

McNamara and Associates, LLC

Financial Statements and Independent Auditor's
Report

Middle Tennessee Research Institute

September 30, 2023 and 2022

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McNamara and Associates, LLC

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, 2023 and 2022, 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, 2023 and 2022, 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.

McNAMARA and ASSOCIATES, LLC
also d/b/a **ASSURANCE DIMENSIONS, LLC**

TAMPA BAY: 4920 W Cypress Street, Suite 102 | Tampa, FL 33607 | Office: 813.443.5048 | Fax: 813.443.5053
JACKSONVILLE: 4720 Salisbury Road, Suite 223 | Jacksonville, FL 32256 | Office: 888.410.2323 | Fax: 813.443.5053
ORLANDO: 1800 Pembroke Drive, Suite 300 | Orlando, FL 32810 | Office: 888.410.2323 | Fax: 813.443.5053
SOUTH FLORIDA: 2000 Banks Road, Suite 218 | Margate, FL 33063 | Office: 754.800.3400 | Fax: 813.443.5053

www.assurancedimensions.com

"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.

McNamara and Associates, LLC

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.

McNamara and Associates, LLC

Jacksonville, Florida
June 10, 2024

McNAMARA and ASSOCIATES, LLC
also d/b/a ASSURANCE DIMENSIONS, LLC

TAMPA BAY: 4920 W Cypress Street, Suite 102 | Tampa, FL 33607 | Office: 813.443.5048 | Fax: 813.443.5053
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Middle Tennessee Research Institute
Statements of Financial Position
As of September 30, 2023 and 2022

	2023	2022
	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 407,467	\$ 1,350,975
Contracts and grants receivable, net	112,012	294,779
Investments	998,308	-
Prepaid expenses	9,440	12,479
Total assets	<u>\$ 1,527,227</u>	<u>\$ 1,658,233</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 427,167	\$ 248,814
Total liabilities	<u>427,167</u>	<u>248,814</u>
Net assets:		
Without donor restrictions	1,047,447	1,357,021
Without donor restrictions - board designated	52,613	52,398
Total net assets	<u>1,100,060</u>	<u>1,409,419</u>
Total liabilities and net assets	<u>\$ 1,527,227</u>	<u>\$ 1,658,233</u>

Middle Tennessee Research Institute
Statement of Activities
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Grant and contract revenue - federal	\$ 97,524	\$ -	\$ 97,524
Grant and contract revenue - non-federal	186,080	-	186,080
Total support and revenues	<u>283,604</u>	<u>-</u>	<u>283,604</u>
Expenses:			
Program	437,783	-	437,783
Administrative	175,497	-	175,497
Total expenses	<u>613,280</u>	<u>-</u>	<u>613,280</u>
Net change in net assets from operating activities	<u>(329,676)</u>	<u>-</u>	<u>(329,676)</u>
Non-operating activities:			
Interest income	20,317	-	20,317
Total non-operating activities	<u>20,317</u>	<u>-</u>	<u>20,317</u>
Change in net assets	<u>(309,359)</u>	<u>-</u>	<u>(309,359)</u>
Net assets at the beginning of the year	1,409,419	-	1,409,419
Net assets at the end of the year	<u><u>\$ 1,100,060</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,100,060</u></u>

Middle Tennessee Research Institute
Statement of Activities
For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Grant and contract revenue - federal	\$ 612,547	\$ -	\$ 612,547
Grant and contract revenue - non-federal	72,677	-	72,677
IPA revenues	13,724	-	13,724
Total support and revenues	<u>698,948</u>	<u>-</u>	<u>698,948</u>
Expenses:			
Program	211,918	-	211,918
Administrative	157,618	-	157,618
Total expenses	<u>369,536</u>	<u>-</u>	<u>369,536</u>
Net change in net assets from operating activities	<u>329,412</u>	<u>-</u>	<u>329,412</u>
Non-operating activities:			
Interest income	3,098	-	3,098
Total non-operating activities	<u>3,098</u>	<u>-</u>	<u>3,098</u>
Change in net assets	332,510	-	332,510
Net assets at the beginning of the year	<u>1,076,909</u>	<u>-</u>	<u>1,076,909</u>
Net assets at the end of the year	<u><u>\$ 1,409,419</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,409,419</u></u>

Middle Tennessee Research Institute
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (309,359)	\$ 332,510
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	87,000	-
Change in:		
Prepaid expenses	3,039	(6,949)
Contracts and grants receivable	95,767	470,691
Unbilled revenue	-	46,895
Accounts payable and accrued expenses	178,353	18,570
Net cash provided by operating activities	<u>54,800</u>	<u>861,717</u>
Cash flows from investing activities:		
Purchase of investments	<u>(998,308)</u>	<u>-</u>
Net cash used by investing activities	<u>(998,308)</u>	<u>-</u>
Net change in cash and cash equivalents	(943,508)	861,717
Cash and cash equivalents, beginning of period	<u>1,350,975</u>	<u>489,258</u>
Cash and cash equivalents, end of period	<u><u>\$ 407,467</u></u>	<u><u>\$ 1,350,975</u></u>

