MASONIC MEDICAL RESEARCH INSTITUTE

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Masonic Medical Research Laboratory,
dba Masonic Medical Research Institute

Opinion

We have audited the balance sheets of Masonic Medical Research Laboratory, dba Masonic Medical Research Institute (the Institute) as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Institute's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 the 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 the 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 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2022 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Institute's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

March 23, 2022

Balance Sheets

December 31,	2021	2020
Assets		
Current assets:		
Cash	$ 702,927	$ 1,401,317
Receivables (Note 2)	3,846,045	3,071,059
Prepaid expenses and other assets	157,992	213,524
	4,706,964	4,685,900
Investments (Note 3)	32,635,484	28,899,883
Charitable gift annuities (Note 4)	367,633	368,399
Property and equipment, net (Note 5)	16,557,355	16,994,343
Cash value of life insurance	1,079,758	1,048,144
	$ 55,347,194	$ 51,996,669
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 6)	$ -	$ 11,943,158
Accounts payable	684,648	397,540
Accrued expenses	287,760	480,014
Deferred revenue	12,601	16,066
	985,009	12,836,778
Long-term debt (Note 6)	11,943,158	-
Charitable gift annuities (Note 4)	139,331	149,518
Net assets:		
Without donor restrictions	33,550,158	31,144,256
With donor restrictions (Note 8)	8,729,538	7,866,117
	42,279,696	39,010,373
	$ 55,347,194	$ 51,996,669

See accompanying notes.

Statements of Activities

For the years ended December 31,	2021	2020
Net assets without donor restrictions:		
Revenues, gains and support:		
Contributions:		
Masonic Brotherhood Foundation, Inc.	$ 47,302	$ 105,587
Legacies and bequests	1,105,058	690,767
Grants	4,748,356	2,029,171
Other	389,404	330,554
Laboratory service fees	1,589,622	2,453,912
Paycheck Protection Program loan forgiveness (Note 7)	703,322	637,290
Investment earnings, net	2,820,831	645,033
Other income	25,893	7,106
Net assets released from restrictions	327,271	318,676
Total revenues, gains, and support	11,757,059	7,218,096
Expenses:		
Program services - research and education	6,656,679	6,586,479
Management and general	2,054,846	1,983,135
Public relations and development	639,632	504,888
Total expenses	9,351,157	9,074,502
Change in net assets without donor restrictions	2,405,902	(1,856,406)
Net assets with donor restrictions:		
Contributions	243,299	74,024
Investment earnings, net	947,393	301,143
Net assets released from restrictions	(327,271)	(318,676)
Change in net assets with donor restrictions	863,421	56,491
Change in net assets	3,269,323	(1,799,915)
Net assets - beginning	39,010,373	40,810,288
Net assets - ending	$ 42,279,696	$ 39,010,373

See accompanying notes.

Statements of Functional Expenses

For the years ended December 31,	2021				2020			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Research and Education	Management and General	Public Relations and Development	Total	Research and Education	Management and General	Public Relations and Development	Total
Salaries	$ 2,501,690	$ 994,176	$ 376,792	$ 3,872,658	$ 2,398,005	$ 1,070,715	$ 253,143	$ 3,721,863
Payroll taxes and fringe benefits	583,932	241,811	88,843	914,586	600,629	238,352	49,380	888,361
Total salaries and related expenses	3,085,622	1,235,987	465,635	4,787,244	2,998,634	1,309,067	302,523	4,610,224
Research expenses	1,405,024	-	-	1,405,024	1,526,099	-	-	1,526,099
Buildings and grounds operations	199,236	71,052	7,127	277,415	166,323	42,580	6,570	215,473
Equipment and repairs	101,918	24,701	2,089	128,708	183,792	47,534	2,842	234,168
Office expenses	58,949	109,210	29,292	197,451	53,554	95,135	31,156	179,845
Conferences, travel and meals	30,213	44,228	5,148	79,589	26,478	34,583	22,569	83,630
Professional fees and outside services	12,788	289,533	11,325	313,646	88,223	234,331	50,442	372,996
Publicity, promotion and sponsorships	5,113	-	86,915	92,028	7,534	16,366	63,493	87,393
Insurance	54,381	36,083	1,966	92,430	41,753	28,543	1,792	72,088
Depreciation	1,502,163	137,464	18,542	1,658,169	1,288,157	106,145	14,990	1,409,292
Interest	199,925	52,471	6,631	259,027	205,566	53,948	6,818	266,332
Loss on disposal of property and equipment	-	37,724	-	37,724	-	-	-	-
Miscellaneous	1,347	16,393	4,962	22,702	366	14,903	1,693	16,962
	$ 6,656,679	$ 2,054,846	$ 639,632	$ 9,351,157	$ 6,586,479	$ 1,983,135	$ 504,888	$ 9,074,502

