

**JAEB CENTER FOR HEALTH RESEARCH
FOUNDATION, INC. AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Jaeb Center for Health Research Foundation, Inc. and Affiliate
Tampa, Florida

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Jaeb Center for Health Research Foundation, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jaeb Center for Health Research Foundation, Inc., as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Jaeb Center for Health Research Foundation, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adjustments to Prior Period Consolidated Financial Statements

As described in Note 3 to the consolidated financial statements, Jaeb Center for Health Research Foundation, Inc. and Affiliate has restated its 2021 consolidated financial statements during the current year to correct certain errors in the 2021 consolidated financial statements. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jaeb Center for Health Research Foundation, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 opinion on the consolidated 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* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2023, on our consideration of Jaeb Center for Health Research Foundation, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 Jaeb Center for Health Research Foundation, Inc. and Affiliate's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tampa, Florida
April 24, 2023

JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 4,600,448
Cash Equivalents Held at Brokerage	9,789,889
Government Grants Receivable	1,659,891
Nongovernment Grants Receivable	3,425,270
Investments	18,282,227
Prepaid Expenses	183,416
Total Current Assets	37,941,141

OPERATING LEASE RIGHT-OF-USE ASSETS

415,813

PROPERTY AND EQUIPMENT

Equipment	1,583,726
Leasehold Improvements	520,608
Total	2,104,334
Less: Accumulated Depreciation	(1,954,413)
Property and Equipment, Net	149,921

OTHER ASSETS

36,324

Total Assets

\$ 38,543,199

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 1,406,414
Deferred Grant Revenue	12,707,254
Total Current Liabilities	14,113,668

OPERATING LEASE LIABILITIES

425,060

Total Liabilities

14,538,728

NET ASSETS

Without Donor Restrictions	21,725,388
With Donor Restrictions	2,279,083
Total Net Assets	24,004,471

Total Liabilities and Net Assets

\$ 38,543,199

See accompanying Notes to Consolidated Financial Statements.

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Governmental Grant Revenues	\$ 15,016,968	\$ -	\$ 15,016,968
Nongovernmental Grant Revenues	19,987,062	-	19,987,062
Net Assets Released from Restrictions	-	-	-
Subtotal	35,004,030	-	35,004,030
Investment Loss, Net	(479,000)	-	(479,000)
Total Revenue, Support, and Gains	34,525,030	-	34,525,030
EXPENSES			
Subcontracts	11,975,772	-	11,975,772
Salaries and Benefits	17,020,908	-	17,020,908
Office Expenses and Postage	343,808	-	343,808
Professional Fees	322,440	-	322,440
Accounting and Legal Fees	157,793	-	157,793
Research Expenses	1,538,558	-	1,538,558
Rent	1,046,559	-	1,046,559
Travel	540,488	-	540,488
Depreciation and Amortization	201,246	-	201,246
Insurance - Nonpayroll	168,032	-	168,032
Information Technology Expenses	762,466	-	762,466
Other	259,313	-	259,313
Total Expenses	34,337,383	-	34,337,383
CHANGE IN NET ASSETS	187,647	-	187,647
Net Assets - Beginning of Year, as Previously Stated	9,234,665	17,137,233	26,371,898
Prior Period Adjustments (See Note 3)	12,303,076	(14,858,150)	(2,555,074)
Net Assets - Beginning of Year, Restated	21,537,741	2,279,083	23,816,824
NET ASSETS - END OF YEAR	\$ 21,725,388	\$ 2,279,083	\$ 24,004,471

See accompanying Notes to Consolidated Financial Statements.

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 187,647
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities:	
Depreciation	201,246
Amortization of Right of Use Assets	-
Net Unrealized Gains on Investments	620,107
Changes in Operating Assets and Liabilities:	
Government Grants Receivable	(1,076,958)
Nongovernment Grants Receivable	(536,904)
Operating Lease Right-of-Use Asset and Lease Liability, Net	(9,573)
Other Assets	-
Prepaid Expenses	(1,464)
Accounts Payable and Accrued Expenses	(371,670)
Deferred Grant Revenue	77,808
Net Cash Used by Operating Activities	<u>(909,761)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Investments	-
Purchase of Investments	(12,324,879)
Purchase of Equipment	(8,349)
Net Cash Used by Investing Activities	<u>(12,333,228)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13,242,989)
Cash and Cash Equivalents - Beginning of Year	<u>27,633,326</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,390,337</u>

See accompanying Notes to Consolidated Financial Statements.

JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 NATURE OF ACTIVITIES

Jaeb Center for Health Research Foundation, Inc. (JCHR) and its affiliate, Jaeb Center Research Trust, Inc. (JCRT) (together, the Organization) conduct health research funded through grants awarded by the National Institutes of Health, private sector research grants, and contracts with pharmaceutical and biotech companies. The Organization acts as coordinating center for multi-center clinical trials and epidemiological research. The Organization's primary focus is on projects involving eye disorders or diabetes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the activities of JCHR and JCRT. These two entities are related through an economic interest and JCHR's common control. All significant interorganizational accounts and transactions have been eliminated in the consolidated financial statements. JCHR accepts funds from the federal government, nonprofit groups, and private groups, and subsequently transfers those funds to JCRT for secured investment. When funds are needed for expenditure, JCRT transfers funds to JCHR in furtherance of its research activities.

In connection with its activities, JCRT maintains records to assure earmarked funds retain their identity from the time of receipt to the time the funds are transferred to JCHR. JCHR's and JCRT's board of directors are the same.

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The Organization reports information regarding its financial position and activities using two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Those resources not subject to grantor-imposed stipulations. The board of directors has discretionary control over these resources and amounts may be designated for specific purposes by action of the board of directors.

Net Assets With Donor Restrictions – Those resources subject to grantor-imposed stipulations that may or will be satisfied by actions of the Organization or by the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of reporting cash flows.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. At least annually, management reviews its receivable balances and estimates the portion, if any, that may not be collectible. All grants receivable at December 31, 2022 are considered collectible by management, and no allowance for doubtful receivables has been provided.

Investments

Investment purchases are recorded at cost. Thereafter, investments are reported at their estimated fair value in the consolidated statement of financial position. Investment income is reported in the consolidated statement of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses, less external investment expenses.

Fair Value

The Organization defines fair value in accordance with U.S. GAAP, which specifies a hierarchy of valuation techniques. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3). The Organization measures investments at fair value on a recurring basis.

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Organization.

Level 2 – Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3 – Unobservable inputs based on the Organization's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Organization evaluates its hierarchy disclosures annually and, based on various factors, it is possible that an asset or liability may be classified differently from year to year. However, the Organization expects that changes in classifications between levels will be rare.

JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are reported at cost, less accumulated depreciation. Depreciation is computed using the straight-line method of depreciation over the assets useful lives ranging from 3 to 10 years. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful lives using the straight-line method.

Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of the asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Organization has a capitalization threshold of \$5,000.

Impairment of Long-Lived Assets

The Organization reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate that the net carrying amount of an asset may not be recoverable. Recovery of the long-lived asset is measured by a comparison of the carrying amount of the asset to estimated future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount in which the carrying amount of the asset exceeds the estimated fair value of the asset. There are no indications of impairment during the year ended December 31, 2022.

Revenue Recognition

Revenue for reciprocal grants is recognized as it is earned and when it is realizable. A significant portion of the organization's revenue is derived from contracts with grantors, some of which are contractual in nature and include performance obligations. Revenue from such contracts impose performance obligations on the Organization, and revenue is recognized as the related performance obligations are satisfied. These arrangements give rise to contract assets which the Organization records as grants receivable when performance obligations have been met, and contract liabilities, which the Organization records as deferred grant revenue when consideration has been received in advance of the satisfaction of the related performance obligations. Grants receivable from such reciprocal agreements totaled approximately \$1,716,460 and \$1,791,792 as of December 31, 2022 and 2021, respectively. Deferred grant revenue from such reciprocal agreements totaled approximately \$5,627,306 and \$5,992,861 as of December 31, 2022 and 2021, respectively.

