MILITARY HEALTH RESEARCH FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS
AND
FEDERAL AWARDS

For the year ended December 31, 2020

MILITARY HEALTH RESEARCH FOUNDATION, INC.

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UHY LLP
Certified Public Accountants

REPORT OF INDEPENDENT AUDITOR

Board of Directors
Military Health Research Foundation, Inc.
Laurel, Maryland

We have audited the accompanying financial statements of Military Health Research Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Military Health Research Foundation, Inc. as of December 31, 2020, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022, on our consideration of Military Health Research Foundation, Inc.'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 Military Health Research Foundation, Inc.'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 Military Health Research Foundation, Inc.'s internal control over financial reporting and compliance.

UHY LLP

Columbia, Maryland
May 19, 2022

MILITARY HEALTH RESEARCH FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS	
CURRENT ASSETS	
Cash	$ 800,411
Due from federal government	923,776
Prepaid expenses	3,417
Total current assets	1,727,604
PROPERTY AND EQUIPMENT	
Website, net	3,900
Total assets	$ 1,731,504
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued expenses	$ 1,011,223
Deferred revenue from cooperative agreements	130,000
Loans payable	149,900
Total liabilities	1,291,123
NET ASSETS	
Net assets without donor restrictions	440,381
Total liabilities and net assets	$ 1,731,504

See notes to financial statements.

MILITARY HEALTH RESEARCH FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

Activities in Net Assets Without Donor Restrictions	
Support and Revenue	
Federal cooperative agreements	$ 4,506,891
Subcontract revenue	1,182,153
Paycheck Protection Program government grant	78,645
Contributions	15,000
Interest income	130
Total support and revenue	5,782,819
Expenses	
Program services	5,034,290
Management and general	336,806
Total expenses	5,371,096
Change in Net Assets Without Donor Restrictions	411,723
Net Assets Without Donor Restrictions, Beginning	28,658
Net Assets Without Donor Restrictions, Ending	$ 440,381

See notes to financial statements.

MILITARY HEALTH RESEARCH FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

	Endovascular Perfusion Augmentation for Critical Care	VentRight	FIVES and EVAC	Other Program Services	Total Program Services	Management and General	Total
Personnel costs:							
Salaries	$ 54,699	$ 80,608	$ 214,242	$ 136,898	$ 486,447	$ 126,970	$ 613,417
Fringe benefits	10,940	16,122	40,624	9,087	76,773	42,825	119,598
Payroll taxes	4,186	5,618	15,425	11,838	37,067	7,321	44,388
Total personnel costs	69,825	102,348	270,291	157,823	600,287	177,116	777,403
Advertising	-	-	-	-	-	386	386
Amortization expense	-	-	-	-	-	2,600	2,600
Information technology	-	-	-	1,958	1,958	13,056	15,014
Conferences and training	34,041	25,200	12,625	239,075	310,941	30,000	340,941
Director fees	-	-	-	-	-	2,816	2,816
Dues and subscriptions	62,501	-	-	67,392	129,893	-	129,893
Equipment	-	-	-	44,878	44,878	-	44,878
Insurance	-	-	-	-	-	2,563	2,563
Office expenses	145	-	-	-	145	17,795	17,940
Professional services	-	-	-	-	-	73,609	73,609
Rent for laboratory	-	-	-	-	-	3,776	3,776
Research medical supplies	24,905	6,084	-	30,833	61,822	-	61,822
Subcontractors for research project management	846,909	794,440	2,228,089	13,557	3,882,995	-	3,882,995
Travel	-	-	1,371	-	1,371	13,089	14,460
					-		
Total expenses	$ 1,038,326	$ 928,072	$ 2,512,376	$ 555,516	$ 5,034,290	$ 336,806	$ 5,371,096

See notes to financial statements.

MILITARY HEALTH RESEARCH FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

Cash Flows from Operating Activities		
Change in net assets	$	411,723
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Amortization expense		2,600
Increase in assets:		
Due from federal government		(701,561)
Prepaid expenses		(1,420)
Increase in liabilities:		
Accounts payable and accrued expenses		645,307
Deferred revenue from cooperative agreements		130,000
Net cash provided by operating activities		486,649
Cash Flows from Financing Activities		
Proceeds from Economic Disaster Recovery Loan		149,900
Net Increase in Cash		636,549
Cash, Beginning		163,862
Cash, Ending	$	800,411

NOTE 1 - NATURE OF THE ORGANIZATION

Military Health Research Foundation, Inc. (MHRF) is a nonprofit organization that is dedicated to the advancement of military technology and medical research to benefit the United States Armed Forces. MHRF provides a conduit between innovative researchers and sources of grants and other funding. MHRF provides enterprise, program, and project level research administration and provides solutions to specific tasking such as research process consulting, staffing support, and clinical trials.