Middle Tennessee Research Institute
Statement of Functional Expenses
For the Year Ended September 30, 2023

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Personnel and benefits	\$ 290,951	\$ 114,594	\$ 405,545
Bad debt expense	72,251	14,749	87,000
Conferences, travel, and training	63,838	8,988	72,826
Professional fees	-	21,492	21,492
Membership and publication fees	5,886	5,690	11,576
Insurance	-	5,297	5,297
Patient reimbursements	1,960	2,460	4,420
Lab and clinic supplies	2,897	-	2,897
Other administrative	-	2,227	2,227
Total expenses	<u>\$ 437,783</u>	<u>\$ 175,497</u>	<u>\$ 613,280</u>

Middle Tennessee Research Institute
Statement of Functional Expenses
For the Year Ended September 30, 2022

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Personnel and benefits	\$ 165,402	\$ 49,750	\$ 215,152
Professional fees	-	83,998	83,998
Conferences, travel, and training	16,662	2,332	18,994
Lab and clinic supplies	13,164	3,813	16,977
Membership and publication fees	7,846	4,154	12,000
Patient reimbursements	8,323	-	8,323
Insurance	-	7,244	7,244
Other administrative	521	6,327	6,848
Total expenses	<u>\$ 211,918</u>	<u>\$ 157,618</u>	<u>\$ 369,536</u>

Middle Tennessee Research Institute

Notes to Financial Statements

September 30, 2023 and 2022

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 (“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. Refer to Note C below.
- *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 Issued Accounting Standards Not Yet Adopted

Accounting standards promulgated by the Financial Accounting Standards Board (“FASB”) 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 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, 2023 and 2022, cash balances did not exceed the FDIC insurance limits.

Middle Tennessee Research Institute

Notes to Financial Statements September 30, 2023 and 2022

Note B – Significant Accounting Policies (continued)

Contracts and Grants Receivable, Net

Receivables consist of billings on grant and contract receivables and are generally collected within one to three months from billing date. 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. For the years ended September 30, 2023 and 2022, the Organization had an allowance of approximately \$18,000 for both years.

Receivables from five and two funding sources represented 81% and 59% of total grants and contracts receivable at September 30, 2023 and 2022, 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 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 it 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, at September 30, 2023 were approximately \$998,000. The certificate of deposits had maturity dates ranging from October 2023 to August 2024 and interest rates ranging from 4.90% to 5.50%. Based on the maturity dates of the investments, the investments have been classified as short term on the statement of financial position.

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 VA 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.

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

Middle Tennessee Research Institute

Notes to Financial Statements September 30, 2023 and 2022

Note B – Significant Accounting Policies (continued)

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, 2023 and 2022.

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, 2023 and 2022. Should the Organization's tax-exempt status be challenged in the future, the Organization's 2020-2022 tax years are open for examination by the Internal Revenue Service.

Note C – Board Designated Net Assets

The activity for each project is tracked individually and the fund balance of each project is maintained on an ongoing basis. Any unexpended funds at year end remain available for use in subsequent years, until such time as the funds are completely expended or the project is completed. At the completion of a project, any remaining funds will be returned to the donor, if requested. If the funds are not required to be returned, they are released and may be transferred to an unrestricted fund at the approval of the Board. These funds then become available for use by an investigator in other projects, at the Board's approval. The Board has designated approximately \$53,000 and \$52,000 at September 30, 2023 and 2022, respectively, to support costs related to future research activities accordingly.

Note D – 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:

	2023	2022
Revenues	\$ -	\$ 13,724
Receivables	3,577	13,684
Expenses	150,967	67,362
Payables	339,029	194,188

Note E – Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Organization but which will only be resolved when one or more future events occur or fail to occur. The Organization's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Organizations's financial statements. If the assessment indicates that a potential material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Middle Tennessee Research Institute

Notes to Financial Statements September 30, 2023 and 2022

Note F – 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	\$ 1,517,787
Less those unavailable for general expenditures within one year, due to:	
Board of Directors designations:	
Restricted funding for Principal Investigator ("PI") residual funds	<u>(52,613)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,465,174</u></u>

Financials assets consists of cash and cash equivalents of \$407,467, contracts and grants receivable, net of \$112,012, and investments of \$998,308. Restricted 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. During the years ended September 30, 2023 and 2022, the Organization had PI residual funds of approximately \$53,000 and \$52,000 respectively. The Board can re-designate these funds at any time to be used in each respective PI's studies that are not fully funded. In addition, there is no restriction on the Board's movement of these funds for the Organization's purposes.

Note G – Subsequent Events

Subsequent events have been evaluated through June 10, 2024 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Middle Tennessee Research Institute
Schedules of Board Designated - Residual Research Funds
As of September 30, 2023 and 2022

Investigator	2023	2022
Ooi, Henry	\$ 36,416	\$ 36,416
Sengsayadeth, Salyka	7,359	7,144
Matheny, Michael	7,116	7,116
Wilson, Keith	1,722	1,722
	<u>\$ 52,613</u>	<u>\$ 52,398</u>