Revenue for nonreciprocal grants is recognized when received or unconditionally pledged. Revenues are reported as restricted support if there are donor-imposed restrictions. When the restriction is fulfilled, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Revenue for conditional grants is recognized when eligible expenses are incurred. The Organization classifies as net assets without donor restrictions any revenue from nonreciprocal grants where donor conditions and restrictions are satisfied in the same period. As of December 31, 2022, the Organization has received approximately \$7,079,948 of conditional grants that have not been recognized because eligible expenses have not yet been incurred.

JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Organization is required to comply with various specific grant requirements as well as general requirements applicable to federal grants awarded. Government grant revenues and associated expenditures are subject to audit by the grantor agencies. Grants received with grantor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

Functional Allocation of Expenses

Costs of providing the various programs and other activities of the Organization have been detailed on both a natural and functional basis in Note 10. Expenses that can be identified with a specific program or support service are charged directly according to their natural expense classification. Salaries and other payroll expenses that are not directly allocable have been allocated among program and supporting services benefited based on estimated time and effort. Such allocations are determined by management on an equitable basis that is consistently applied.

Leases

The Company determines if an arrangement is a lease at inception. All of the Company's leases are classified as operating leases and are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the statements of financial position.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Company has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Income Taxes

Pursuant to determination letters received from the Internal Revenue Service (IRS), JCHR and JCRT are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and have been determined not to be private foundations, and therefore are also exempt from state income tax.

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Management believes JCHR and JCRT met the requirements to maintain their tax-exempt status and have no income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these consolidated financial statements. The income tax returns for the past three years are subject to examination by taxing authorities and may change upon examination.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NOTE 3 PRIOR PERIOD ADJUSTMENT

The Organization restated its net assets as of January 1, 2022, to properly recognize revenue, expenses, and deferred revenue from 2021. The table below summarizes the restatement as of January 1, 2022:

	<u>Total</u>
Net Assets - Beginning of Year, as Previously Stated	\$ 26,371,898
Adjustments for Prepaid Expenses	181,952
Reclassification of Net Assets without Donor Restrictions	14,858,150
Reclassification of Net Assets with Donor Restrictions	(14,858,150)
Adjustments for Grants Receivable and Deferred Grant Revenue	(2,737,026)
Net Assets - Beginning of Year, as Restated	<u>\$ 23,816,824</u>

The adjustment for approximately \$182,000 was to record certain prepaid expenses that had been omitted in prior years. The adjustment for approximately \$14.9 million was to correct amounts that had been misclassified as net assets with donor restrictions. Lastly, the adjustment for approximately \$2.7 million was to correct revenue recognition for certain grants and contracts.

NOTE 4 AVAILABLE RESOURCES AND LIQUIDITY

The Organization's goal is to ensure that all financial assets are properly invested based on anticipated future use. These are defined as operating funds, those required to fund current operations; restricted funds, those held for specific future research studies; and unrestricted funds, those having no restrictions and not needed to cover operating expenses.

JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

The following represents the Organization's financial assets available to meet general expenditures over the next 12 months at December 31:

Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 4,600,448
Cash Equivalents Held at Brokerage	9,789,889
Government Grants Receivable	1,659,891
Nongovernment Grants Receivable	3,425,270
Investments	<u>18,282,227</u>
Total Financial Assets	37,757,725
Less: Net Assets With Donor Restrictions	<u>(2,279,083)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 35,478,642</u>

As part of its liquidity plan, the Organization invests operating funds into money market accounts, and places restricted funds and unrestricted funds for investment in certificates of deposit with a maximum value of \$250,000 each, and in a diversified mutual fund investment account. These investments are managed through JCRT and are intended to be invested with minimal to no risk.