See accompanying notes.

Statements of Cash Flows

For the years ended December 31,		2021		2020
Operating activities:				
Change in net assets	$	3,269,323	$	(1,799,915)
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Paycheck Protection Program loan forgiveness		(703,322)		(637,290)
Depreciation		1,658,169		1,409,292
Loss on disposal of property and equipment		37,724		-
Net realized and unrealized gains on investments		(2,864,120)		(224,651)
Increase in cash value of life insurance		(31,614)		(36,862)
Charitable gift annuities		(9,421)		(20,210)
Changes in other operating assets and liabilities:				
Receivables		(774,986)		848,851
Prepaid expenses and other assets		55,532		(102,865)
Accounts payable		287,108		101,703
Accrued expenses		(192,254)		249,208
Deferred revenue		(3,465)		16,066
Net operating activities		728,674		(196,673)
Investing activities:				
Property and equipment purchases		(1,258,905)		(4,071,932)
Proceeds from sales of investments		8,211,872		10,367,149
Purchases of investments		(9,083,353)		(6,265,195)
Net investing activities		(2,130,386)		30,022
Financing activities:				
Proceeds from Paycheck Protection Program loan		703,322		637,290
Payments on long-term debt		-		(999,121)
Proceeds from issuance of long-term debt		-		1,702,293
Net financing activities		703,322		1,340,462
Net change in cash		(698,390)		1,173,811
Cash - beginning		1,401,317		227,506
Cash - ending	$	702,927	$	1,401,317

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization:

Masonic Medical Research Laboratory, dba Masonic Medical Research Institute (the Institute), located in Utica, New York, is dedicated to improving the health and quality of life for all humankind. The Institute's primary mission is to conduct high-quality, basic biomedical research aimed at generating knowledge and information necessary for development of the medical cures and treatments of tomorrow. Between June 2020 and June 2021, the Institute performed COVID-19 testing and generated laboratory service fee revenue to support the needs of the local healthcare system and to obtain positive COVID-19 samples used for research to determine the long-term effects of the virus on the heart and other organs.

Subsequent Events:

The Institute has evaluated events and transactions for potential recognition or disclosure through March 23, 2022, the date the financial statements were available to be issued.

Cash:

Cash in financial institutions may exceed insured limits at various times during the year and subject the Institute to concentrations of credit risk.

Investments:

Investments represent marketable securities stated at fair value on a recurring basis as determined by quoted prices in active markets. Investment securities are exposed to interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying financial statements.

Property and Equipment:

Property and equipment is stated at cost or fair market value at the date of donation, net of accumulated depreciation. Depreciation is computed by the straight-line method over estimated service lives.

Net Assets:

The Institute reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions include those whose use has been limited by donors to a specific time period, purpose, or those to be maintained in perpetuity by the Institute.

Contributions:

Contributions, including unconditioned promises to give, are reported at fair value at the date the contribution is made. Contributions are recorded as restricted if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying statements of activities.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

The Institute also receives grants from governments, pharmaceutical companies, and other nonprofit organizations. These conditional contributions are recognized as revenue when allowable expenditures are incurred. The grant awards and reimbursements are subject to various compliance and financial audits by the funding source. Management believes no significant adjustments to recognized amounts are necessary. In 2021, the Institute recognized $3,000,000 of grant revenue from Empire State Development and amounts totaling $3,000,000 are included in receivables on the accompanying 2021 balance sheet.

