

**MASONIC MEDICAL RESEARCH INSTITUTE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Masonic Medical Research Laboratory, dba Masonic Medical Research Institute (the Institute) as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2019 and 2018, 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.

## 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 required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying schedule of expenditures of federal awards 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. Such 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 information 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 April 7, 2020 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 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.

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

April 7, 2020

MASONIC MEDICAL RESEARCH INSTITUTE

**Balance Sheets**

| December 31,                         | 2019                 | 2018                 |
|--------------------------------------|----------------------|----------------------|
| <b>Assets</b>                        |                      |                      |
| <b>Current assets:</b>               |                      |                      |
| Cash                                 | \$ 227,506           | \$ 264,304           |
| Receivables (Note 2)                 | 3,919,910            | 1,333,006            |
| Prepaid expenses and other assets    | 110,659              | 78,784               |
|                                      | <u>4,258,075</u>     | <u>1,676,094</u>     |
| Investments (Note 3)                 | 32,777,186           | 30,883,135           |
| Charitable gift annuities (Note 4)   | 356,128              | 321,096              |
| Property and equipment, net (Note 5) | 14,331,703           | 13,485,082           |
| Cash value of life insurance         | 1,011,282            | 975,345              |
|                                      | <u>\$ 52,734,374</u> | <u>\$ 47,340,752</u> |
| <b>Liabilities and Net Assets</b>    |                      |                      |
| <b>Current liabilities:</b>          |                      |                      |
| Accounts payable                     | \$ 335,443           | \$ 419,332           |
| Accrued expenses                     | 191,200              | 85,971               |
|                                      | <u>526,643</u>       | <u>505,303</u>       |
| Long-term debt (Note 6)              | 11,239,986           | 10,402,248           |
| Charitable gift annuities (Note 4)   | 157,457              | 162,933              |
| <b>Net assets:</b>                   |                      |                      |
| Without donor restrictions           | 33,000,662           | 29,556,745           |
| With donor restrictions (Note 7):    | 7,809,626            | 6,713,523            |
|                                      | <u>40,810,288</u>    | <u>36,270,268</u>    |
|                                      | <u>\$ 52,734,374</u> | <u>\$ 47,340,752</u> |

See accompanying notes.

MASONIC MEDICAL RESEARCH INSTITUTE

**Statements of Activities**

For the years ended December 31,

**2019**

2018

**Net assets without donor restrictions:**

Revenues, gains and support:

Contributions:

Masonic Brotherhood Foundation, Inc.

\$ 123,065 \$ 108,712

Legacies and bequests

3,636,897 4,945,399

Grants

2,811,994 1,464,340

Other

273,983 224,133

Investment earnings (losses), net

4,186,877 (1,434,581)

Other income

867 547,295

Net assets released from restrictions

186,284 190,635

Total revenues, gains, and support

**11,219,967** 6,045,933

Expenses:

Program services - research and education

5,636,256 3,442,634

Management and general

1,491,185 1,125,213

Public relations and development

648,609 374,178

Total expenses

**7,776,050** 4,942,025

**Change in net assets without donor restrictions**

**3,443,917** 1,103,908

**Net assets with donor restrictions:**

Contributions

228,544 875

Investment earnings (losses), net

1,053,843 (336,378)

Net assets released from restrictions

(186,284) (190,635)