NOTE 5 INVESTMENTS

The following table provides information about the Organization's investments and the estimated fair value measured on a recurring basis as well as the cost of investments at December 31:

	<u>Fair Value</u>	<u>Cost</u>
Equity Securities	\$ 4,376,263	\$ 3,587,406
Fixed Annuities	1,159,945	1,112,000
Fixed Income	11,473,340	11,502,633
Treasury Bond	<u>1,272,679</u>	<u>1,271,663</u>
Total	<u>\$ 18,282,227</u>	<u>\$ 17,473,702</u>

The cost of investment securities sold is determined using the specific identification method. None of the Organization's investments are concentrated in a specific company or industry. Management's intention is to hold the investment portfolio available to meet financial obligations as needed, therefore, the entire investment balance is presented as a current asset in the accompanying consolidated statement of financial position.

JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 INVESTMENTS (CONTINUED)

Management reviews the classification of the Organization's investments in the fair value hierarchy on an annual basis. A financial instrument's level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Certificates of Deposit – The Organization invests in FDIC-insured brokered certificates of deposit issued by various U.S. banks. The fair market value of the certificates of deposit with maturities in excess of three months is determined using Level 2 inputs.

Fixed Annuities – Fair market value of the fixed annuities is based on the contract value less contract surrender charges and market value adjustments, if any. The contract value equals the accumulated cash contributions, interest credited to the contract, and transfers, if any, less any withdrawals and transfers, if any. These investments are classified within Level 3 of the valuation hierarchy.

Mutual Funds – All of the Organization's mutual funds are classified as Level 1 in the fair value hierarchy and are based on quoted prices in active markets.

The following summarizes the Organization's investments as of December 31, 2022 based upon the fair value hierarchy levels described in Note 2:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	\$ 4,376,263	\$ 4,376,263	\$ -	\$ -
Fixed Annuities	1,159,945	-	-	1,159,945
Fixed Income	11,473,340	-	11,473,340	-
Treasury Bond	1,272,679	-	1,272,679	-
Total	<u>\$ 18,282,227</u>	<u>\$ 4,376,263</u>	<u>\$ 12,746,019</u>	<u>\$ 1,159,945</u>

The following is a summary of the changes in the fair value of the Organization's Level 3 assets for the year ended December 31, 2022:

Balance - Beginning of Year	\$ 1,138,272
Interest Income	21,673
Balance - End of Year	<u>\$ 1,159,945</u>

Net investment income is as follows for the year ended December 31, 2022:

Interest and Dividend Income	\$ 141,107
Unrealized and Realized Gains	(620,107)
Investment Fees	-
Investment Loss, Net	<u>\$ (479,000)</u>

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 LEASE COMMITMENTS

The Organization has a noncancelable operating lease for its office space that expires May 2023. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 425,275

The weighted average remaining lease term for the Organization's operating leases is 0.4 years and weighted average discount rate is 2%. Rent expense was \$1,046,559 for the year ended December 31, 2022, and this amount also represents the total operating cash flows used for operating leases for the year ended December 31, 2022.

The Organization's office space lease requires it to make variable payments for the proportionate share of the building's common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

The components of lease cost for the year ended December 31, 2022 are as follows:

Operating Lease Cost	\$ 939,538
Variable Lease Cost	107,021
Total	\$ 1,046,559

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of grants restricted to expenditures that support the Organization's research efforts in the area of retinal disease. Net assets released from net assets with donor restriction were released as expenditures for specific research efforts are incurred, satisfying purpose restrictions.

NOTE 8 RETIREMENT PLAN AND EMPLOYEE BENEFITS

The Organization maintains a defined contribution 401(k) profit sharing plan (the Plan) in which employees are eligible to participate after meeting minimum employment requirements as defined in the Plan. The Organization contributes 3% of the participant's annual compensation as a safe harbor match and 2% of the participant's annual compensation as a profit sharing contribution. Total employer contributions to the Plan were approximately \$250,000 for the year ended December 31, 2022.

JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 RETIREMENT PLAN AND EMPLOYEE BENEFITS (CONTINUED)

The Organization provides a cafeteria style benefit plan under which substantially all fulltime employees receive a fringe benefit package equal to 20.63% of their base salary. The employees may choose to receive these benefits in the form of 401(k) contributions, medical, educational, or other qualifying benefits. Such benefits in the amount of approximately \$3,025,000 were expensed under this plan for the year ended December 31, 2022, and are included in the consolidated statement of activities as a component of salaries and benefits. The Organization has no unfunded obligations with respect to this plan.

