, education, and training endeavors of the VA Tennessee Valley Healthcare System ("VATVHS"). Revenues are primarily generated from research grants awarded from governmental and private entities who are treated as donors.

Note B – Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These are presented as undesignated and board designated.
- *Board Designated Net Assets.* The Board of Trustees (the "Board") has designated, from net assets without donor restrictions, net assets for various reasons.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and net assets and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recently Adopted Accounting Standards

Accounting standards promulgated by the Financial Accounting Standards Board are subject to change. Changes in such standards may have an impact on the Organization's future financial statements. The Organization periodically reviews new accounting standards that are issued. Although some of these accounting standards may be applicable to the Organization, the Organization has not identified any new standards, other than the one noted below, that it believes merit further discussion as the Organization expects that none would have a significant impact on its financial statements.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization places its cash with high quality financial institutions. At times, cash may be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of September 30, 2025 and 2024, the Organization had approximately $38,000 and $73,000 cash and cash equivalents in excess of FDIC limits.

Note B – Significant Accounting Policies (continued)

Contracts and Grants Receivable

Receivables consist of billings on grant and contract receivables and are generally collected within one to three months from billing date. Receivables are carried at the original amount less an estimate for credit losses. The Organization maintains an allowance for credit losses which represents management's estimate of expected credit losses over the remaining expected life of the Organization's financial assets measured at amortized cost and comprised of three main components: (i) historical collection performance, (ii) specific collection issues, (iii) current conditions, and reasonable and supportable forecasts about the future. If actual provision for credit losses differs from the reserves calculated based on historical trends and known customer issues and current conditions, an adjustment to the provision for credit losses is recorded in the period in which the difference occurs. Such adjustment could result in additional expenses or a reduction of expenses. The Organization writes off accounts to the allowance when it has determined that collection is unlikely. Some of the factors considered in reaching this determination are (i) the apparent financial condition of the customer, (ii) the success the Organization has in contacting and negotiating with the customer, (iii) the current state of the industry and (iv) the number of days the account has been outstanding. When the Organization's collections does not correspond with historical performance, additional charges may be required. The Organization performs periodic evaluations of the collectability of its receivables and does not require collateral on its accounts receivable. Losses on uncollectible receivables are provided for in the financial statements based on management's expectations. The Organization did not recognize allowance for credit losses as of September 30, 2025 and 2024.

Receivables from three and six funding sources represented 79% and 88% of total contracts and grants receivable as of September 30, 2025 and 2024, respectively.

Investments

Investments are stated at market value, which is based on quoted market prices or dealer quotes. The resulting difference between cost and market value is recognized as gain or loss in the period in which they occur. The unrealized/realized gain or loss on investments is the difference between proceeds received and the cost of the investment sold. Investment income is recognized as revenue in the period is received and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

The fair value of the level 1 investments, which are certificates of deposit, as of September 30, 2025 and 2024 were approximately $500,000. The certificate of deposits had maturity dates ranging from November 2025 to May 2026 and interest rates ranging from 4.20% to 4.25%. Based on the maturity dates of the investments, the investments have been classified as short term on the statement of financial position.

Fair Value Measurement

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

> Level 1 – Inputs and utilized quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
>
> Level 2 – Inputs include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Note B – Significant Accounting Policies (continued)

Fair Value Measurement (continued)

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The Organization has not elected to measure any existing financial instruments, other than investments, at fair value, as permitted under the guidance. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

The carrying amounts of contracts and grants receivable and accounts payable and accrued expenses are equal to their carrying amounts as presented in the accompanying statements of financial position.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of September 30, 2025 and 2024, respectively:

	Assets Measured at Fair Value at 9/30/2025	Quoted Prices in Active Markets (Level 1)
Certificate of deposit	$ 500,498	$ 500,498
Total investments at fair value	$ 500,498	$ 500,498

	Assets Measured at Fair Value at 9/30/2024	Quoted Prices in Active Markets (Level 1)
Certificate of deposit	$ 500,403	$ 500,403
Total investments at fair value	$ 500,403	$ 500,403

Revenue Recognition

All revenues and support are recorded in accordance with either ASC 958, *Not-for-Profit Entities*, as contributions with or without donor restrictions or in accordance with ASC 606, *Revenue from Contracts with Customers*, where revenue is recognized when: (i) a contract with a customer has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Organization has satisfied the applicable performance obligation over time or at a point in time.

Contract and Grant Revenue: The majority of the revenue is earned through research grants and contracts with public and private sources. These grants and contracts are reciprocal transaction agreements. Contracts are billed at predetermined increments throughout the study period. Revenue is recognized as those benchmarks are achieved. Revenues for cost-reimbursement contracts are recognized when the Organization incurs allowable costs.

IPA revenue - Intergovernmental Personnel Act ("IPA") revenue consists of reimbursements for salary and fringe benefits from the VATVHS to the Organization for use of the Organization's employees. Revenue is recognized during the period in which costs are incurred.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note B – Significant Accounting Policies (continued)

Allocation of Expenses (continued)

Expenses are allocated to program and supporting services on the following basis:

- Management and general expenses are allocated on the basis of revenue and time allocation
- Personnel expenses are allocated on the basis of direct salaries

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance with accounting for uncertain tax positions. No such amounts were recognized for the years ended September 30, 2025 and 2024.

The Organization follows the income tax standard for uncertain tax positions. The Organization has evaluated their tax positions and determined they have no uncertain tax positions as of September 30, 2025 and 2024. Should the Organization's tax-exempt status be challenged in the future, the Organization's 2022 through 2024 tax years are open for examination by the Internal Revenue Service.

Note C – Related Party Transactions

The Organization and the VATVHS have an agreement which allows for each entity to employ the services of the other. The following schedule shows the amounts reported in these financial statements related to the reimbursements for these services as of and for the years ended September 30:

	2025	2024
Revenues	$ -	$ -
Receivables	-	18,372
Expenses	92,991	88,011
Payables	11,078	57,259

Note D – Liquidity and Availability of Financial Assets

The Organization's management monitors its liquidity so that it is able to cover operating expenses. The Organization budgets for such costs based on the prior year actual expenses and anticipated future expenses. Budgets are approved by the Board.

Management does not anticipate an increase in expenses in the next year and anticipates sufficient grant and contract revenues to cover them. The Organization has the following financial assets available within one year of the balance sheet date for general expenditures:

Financial assets, at year-end	$ 897,684
Less those unavailable for general expenditures within one year, due to:	
Funding for Principal Investigator ("PI") active and residual funds	(530,298)
Financial assets available to meet cash needs for general expenditures within one year	$ 366,756

Note D – Liquidity and Availability of Financial Assets (continued)

Financials assets consist of cash and cash equivalents of $288,173, contracts and grants receivable of $109,013, and investments of $500,498. Funding for PI residual funds is cash that may only be used to address future study expenditures that may or may not be within the next year at the discretion of the PI and Board. The Organization is substantially supported by PI study contracts and grants.

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

Note E – Gain on Extinguishment of Debt

For the years ended September 30, 2025 and 2024, the Organization recognized a gain of approximately $40,000 and $223,000, respectively, from the extinguishment of debt recorded under accounts payable and accrued expenses, as the amounts were no longer due to the VATVHS.

Note F – Closing Transfer

During 2024, the Board determined that since a principal investigator no longer works with the Organization, a portion of the residual research funds associated with an uncompleted study the investigator was conducting should be transferred to another institution. There was no similar transaction in 2025.

Note G – Subsequent Events

Subsequent events have been evaluated through January 9, 2026, which is the date the financial statements were available to be issued.