Laboratory Service Fees and Related Receivables:

Laboratory service fees were recognized for COVID-19 tests performed based on contract prices and terms established with a local healthcare system. Payment from the healthcare system was generally due within 90 days of billing.

Laboratory service fees receivable were stated at the amount management expected to collect from outstanding balances (see Note 2). No allowance for doubtful collections was deemed necessary at December 31, 2020. No receivables were outstanding at December 31, 2021.

Functional Expense Allocation:

The Institute's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those costs include depreciation, which is allocated on an estimated square footage basis, and certain other expenses allocated based on employee time and effort.

Tax Status:

The Institute is a 501(c)(3) corporation generally exempt from income taxes under Section 501(a) of the Internal Revenue Code.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Receivables:

	2021	2020
Contributions:		
Grants	$ 3,320,334	$ 505,774
Others	483,945	921,545
Laboratory service fees	-	1,622,772
Accrued interest	21,759	20,844
Other receivables	20,007	124
	$ 3,846,045	$ 3,071,059

3. Investments:

	2021	2020
Cash and cash equivalents	$ 1,891,519	$ 2,009,668
Mutual funds	4,757,621	3,846,603
Equity securities	24,870,268	21,983,683
U.S. government securities	1,116,076	1,059,929
	$ 32,635,484	$ 28,899,883

The following summarizes investment return and its classification in the statements of activities:

	2021	
	Without Donor Restrictions	With Donor Restrictions
Dividends and interest	$ 676,990	$ 227,114
Net realized gains	437,045	136,763
Net unrealized gains	1,706,796	583,516
	$ 2,820,831	$ 947,393

	2020	
	Without Donor Restrictions	With Donor Restrictions
Dividends and interest	$ 545,773	$ 175,752
Net realized losses	(36,651)	(48,765)
Net unrealized gains	135,911	174,156
	$ 645,033	$ 301,143

4. Charitable Gift Annuities:

The Institute administers a charitable gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of contributed assets is considered to be a charitable contribution for income tax purposes for the donor. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution with donor restrictions at the date of the gift. Upon the death of the annuitant (or last joint annuitant), income distributions cease. State mandated reserves related to charitable gift annuity agreements are maintained at the required level.

The assets and liabilities of the planned giving program as of December 31, 2021 are $367,633 and $139,331. The assets and liabilities of the planned giving program as of December 31, 2020 were $368,399 and $149,518.

5. Property and Equipment:

	2021	2020
Buildings and improvements	$ 16,197,169	$ 16,623,778
Equipment	8,022,039	9,968,070
Furniture and fixtures	189,832	437,257
Vehicles	75,076	75,076
Construction in progress	938,191	78,500
	25,422,307	27,182,681
Less accumulated depreciation	8,864,952	10,188,338
	$ 16,557,355	$ 16,994,343

Interest totaling and $41,488 was capitalized during the year ended December 31, 2020. Construction in progress at December 31, 2021 relates to costs for a renovation project expected to be completed in 2022 with an estimated cost of $1,570,000 to be partially funded with governmental grants.

6. Long-Term Debt:

The Institute has available a $12,000,000 bank revolving line note to finance renovations of its building completed in 2020. The note carries interest at 1% below prime (2% above the one-month LIBOR rate in 2020) and is secured by specific Institute investments valued at $16,833,000 at December 31, 2021 ($18,003,000 at December 31, 2020). The original note was due in October 2021 and was renegotiated to monthly interest-only payments through October 2023, at which time the principal balance is due. Amounts outstanding at December 31, 2021 and 2020 totaled and $11,943,158.

7. Paycheck Protection Program Loans:

In April 2020, the Institute received a loan totaling $637,290 from the Small Business Administration (SBA) under the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief and Economic Security (CARES) Act, in response to the pandemic described in Note 14. The Institute met the requirements of forgiveness as of December 2020 and recognized income in 2020. During 2021, the Institute received a second PPP loan totaling $703,322. The loan was forgiven by the SBA in September 2021 and is recognized as income in 2021.