NOTE 9 CONCENTRATIONS AND CONTINGENCIES

Concentration of Credit Risk

The Organization has cash and cash equivalents and investments in excess of amounts insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation insurance and potentially subject the Organization to credit losses. The Organization has not experienced losses in such accounts and management believes the risk of loss is remote.

Concentration in Funding Sources

The Organization receives a substantial amount of support from grantor agencies for its programs. If this support were to be reduced or eliminated, it could affect the operation of the supported programs.

The Organization received significant grants from government and nongovernment sources during 2022. Two governmental grantors made up 84% of government grant revenues, and 41% of total grant revenues. Three nongovernmental grantors made up 98% of nongovernment grant revenues, and 51% of total grant revenues.

As of December 31, 2022, 85% of government grants receivable are from three grantors. As of December 31, 2022, 81% of nongovernment grants receivable are from four grantors.

Examination by Grantor Agencies

The Organization is subject to examination by grantor agencies. If reimbursed expenditures were disallowed, repayment could be required.

JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10 FUNCTIONAL EXPENSES

The following table presents expenses by their functional and natural classification for the year ended December 31, 2022:

	Program Services	Management and General	Total
Subcontracts	\$ 11,975,772	\$ -	\$ 11,975,772
Salaries and Benefits	12,342,119	4,678,789	17,020,908
Office Expenses and Postage	244,774	99,034	343,808
Professional Fees	280,767	41,673	322,440
Accounting and Legal Fees	-	157,793	157,793
Research Expenses	1,535,627	2,931	1,538,558
Rent	-	1,046,559	1,046,559
Travel	521,384	19,104	540,488
Depreciation and Amortization	-	201,246	201,246
Insurance - Nonpayroll	30,760	137,272	168,032
Information Technology Expenses	183,330	579,136	762,466
Other	213,529	45,784	259,313
Total Expenses	<u>\$ 27,328,062</u>	<u>\$ 7,009,321</u>	<u>\$ 34,337,383</u>

NOTE 11 SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through April 24, 2023, the date which the consolidated financial statements were available to be issued. No events have occurred subsequent to year-end and through April 24, 2023, that would require adjustment to, or disclosure in, the consolidated financial statements.

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

Federal Agency	Number	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
Department of Health and Human Services				
Research and Development Cluster				
<i>Passed-Through Emory University</i>				
Diabetes, Digestive, and Kidney Diseases Extramural Research Georgia Center for Diabetes Translation Research Renewal		93.847	\$ 6,858	\$ -
<i>Passed Through the University of Cambridge, UK</i>				
Diabetes, Digestive, and Kidney Diseases Extramural Research One Year Day-and-Night Home Closed Loop in Young People Type 1 Diabetes	1UK4DK108520-01	93.847	8,980	5,000
<i>Passed-Through McLean Hospital</i>				
Diabetes, Digestive, and Kidney Diseases Extramural Research Glycemic Variability and Fluctuations in Cognitive Status in Adults with Type 1 Diabetes	1R01DK121240-01	93.847	193,195	122,265
<i>Direct Award - National Institute of Diabetes and Digestive Kidney Diseases</i>				
Diabetes, Digestive, and Kidney Diseases Extramural Research A Randomized Cross-Over Trial Evaluating Automated Insulin Delivery Technologies on Glycemic Outcomes and Quality of Life in Older Adults with Type 1 Diabetes	1R01DK122603-01	93.847	847,500	685,328
<i>Passed Through the University of Virginia</i>				
Diabetes, Digestive, and Kidney Diseases Extramural Research Translation of the UVA Advanced Automated Insulin Delivery Systems to Clinical Care in Young Children: Glycemic Control, Regulatory Acceptance and Optimization of Day to Day Use	GB10908	93.847	<u>374,580</u>	<u>16,385</u>
Subtotal - CFDA 93.847			1,431,113	828,978
<i>Passed-Through National Eye Institute</i>				
Vision Research				
Diabetic Retinopathy Clinical Research Network Coordinating Center	2UG1EY014231-18	93.867	6,473,966	2,618,566
Pediatric Eye Disease Investigator Group Coordinating Center Safety and Feasibility of Cultivated Autologous Limbal Epithelial Cell Transplantation in the Treatment of Limbal Stem Cell Deficiency	2UG1EY011751-23	93.867	6,088,195	2,080,142
Diabetes Endothelial Keratoplasty Study: Impact of Diabetes on Corneal Transplant Success and Cell Loss	1UG1EY027725-01	93.867	208,297	27,245
	1UG1EY030030-01A1	93.847	<u>805,072</u>	<u>543,093</u>
Subtotal - CFDA 93.867			<u>13,575,530</u>	<u>5,269,046</u>
Total			<u>\$ 15,006,643</u>	<u>\$ 6,098,024</u>