Department of Defense research and development programs include the following programs:

> Endovascular Perfusion Augmentation for Critical Care (EPACC) - MHRF has been awarded a cooperative agreement for the Personalized and Adaptive Therapy for Resuscitation After Trauma. This agreement provides for the research and development of innovative patient-centered technologies to maintain physiological equilibrium in an effort to minimize preventable deaths for critically ill warfighters by employing personalized, goal-directed precision critical care support in ways that were never before possible.
>
> VentRight - MHRF has been awarded a cooperative agreement for the research and development of a Portable Ventilation Monitoring Optimizing Critical Care device from the Department of Defense in support of the Air Force Materiel Command. The objective of this effort is to develop: (a) a battery-operated device capable of collecting and integrating ventilation and physiologic metrics; (b) diagnostic algorithms capable of identifying common critical respiratory disease states and sub-optimal ventilation; and (c) integration of the device with the algorithms to create a robust, portable ventilation analytics monitor capable of battlefield deployment.
>
> EVAC and FIVES - MHRF has been awarded a federal grant to develop an Endovascular Variable Aortic Control (EVAC) & Field Intravenous Expeditionary System (FIVES), by the Department of Defense in support of the Air Force Materiel Command. The objective of the grant is to generate Sterile Water for Injection (WFI) to constitute multiple formations of intravenous (IV) solutions and to improve outcomes of wounded warfighters with noncompressible torso hemorrhage (NCTH).
>
> Other Program Services: MHRF has been awarded a federal grant to conduct a Fast Onset Abdominal Management (F.O.A.M.) preclinical study, whose goal is to develop a new noncompressible intra-abdominal hemorrhage model. MHRF also has been awarded a grant by Eagle Global Scientific to lead a research study on clinical patient study, obesity and diabetes in support of the Air Force Medical Services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting whereby revenue is recorded when earned and expenses are recorded when goods and services are rendered.

Due from Federal Government and Other Receivables

Receivables are valued at management's estimate of the amount that will be ultimately collected. Management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. All amounts due from the federal government and other receivables are due within one year.

Property, Equipment, and Website

Expenditures for the acquisition of furniture and equipment exceeding $5,000 with a useful life greater than one year are capitalized at cost. Depreciation of furniture and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Computer software and web applications, which include off-the-shelf software and costs related to the development of MHRF's website, are amortized using the straight-line method over the estimated useful life of the asset, generally three to five years. Maintenance and repairs are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of furniture and equipment, the cost and accumulated depreciation are eliminated from the accounts, and a gain or loss is included in operations.

Because certain assets may be acquired for programs funded by federal funds, proceeds from the sale of these assets may revert to the funding agency or the assets may be transferred to the funding agency, should the program be discontinued.

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of MHRF and changes therein are classified and reported as follows:

<u>Net assets without donor restriction</u> - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. Contributions and grants with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution and grant is received are recognized as revenue without donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net assets with donor restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. MHRF reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. For the year ended December 31, 2020, MHRF had no net assets with donor restrictions.

Revenue Recognition

MHRF recognizes government grants and cooperative agreements as either contributions or exchange transaction revenue, depending on whether the transaction is reciprocal or nonreciprocal. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, a contract, grant or cooperative agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor and MHRF has limited discretion over how funds transferred should be spent. As such, MHRF recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome.

Funds received in advance of incurring eligible expenses are accounted for as deferred revenue from cooperative agreements in the statement of financial position. MHRF records receivables due from the federal government equal to the amount of unreimbursed expenses.

Conditional contributions and grants with a measurable performance and right of return are not recognized until the conditions on which they depend are substantially met. As of December 31, 2020, MHRF's outstanding conditional grants totaled approximately $1 million, which will be recognized as revenue as conditions are met and expenditures are incurred.

Interest income is recorded as revenue when earned.