**Change in net assets with donor restrictions**

**1,096,103** (526,138)

**Change in net assets**

**4,540,020** 577,770

Net assets - beginning

**36,270,268** 35,692,498

Net assets - ending

**\$ 40,810,288** \$ 36,270,268

MASONIC MEDICAL RESEARCH INSTITUTE

**Statements of Functional Expenses**

For the years ended December 31,

2019

|                                     | Program Services       |                        | Supporting Services              |              | Total |
|-------------------------------------|------------------------|------------------------|----------------------------------|--------------|-------|
|                                     | Research and Education | Management and General | Public Relations and Development |              |       |
| Salaries                            | \$ 2,368,876           | \$ 589,929             | \$ 320,566                       | \$ 3,279,371 |       |
| Payroll taxes                       | 122,825                | 43,981                 | 23,221                           | 190,027      |       |
| Fringe benefits                     | 391,713                | 70,607                 | 32,415                           | 494,735      |       |
| Total salaries and related expenses | 2,883,414              | 704,517                | 376,202                          | 3,964,133    |       |
| Consultants                         | 18,520                 | 53,060                 | 35,397                           | 106,977      |       |
| Depreciation                        | 1,094,550              | 145,233                | 6,765                            | 1,246,548    |       |
| Insurance                           | 34,474                 | 31,774                 | 2,324                            | 68,572       |       |
| Lab materials and supplies          | 435,442                | -                      | -                                | 435,442      |       |
| Licenses, dues and subscriptions    | 14,856                 | 21,248                 | 16,557                           | 52,661       |       |
| Outside services                    | 533,340                | 41,418                 | 9,849                            | 584,607      |       |
| Postage                             | 5,428                  | 2,111                  | 27,798                           | 35,337       |       |
| Professional fees                   | 33,116                 | 171,082                | -                                | 204,198      |       |
| Publicity/development/marketing     | 1,903                  | 4,304                  | 48,272                           | 54,479       |       |
| Publication and printing            | 2,762                  | 8,397                  | 51,451                           | 62,610       |       |
| Repairs and maintenance             | 27,809                 | 6,755                  | 172                              | 34,736       |       |
| Supplies and other                  | 68,950                 | 56,575                 | 20,759                           | 146,284      |       |
| Telephone and internet              | 11,880                 | 3,813                  | 3,538                            | 19,231       |       |
| Travel                              | 95,943                 | 54,230                 | 45,401                           | 195,574      |       |
| Interest                            | 296,963                | 154,737                | 3,276                            | 454,976      |       |
| Utilities                           | 76,906                 | 31,931                 | 848                              | 109,685      |       |
|                                     | \$ 5,636,256           | \$ 1,491,185           | \$ 648,609                       | \$ 7,776,050 |       |

See accompanying notes.

2018

| Program Services       |                        | Supporting Services              |              |  |
|------------------------|------------------------|----------------------------------|--------------|--|
| Research and Education | Management and General | Public Relations and Development | Total        |  |
| \$ 1,684,330           | \$ 465,824             | \$ 118,054                       | \$ 2,268,208 |  |
| 99,605                 | 34,468                 | 8,857                            | 142,930      |  |
| 347,576                | 65,696                 | 18,291                           | 431,563      |  |
| 2,131,511              | 565,988                | 145,202                          | 2,842,701    |  |
| 37,361                 | 63,134                 | 62,802                           | 163,297      |  |
| 403,338                | 75,553                 | 3,251                            | 482,142      |  |
| 26,833                 | 30,740                 | 2,189                            | 59,762       |  |
| 183,557                | -                      | -                                | 183,557      |  |
| 10,726                 | 6,663                  | 8,640                            | 26,029       |  |
| 116,521                | 22,352                 | 3,619                            | 142,492      |  |
| 2,255                  | 2,166                  | 14,804                           | 19,225       |  |
| 124,223                | 196,186                | 3,152                            | 323,561      |  |
| 3,317                  | 731                    | 49,080                           | 53,128       |  |
| 1,932                  | 6,065                  | 37,791                           | 45,788       |  |
| 17,452                 | 4,008                  | 95                               | 21,555       |  |
| 194,835                | 28,926                 | 3,169                            | 226,930      |  |
| 5,776                  | 3,229                  | 956                              | 9,961        |  |
| 64,279                 | 42,107                 | 37,746                           | 144,132      |  |
| 68,139                 | 48,560                 | 965                              | 117,664      |  |
| 50,579                 | 28,805                 | 717                              | 80,101       |  |
| \$ 3,442,634           | \$ 1,125,213           | \$ 374,178                       | \$ 4,942,025 |  |

MASONIC MEDICAL RESEARCH INSTITUTE

**Statements of Cash Flows**

| For the years ended December 31,   | 2019               | 2018               |
|--|--------------------|--------------------|
| <b>Operating activities:</b>   |                    |                    |
| Change in net assets   | \$ 4,540,020       | \$ 577,770         |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: |                    |                    |
| Depreciation   | 1,246,548          | 482,142            |
| Gain on sale of property and equipment   | -                  | (4,279)            |
| Net realized and unrealized (gains) losses on investments                                  | (4,213,863)        | 2,880,673          |
| Increase in cash value of life insurance   | (35,937)           | (36,580)           |
| Charitable gift annuities  | (40,508)           | 4,547              |
| Changes in other operating assets and liabilities:   |                    |                    |
| Receivables  | (2,586,904)        | (1,294,398)        |
| Prepaid expenses and other assets  | (31,875)           | (32,049)           |
| Accounts payable   | (83,889)           | 286,455            |
| Accrued expenses   | 105,229            | 23,486             |
| <b>Net operating activities</b>  | <b>(1,101,179)</b> | <b>2,887,767</b>   |
| <b>Investing activities:</b>   |                    |                    |
| Property and equipment purchases   | (2,093,169)        | (7,396,475)        |
| Proceeds from sale of property and equipment   | -                  | 4,279              |
| Proceeds from sales of investments   | 5,735,631          | 1,231,754          |
| Purchases of investments   | (3,415,819)        | (2,407,843)        |
| <b>Net investing activities</b>  | <b>226,643</b>     | <b>(8,568,285)</b> |
| <b>Financing activities:</b>   |                    |                    |
| Proceeds from issuance of long-term debt   | 837,738            | 5,802,623          |
| Net change in cash   | (36,798)           | 122,105            |
| Cash - beginning   | 264,304            | 142,199            |
| Cash - ending  | \$ 227,506         | \$ 264,304         |

See accompanying notes.