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal contract and grant activity of Jaeb Center for Health Research Foundation, Inc. and affiliate (the Organization). The information in the schedule is presented in accordance with the 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). Because the schedule presents only a select portion of the operations of the Organization, it is not intended to, and does not present the consolidated financial position, activities, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The Organization has elected not to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

NOTE 4 CONTINGENCIES

Grant expenditures incurred by the Organization are subject to audit and possible disallowance by federal grantor agencies. If any expenditure were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the Organization.



**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***

Board of Directors
Jaeb Center for Health Research Foundation, Inc. and Affiliate
Tampa, Florida

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 consolidated financial statements of Jaeb Center for Health Research Foundation, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 24, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 Jaeb Center for Health Research Foundation, Inc. and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

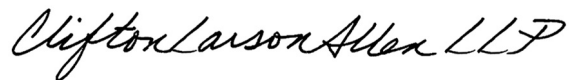
As part of obtaining reasonable assurance about whether Jaeb Center for Health Research Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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*.

Jaeb Center for Health Research Foundation, Inc. and Affiliate's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Jaeb Center for Health Research Foundation, Inc. and Affiliate's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Jaeb Center for Health Research Foundation, Inc. and Affiliate's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



CliftonLarsonAllen LLP

Tampa, Florida
April 24, 2023



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

Board of Directors
Jaeb Center for Health Research Foundation, Inc. and Affiliate
Tampa, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Jaeb Center for Health Research Foundation, Inc. and Affiliate's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Jaeb Center for Health Research Foundation, Inc. and Affiliate's major federal programs for the year ended December 31, 2022. Jaeb Center for Health Research Foundation, Inc. and Affiliate'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, Jaeb Center for Health Research Foundation, Inc. and Affiliate complied, in all material respects, with the types of 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, 2022.

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; 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 Jaeb Center for Health Research Foundation, Inc. and Affiliate 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 Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 generally accepted auditing standards, *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 Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 Jaeb Center for Health Research Foundation, Inc. and Affiliate'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 Jaeb Center for Health Research Foundation, Inc. and Affiliate's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Jaeb Center for Health Research Foundation, Inc. and Affiliate's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Jaeb Center for Health Research Foundation, Inc. and Affiliate's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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.



CliftonLarsonAllen LLP

Tampa, Florida
April 24, 2023

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022**

Section I – Summary of the Auditors’ Results

Basic Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to basic financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.867 and 93.847	Research and Development Cluster

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? x yes no

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2022**

Section II – Financial Statement Findings

2022–001 Prior Period Adjustment

Criteria or specific requirement: The organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: In 2022 the Organization identified errors in the previously issued financial statements for 2021.

Context: The errors in the 2021 financial statements related primarily to the accounting for grants and contributions.

Cause: Prior to 2022, the Organization’s internal controls and review processes did not ensure that these transactions were recorded in accordance with GAAP in the 2021 financial statements.

Effect: Total net assets as of December 31, 2021 was overstated by approximately \$2.6 million in the 2021 financial statements.

Repeat Finding: No.

Recommendation: We recommend that the Organization review its accounting policies for grants and contributions to ensure that they are in accordance with GAAP.

Views of responsible officials and planned corrective action: There is no disagreement with the audit finding. See Corrective Action Plan prepared by the Organization.