Income Taxes

MHRF is exempt from federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as *other than a private foundation*. No provision for income taxes is required for the year ended December 31, 2020 since MHRF had no taxable income from unrelated business activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

MHRF files an annual informational Form 990 with the Internal Revenue Service. The income tax positions taken by MHRF for any years open under the various statutes of limitations are that MHRF continues to be exempt from income taxes and that they have properly reported unrelated business income that is subject to income taxes. MHRF believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reporting date. None of MHRF's federal tax returns are currently under examination.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or supporting service. Supporting services are comprised of general and administrative expenses which include those costs that are not directly identifiable with any specific program but provide for the overall support and direction of MHRF. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and effort.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain overhead expenses have been allocated based on management's estimate of the program and supporting services benefited.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses, including the functional allocations, during the reporting period. Actual results could differ from those estimates and be affected by the severity and duration of the COVID-19 pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

NOTE 3 - WEBSITE

MHRF's property as of December 31, 2020 consisted of the following:

Website	$ 13,000
Less, accumulated amortization	(9,100)
Net value of website	$ 3,900

During the year ended December 31, 2020, amortization expense totaled $2,600.

NOTE 4 - ECONOMIC INJURY DISASTER LOAN (EIDL)

During 2020, MHRF received an Economic Injury Disaster Loan (EIDL) from the U.S. Small Business Administration (SBA) in the amount of $149,900. The note is secured by a Uniform Commercial Code security interest in all tangible and intangible personal property owned by MHRF. Interest accrues at 2.75% from the date the loan was received; however, payment is deferred for one year. The note matures thirty years from the date of the note.

The loan was repaid in February 2021.

NOTE 5 - PAYCHECK PROTECTION PROGRAM LOAN

During 2020, MHRF received a loan in the amount of $78,645 from a local bank under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides for loans to qualifying businesses and nonprofit organizations. The note bears interest at 1% and matures in two years; however, monthly payments are deferred for a period of ten months.

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon MHRF's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by MHRF.

MHRF initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions under *FASB ASC 958-605*; that is, once the measurable performance or other barrier and right of return of the PPP Loan no longer existed. MHRF has recognized the full amount of the loan as government grant revenue for the year ended December 31, 2020.

NOTE 5 - PAYCHECK PROTECTION PROGRAM LOAN (Continued)

On March 15, 2021, MHRF received forgiveness for this loan from both the local bank and the SBA.

According to the rules of the SBA, MHRF is required to retain documentation for six years after the date of the refundable advance is forgiven or repaid in full, and also permit authorized representatives of the SBA to access such files upon request.

NOTE 6 - CONCENTRATIONS

Credit Risk

MHRF maintains its operating cash balance with one major financial institution. At times, the balance in the account may exceed federal insurance limits; however, MHRF has not experienced any losses with respect to the balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to the cash balance as of December 31, 2020.

Revenue

MHRF received a majority of its revenue from one federal government agency during the year ended December 31, 2020. Thus, MHRF’s funding is vulnerable to changes in the legislative priorities of the federal government. A significant reduction in the level of support would have a material effect on MHRF’s programs.

NOTE 7 - GOVERNMENT AGREEMENTS SUBJECT TO AUDIT

The federal grants and cooperative agreement revenue and expenses are subject to audit by the federal government. As of the date of this report, management is unaware of any material adjustment that might be required as a result of any such audit.

NOTE 8 - RETIREMENT PLAN

MHRF has a Section 401(k) defined contribution plan (the Plan) for its employees. Eligible employees may contribute a percentage of their annual compensation, subject to certain limitations, to the 401(k) defined contribution plan. Employer matching contributions are discretionary. For the year ended December 31, 2020, MHRF contributed $55,373 to the Plan.

NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES

MHRF's financial assets that are available for general expenditures within one year of December 31, 2020 are as follows:

Cash	$ 800,411
Due from federal government	923,776
Total financial assets available within one year	$ 1,724,187

MHRF structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - IMPACT OF COVID-19

On March 11, 2020, the World Health Organization (WHO) declared the coronavirus a global pandemic. In order to further limit health risks associated with the COVID-19 virus, MHRF has required staff to work remotely, and program activities have been transitioned to a virtual environment as much as possible. MHRF is complying with State health officials to do its part in reducing the impact on its employees. The extent of the impact of the COVID-19 outbreak on the operational and financial performance of MHRF will depend on certain developments, including the duration and spread of the outbreak. COVID-19 presents potential material uncertainty and risk with respect to MHRF, its performance, and its financial results.