8. Net Assets with Donor Restrictions:

Net assets with donor restrictions are for the following purposes or periods:

	2021	2020
Subject to expenditure for research	$ 3,237,723	$ 3,011,611
Subject to the passage of time	460,369	390,456
Subject to the Institute's spending policy and appropriation:		
Investment in perpetuity (including amounts above the original gift value of $3,007,271), which, once appropriated, is expendable to support research (see Note 9)	5,031,446	4,464,050
Total net assets with donor restrictions	$ 8,729,538	$ 7,866,117

9. Endowment Assets:

The Institute's restricted endowment assets arise from donor-restricted endowments invested in perpetuity. The Institute has adopted investment and spending policies for endowment assets that attempt to provide returns sufficient to address the purposes of the assets over the long-term. The Institute seeks to distribute up to 5% of total endowment market value annually, while maintaining the purchasing power of the endowment assets over the long-term.

The Institute has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original donor restricted endowment gift as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as perpetual endowment (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of a donor gift instrument at the time the accumulation is added to the fund.

Investment earnings of perpetual endowment funds are monitored and appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Institute considers the following factors to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Institute and the fund
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and appreciation of investments

- Other Institute resources
- When circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Institute
- Investment policy of the Institute

Investment gains (losses) related to the donor-restricted endowment are reported as increases (decreases) to net assets with donor restrictions until appropriated and expended in accordance with the Institute's spending policy. The Institute's restricted endowment assets activity for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Endowment assets – beginning balance	$ 4,464,050	$ 4,475,656
Investment gains, net of custodian fees	567,396	172,620
Appropriations	-	(184,226)
Endowment assets – ending balance	$ 5,031,446	$ 4,464,050

10. Retirement Plan:

The Institute sponsors a defined-contribution retirement plan covering substantially all full-time employees. The plan allows for discretionary employer matching contributions of up to 10% of salaries. The Institute's contributions to the plan amounted to $235,793 and $233,946 in 2021 and 2020.

11. Related Party Transactions:

The Institute receives voluntary contributions of New York State Masons through Masonic Brotherhood Foundation, Inc. In addition, other Masonic organizations throughout New York State contribute directly to the Institute. During the years ended December 31, 2021 and 2020, the Institute received contributions of $28,980 and $88,042 for operations through Masonic Brotherhood Foundation, Inc.

In addition, at December 31, 2021 and 2020, Masonic Brotherhood Foundation, Inc. held in a custodial account $811,186 and $660,677 of bequests on behalf of the Institute. Pursuant to accounting guidance, the investments remain as part of the foundation's net assets with all investment income disbursed to the Institute for its operations. Accordingly, such bequests are not recorded in the Institute's financial statements. Disbursements of investment income made to the Institute for 2021 and 2020 were $18,322 and $17,545.

The Institute is party to an agreement with Grand Lodge of Free and Accepted Masons of the State of New York (the Grand Lodge). The Grand Lodge provides services to promote the Institute's fundraising objectives for an annual fee of $1 per Grand Lodge member through December 31, 2022. Annual expenses totaling $30,900 and $35,869 were incurred for the years ended December 31, 2021 and 2020. A total of $29,720 was due to the Grand Lodge at December 31, 2020 for fundraising services and other expenses which is included in accrued expenses on the accompanying 2020 balance sheet. No amounts were outstanding at December 31, 2021.

The Institute's facilities are located on land owned by Masonic Care Community (MCC). The Institute pays a $1 annual fee to the trustees of MCC for use of this land. Utilities and ground maintenance expenses related to the facilities are charged by MCC and totaled $187,996 and $154,678 for 2021 and 2020 and amounts totaling $13,283 and $26,486 are included in accounts payable on the accompanying balance sheets at December 31, 2021 and 2020. Additionally, the Institute leased a separate building from MCC through November 2021 and recognized expense totaling $21,000 and $3,000 in 2021 and 2020.

12. Cash Flows Information:

Net cash flows from operating activities reflect cash payments for noncapitalized interest totaling $258,108 and $276,620 for the years ended December 31, 2021 and 2020.