## Notes to Financial Statements

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### 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.

#### Subsequent Events:

The Institute has evaluated events and transactions for potential recognition or disclosure through April 7, 2020, 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 statement 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 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.

#### 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 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:

|                  | 2019                | 2018                |
|------------------|---------------------|---------------------|
| Contributions:   |                     |                     |
| Grants           | \$ 1,347,244        | \$ 965,324          |
| Others           | 2,546,208           | 336,545             |
| Accrued interest | 26,458              | 31,137              |
|                  | <u>\$ 3,919,910</u> | <u>\$ 1,333,006</u> |

## 3. Investments:

|                            | 2019                 | 2018                 |
|----------------------------|----------------------|----------------------|
| Cash and cash equivalents  | \$ 2,247,160         | \$ 3,628,099         |
| Mutual funds               | 5,177,270            | 5,794,330            |
| Equity securities          | 24,356,080           | 19,860,504           |
| U.S. government securities | 996,676              | 1,600,202            |
|                            | <u>\$ 32,777,186</u> | <u>\$ 30,883,135</u> |

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

|   | 2019                       |                         |
|---|----------------------------|-------------------------|
|   | Without Donor Restrictions | With Donor Restrictions |
| Dividends and interest, net of custodial fees of \$68,814 | \$ 824,380                 | \$ 202,477              |
| Net realized losses                                       | (273,559)                  | (40,438)                |
| Net unrealized gains                                      | 3,636,056                  | 891,804                 |
|   | <u>\$ 4,186,877</u>        | <u>\$ 1,053,843</u>     |
|   | 2018                       |                         |
|   | Without Donor Restrictions | With Donor Restrictions |
| Dividends and interest, net of custodial fees of \$68,816 | \$ 881,269                 | \$ 228,445              |
| Net realized gains (losses)                               | 34,734                     | (3,663)                 |
| Net unrealized losses                                     | (2,350,584)                | (561,160)               |
|   | <u>\$ (1,434,581)</u>      | <u>\$ (336,378)</u>     |

## 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, 2019 are \$356,128 and \$157,457. The assets and liabilities of the planned giving program as of December 31, 2018 were \$321,096 and \$162,933.

Charitable gift annuity assets activity in 2019 and 2018 was:

|                                  | 2019             | 2018               |
|----------------------------------|------------------|--------------------|
| Investment earnings              | \$ 50,397        | \$ 6,948           |
| Administrative fees              | (2,062)          | (2,086)            |
| Payments to income beneficiaries | (13,003)         | (17,466)           |
| Withdrawals                      | (300)            | (108)              |
|                                  | <u>\$ 35,032</u> | <u>\$ (12,712)</u> |

## 5. Property and Equipment:

|                                   | 2019                 | 2018                 |
|-----------------------------------|----------------------|----------------------|
| Buildings and improvements        | \$ 12,766,760        | \$ 12,056,699        |
| Equipment                         | 9,103,576            | 8,630,823            |
| Furniture and fixtures            | 437,257              | 314,969              |
| Vehicles                          | 75,076               | 136,114              |
| Construction in progress (Note 6) | 728,080              | 496,163              |
|                                   | <u>23,110,749</u>    | <u>21,634,768</u>    |
| Less accumulated depreciation     | 8,779,046            | 8,149,686            |
|                                   | <u>\$ 14,331,703</u> | <u>\$ 13,485,082</u> |

Interest totaling \$20,696 and \$198,120 was capitalized during the years ended December 31, 2019 and 2018.

## 6. Long-Term Debt:

The Institute has available a \$12,000,000 bank credit facility to finance renovations of its building (the estimated cost of renovations is \$15,400,000 and is expected to be completed in 2020). The note carries interest at 2% (2.15% in 2018) above the one-month LIBOR rate and is secured by specific Institute investments valued at \$16,888,000 at December 31, 2019 (\$15,444,000 at December 31, 2018). Monthly interest-only payments are required until October 2021, at which time the principal balance is due. Amounts outstanding at December 31, 2019 and 2018 totaled \$11,239,986 and \$10,402,248.