Section III – Federal Award Findings and Questioned Costs

2022–002 Procurement

Federal Agency: Department of Health and Human Services

Federal Program: Research and Development Cluster

Assistance Listing Number: 93.847 & 93.867

Federal Award Identification Number and Year: Various

Award Period: January 1, 2022, through December 31, 2022

Type of Finding: Other Matters Finding related to Compliance within Uniform Guidance and Material Weakness in Internal Control Over Compliance

Criteria or specific requirement: Title 2, Subtitle A, Chapter 2 Part 200, Subpart D, section 200.318 of the Code of Federal Regulations requires organizations to have a written procurement policy that includes certain requirements as it relates to procuring goods and services using federal dollars.

Condition: Noncompliance with procurement requirements under Uniform Guidance.

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2022**

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

Questioned costs: None

Context: During our testing, it was noted that the Organization does not have a written procurement policy in place that covers the requirements noted in Section 200.318 of the Code of Federal Regulations.

Cause: Prior to 2022, the Organization was unaware of this federal requirement.

Effect: Not following proper procedure is in direct violation of Section 200.318 of the Code of Federal Regulations.

Repeat Finding: No.

Recommendation: We recommend that the Organization develop a written procurement policy that meets the requirements noted in Section 200.318 of the Code of Federal Regulations.

Views of responsible officials and Planned Corrective Actions: There is no disagreement with the audit finding. See Corrective Action Plan prepared by the Organization.

2021-003: Subrecipient Monitoring

Federal Agency: Department of Health and Human Services

Federal Program: Research and Development Cluster

Assistance Listing Number: 93.847 & 93.867

Federal Award Identification Number and Year: Various

Award Period: January 1, 2022, through December 31, 2022

Type of Finding: Other Matters Finding related to Compliance within Uniform Guidance and Material Weakness in Internal Control Over Compliance

Criteria or Specific Requirement: According to 2 CFR Part 200, Subpart D, Section 200.332, pass-through entities are required to perform certain subrecipient monitoring procedures. These procedures include providing the subrecipient necessary award information so that the federal award is used in accordance with federal regulations, evaluating risks of noncompliance of subrecipients, implementing monitoring procedures based upon identified risks, and obtaining a copy of the subrecipients' annual audit and taking appropriate action on deficiencies detected through the audits, just to name a few. Lastly, in accordance with 2 CFR Title 2, Subtitle A, Chapter 2, Part 200, Subpart D, 200.303, the non-federal entity must establish and maintain effective internal controls over the federal award to provide reasonable assurance that the non-federal entity is managing the award in compliance with federal regulations.

Condition: The Organization did not verify whether the subject subrecipients received a required annual audit under 2 CFR Part 200. By not verifying and obtaining a copy of the most recent audit of the subrecipients, the Organization was unaware if any enforcement actions against noncompliant subrecipients had occurred.

**JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2022**

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

Context: During our testing, it was noted that the Organization did not have any procedures in place to monitor their subrecipients and did not secure the required annual report for any of the subrecipients tested.

Cause: Prior to 2022, the Organization was unaware of this federal requirement.

Effect: The Organization did not comply with subrecipient monitoring requirements relative to obtaining the annual audit reports and performing the appropriate follow-up procedures (if necessary). By not securing the required annual report of subrecipients, there is a risk that subrecipients could have instances of deficiencies or noncompliance that directly impacts the award, but the Organization is unable to respond accordingly, given it would not be aware of the issues identified.

Recommendation: We recommend the Organization implement a comprehensive process (and relevant internal controls) to ensure all elements of to 2 CFR Part 200, Subpart D, Section 200.332 are being met, including obtaining a copy of the subject subrecipients' annual audits and taking appropriate action on deficiencies detected through the audits. Tools, such as checklists or electronic workflows, can assist in ensuring all required elements are being met.

Repeat Finding: No.

Questioned Costs: None

Views of Responsible Officials: There is no disagreement with the audit finding. See Corrective Action Plan prepared by the Organization.

Section IV – Other Issues

A summary schedule of prior audit findings is not presented because there were no prior audit findings.