13. Financial Assets Available for Operations:

The Institute obtains financial assets generally through grants, contributions and fundraising efforts. The financial assets are acquired throughout the year to help meet the Institute's cash needs for general expenditures. The Institute's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at December 31, 2021 and 2020:

	2021	2020
Cash	$ 702,927	$ 1,401,317
Receivables	3,846,045	3,071,059
Investments	32,635,484	28,899,883
Less: investments restricted to expenditure for research	(3,237,723)	(3,011,611)
Less: investments subject to the Institute's spending policy and appropriation	(5,031,446)	(4,464,050)
Less: investments held as collateral for bank debt	(16,832,826)	(18,003,328)
	$ 12,082,461	$ 7,893,270

14. Risks and Uncertainties:

The Institute is involved in legal proceedings which, in the opinion of management, will not have a material adverse impact upon the financial position of the Institute.

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations. Financial markets also experienced a significant decline in value. The extent of the impact of COVID-19 on the Institute's operational and financial resources will depend on further developments, including the duration and spread of the outbreak. While the research lab was classified as an "essential business" by the New York State Governor and could remain open during the crisis, the overall impact on suppliers, donors, grantors, and employees cannot be predicted at this time.

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor Number	Expenditures
Research and Development Cluster:			
U.S. Department of Defense:			
Direct award:			
Military Medical Research and Development	12.420	LR200032	$ 24,590 [1]
Passed through Vanderbilt University Medical Center:			
Military Medical Research and Development	12.420	1810536	25,801
U.S. Department of Veteran Affairs:			
Direct award:			
Intergovernmental Personnel Act	64.XXX	n/a	9,812
U.S. Department of Health and Human Services:			
Passed through The Brigham and Women's Hospital, Inc.:			
Cancer Biology Research	93.396	190838	20,744
Direct awards:			
Cardiovascular Diseases Research	93.837	102368	661,859 [2]
Cardiovascular Diseases Research	93.837	140187	196,388
Cardiovascular Diseases Research	93.837	147044	260,930
			1,119,177
Passed through The Brigham and Women's Hospital, Inc.:			
Cardiovascular Diseases Research	93.837	148207	60,561
Cardiovascular Diseases Research	93.837	115141	24,039
Cardiovascular Diseases Research	93.837	148355	52,105
			136,705
Passed through Norfolk State University:			
Cardiovascular Diseases Research	93.837	145530	26,862
Passed through Regents of the University of Michigan:			
Blood Diseases and Resources Research	93.839	144550	73,157
Passed through Vanderbilt University Medical Center:			
Biomedical Research and Research Training	93.859	126062	32,241
Total Expenditures of Federal Awards			$ 1,469,089

[1] *Includes subrecipient award of $3,357*

[2] *Includes subrecipient award of $144,357*

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal award programs administered by Masonic Medical Research Laboratory, dba Masonic Medical Research Institute (the Institute), an entity defined in Note 1 to the Institute's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the SEFA.

Expenditures are calculated as required by the Uniform Guidance or the applicable program and do not constitute actual program disbursements.

Basis of Accounting:

The Institute uses the accrual basis of accounting for each federal program, consistent with the financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Institute's financial reporting system.

Indirect Costs:

The Institute has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. Rather, the Institute applies an indirect cost rate as permitted by the grant agreements.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Masonic Medical Research Laboratory,
dba Masonic Medical Research Institute

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Masonic Medical Research Laboratory, dba Masonic Medical Research Institute (the Institute), which comprise the balance sheet as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from 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 Institute'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 Institute's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

March 23, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Masonic Medical Research Laboratory,
dba Masonic Medical Research Institute

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Masonic Medical Research Laboratory, dba Masonic Medical Research Institute (the Institute) with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2021. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 the 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 the 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 the 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 the 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.

Report on Internal Control Over Compliance

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

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

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

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

Lumsden & McCormick, LLP

March 23, 2022

Schedule of Findings and Questioned Costs

For the year ended December 31, 2021

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

Name of Federal Program or Cluster	Amount
Research and Development Cluster	$ 1,469,089

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II. Financial Statement Findings

No findings were reported.

Section III. Federal Award Findings and Questioned Costs

No findings were reported.