## 7. Net Assets with Donor Restrictions:

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

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| Subject to expenditure for research  | \$ 2,960,299        | \$ 2,813,062        |
| Subject to the passage of time   | 373,671             | 158,163             |
| Subject to the Institute's spending policy and appropriation:  |                     |                     |
| Investment in perpetuity (including amounts above the original gift value of \$2,981,574), which, once appropriated, is expendable to support research | 4,475,656           | 3,742,298           |
| <b>Total net assets with donor restrictions</b>  | <b>\$ 7,809,626</b> | <b>\$ 6,713,523</b> |

## 8. 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 State 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
- Where appropriate and 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, 2019 and 2018 is as follows:

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| Endowment assets – beginning balance             | \$ 3,742,298        | \$ 4,138,429        |
| Investment gains (losses), net of custodian fees | 915,928             | (211,738)           |
| Appropriations                                   | (182,570)           | (184,393)           |
| <b>Endowment assets – ending balance</b>         | <b>\$ 4,475,656</b> | <b>\$ 3,742,298</b> |

## 9. Retirement Plan:

The Institute sponsors a defined-contribution retirement plan covering substantially all full-time employees. Employer contributions are based upon a percentage of the participant's salary. The Institute's contributions to the plan amounted to \$192,355 in 2019 and \$180,974 in 2018.

The Institute also maintains other defined contribution retirement plans for the benefit of essentially all full-time employees. Institute contributions are not required under the plans.

## 10. 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, 2019 and 2018, the Institute received contributions of \$106,357 and \$94,483 for operations through Masonic Brotherhood Foundation, Inc.

In addition, at December 31, 2019 and 2018, Masonic Brotherhood Foundation, Inc. held in a custodial account \$603,299 and \$464,392 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 2019 and 2018 were \$16,708 and \$14,229.

The Institute's facilities are located on land owned by Masonic Hall and Home. The Institute pays a \$1 annual fee to the trustees of the Home for use of this land. Additionally, a liability existed as of December 31, 2019 and 2018 for \$17,594 and \$18,369 to Masonic Care Community for utilities.

## 11. Cash Flows Information:

Net cash flows from operating activities reflect cash payments for noncapitalized interest totaling \$434,722 and \$104,671 for the years ended December 31, 2019 and 2018.

## 12. 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, 2019 and 2018:

|  | <b>2019</b>          | 2018                 |
|--|----------------------|----------------------|
| Cash   | \$ 227,506           | \$ 264,304           |
| Receivables  | 3,919,910            | 1,333,006            |
| Investments without donor and bank debt restrictions | 8,506,057            | 8,883,805            |
|  | <b>\$ 12,653,473</b> | <b>\$ 10,481,115</b> |

## 13. 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 is classified as an "essential business" by the New York State Governor and can 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, 2019

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| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>   | <u>CFDA Number</u> | <u>Grantor Number</u> | <u>Expenditures</u>     |
|---|--------------------|-----------------------|-------------------------|
| <b><u>U.S. Department of Health and Human Services:</u></b> |                    |                       |                         |
| Direct awards:  |                    |                       |                         |
| Cardiovascular Diseases Research                            | 93.837             | 102368                | \$ 949,340 <sup>1</sup> |
| Cardiovascular Diseases Research                            | 93.837             | 122238                | 779,787                 |
| Cardiovascular Diseases Research                            | 93.837             | 138454                | 155,925                 |
|   |                    |                       | <u>1,885,052</u>        |
| Passed through The General Hospital Corporation:            |                    |                       |                         |
| Cardiovascular Diseases Research                            | 93.837             | 115141                | 103,558                 |
| Cardiovascular Diseases Research                            | 93.837             | 133153                | 206,988                 |
| Cardiovascular Diseases Research                            | 93.837             | 190838                | 21,756                  |
|   |                    |                       | <u>332,302</u>          |
| <b>Total Expenditures of Federal Awards</b>                 |                    |                       | <b>\$ 2,217,354</b>     |

<sup>1</sup> includes subrecipient award of \$315,905

**Notes to Schedule of Expenditures of Federal Awards**

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**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.

**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 balance sheet of Masonic Medical Research Laboratory, dba Masonic Medical Research Institute (the Institute) as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, and have issued our report thereon dated April 7, 2020.

**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) to determine the 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 may exist that have not been identified.

**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 determination of financial statement amounts. 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.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

April 7, 2020



**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**

We have audited Masonic Medical Research Laboratory, dba Masonic Medical Research Institute's (the Institute) compliance 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, 2019. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

**Opinion on Each Major Federal Program**

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, 2019.

## Report on Internal Control over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

April 7, 2020

**Schedule of Findings and Questioned Costs**

For the year ended December 31, 2019

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**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:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA #</u> | <u>Amount</u>       |
|---|---------------|---------------------|
| Cardiovascular Diseases Research          | 93.837        | <u>\$ 2,217,354</u> |

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.