On March 27, 2020, the “Coronavirus Aid, Relief and Economic Security (CARES) Act” was signed into law. The CARES Act includes provisions which included refundable payroll tax credits and deferment of employer social security payments. The CARES Act also appropriated funds for the Small Business Administration Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 19, 2022, which is the date the financial statements are available to be issued. As disclosed in Note 4, MHRF’s EIDL Loan was repaid in February 2021. In addition, MHRF’s PPP Loan was forgiven on March 15, 2021, as disclosed in Note 5.

Subsequent to the year end, MHRF received a new contract to continue its EVAC program in an amount of $1.8 million and another new contract to continue its F.O.A.M. program in an amount of $900,000.

UNIFORM GUIDANCE
SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S 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
Military Health Research Foundation, Inc.
Laurel, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Military Health Research Foundation, Inc. (MHRF), a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MHRF'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 MHRF's internal control. Accordingly, we do not express an opinion on the effectiveness of MHRF'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 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 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 MHRF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

UHY LLP

Columbia, Maryland
May 19, 2022

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

Board of Directors
Military Health Research Foundation, Inc.
Laurel, Maryland

Report on Compliance for Each Major Federal Program

We have audited Military Health Research Foundation, Inc.'s (MHRF) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MHRF's major federal programs for the year ended December 31, 2020. MHRF's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MHRF'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 MHRF'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 MHRF's compliance.

Opinion on Major Federal Program

In our opinion, MHRF 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, 2020.

Report on Internal Control over Compliance

Management of MHRF 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 MHRF'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 MHRF'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.

UHY LLP

Columbia, Maryland
May 19, 2022

MILITARY HEALTH RESEARCH FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2020

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster	Agreement Number	CFDA Number	Expenditures Passed through to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
Department of Defense, Department of the Air Force				
Field Intravenous Expeditionary System (FIVES), and Endovascular Variable Aortic Control (EVAC)	FA8650-20-2-6116	12.800	$ 2,228,089	$ 2,545,805
Department of Defense, Department of the Army Medical Research Acquisition Activity				
Endovascular Perfusion Augmentation for Critical Care	W81XWH1820072	12.420	846,909	1,012,151
Department of Defense, Air Force Materiel Command				
VentRight Technologies: Portable Ventilation Monitoring Optimizing Critical Care	FA8650-20-2-6104	12.300	794,440	948,935
Total Research and Development Cluster			3,869,438	4,506,891
Total federal expenditures			**$ 3,869,438**	**$ 4,506,891**

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of MHRF under programs of the federal government for the year ended December 31, 2020. The information in this 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 selected portion of the operations of MHRF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MHRF.

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

MHRF has elected to use the 10 percent de minimis indirect rate as allowed under the Uniform Guidance.

MILITARY HEALTH RESEARCH FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(s) identified	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major federal program:	
Material weakness(es) identified?	No
Significant Deficiency(s) identified	None reported
Type of report the auditor issued	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None reported

Identification of Major Program

Program or Cluster Title	Federal CFDA Number	
Research and Development Cluster		
Department of Defense, Department of the Air Force		
Field Intravenous Expeditionary System (FIVES), and Endovascular Variable Aortic Control (EVAC)	12.810	$ 2,545,805
Department of Defense, Department of the Army Medical Research Acquisition Activity		
Endovascular Perfusion Augmentation for Critical Care	12.420	1,012,151
Department of Defense, Air Force Materiel Command		
VentRight Technologies: Portable Ventilation Monitoring Optimizing Critical Care		948,935
Total research and development cluster		$ 4,506,891
Threshold for distinguishing between Type A and B programs		$ 750,000
Did MHRF qualify as a low risk auditee?		No

MILITARY HEALTH RESEARCH FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS

None noted.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

2019-001: Cash Management

Context: In 2019, MHRF did not have written procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement during the year resulting in excess funds transferred for seven out of the ten advances received. The advances received during 2019 were based on budgeted amounts and were not supported by a spreadsheet documenting the cash requirement needs.

Current Status: Corrective action was implemented during 2020 and there is no repeat finding for the year ended December 31, 2020. During 2020, MHRF received reimbursements for expenditures instead of cash advances.

2019-002: Reporting

Context: The single audit reporting package for the year ended December 31, 2018 had not yet been filed with the Federal Audit Clearinghouse.

Current Status: The single audit reporting package and data collection form were filed.