MILITARY HEALTH RESEARCH FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

AND

FEDERAL AWARDS

For the year ended December 31, 2021

MILITARY HEALTH RESEARCH FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Military Health Research Foundation, Inc. as of December 31, 2021, 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Military Health Research Foundation, Inc. (MHRF) 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MHRF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MHRF's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MHRF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 other 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 November 29, 2022, on our consideration of MHRF'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 MHRF'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 MHRF's internal control over financial reporting and compliance.

UHY LLP

Columbia, Maryland
December 14, 2022

MILITARY HEALTH RESEARCH FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS	
CURRENT ASSETS	
Cash	$ 668,070
Due from federal government	934,299
Other receivables	235,060
Prepaid expenses	45,762
Total current assets	1,883,191
PROPERTY AND EQUIPMENT, net	3,608
Total assets	$ 1,886,799
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued expenses	$ 1,135,322
Deferred revenue from cooperative agreements	40,000
Total liabilities	1,175,322
NET ASSETS	
Net assets without donor restrictions	711,477
Total liabilities and net assets	$ 1,886,799

See notes to financial statements.

MILITARY HEALTH RESEARCH FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2021

Activities in Net Assets Without Donor Restrictions	
Support and Revenue	
Federal cooperative agreements	$ 1,755,186
Subcontract revenue	2,905,577
Interest income	140
Total support and revenue	4,660,903
Expenses	
Program services	
Medical device development research	2,675,371
Animal and laboratory research	903,977
Other program services	361,652
Total program services	3,941,000
Management and general	448,807
Total expenses	4,389,807
Change in Net Assets Without Donor Restrictions	271,096
Net Assets Without Donor Restrictions, Beginning	440,381
Net Assets Without Donor Restrictions, Ending	$ 711,477

See notes to financial statements.

MILITARY HEALTH RESEARCH FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	Medical Device Development Research	Animal and Laboratory Research	Other Program Services	Total Program Services	Management and General	Total
Personnel costs:						
Salaries	$ 267,256	$ 406,551	$ 170,525	$ 844,332	$ 165,866	$ 1,010,198
Fringe benefits and taxes	58,866	111,281	47,747	217,894	64,752	282,646
Total personnel costs	326,122	517,832	218,272	1,062,226	230,618	1,292,844
Advertising	-	-	-	-	397	397
Amortization expense	-	-	-	-	2,680	2,680
Consultants - other	304,678	57,621	102,918	465,217	88,875	554,092
Director fees	-	-	-	-	12,000	12,000
Dues and subscriptions	-	-	-	-	4,325	4,325
Equipment	21,538	6,243	-	27,781	-	27,781
Information technology	7,653	13,397	4,252	25,302	4,136	29,438
Insurance	458	696	292	1,446	2,126	3,572
Interests	-	-	-	-	2,858	2,858
Office expenses	3,218	4,894	2,053	10,165	8,558	18,723
Professional services	21,462	34,661	13,695	69,818	43,911	113,729
Rent for laboratory	-	32,757	-	32,757	-	32,757
Research medical supplies	95,788	147,336	-	243,124	1,162	244,286
Subcontractors for research and project management	1,893,683	86,608	20,170	2,000,461	-	2,000,461
Travel	771	1,932	-	2,703	47,161	49,864
Total expenses	$ 2,675,371	$ 903,977	$ 361,652	$ 3,941,000	$ 448,807	$ 4,389,807

See notes to financial statements.

MILITARY HEALTH RESEARCH FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

Cash Flows from Operating Activities		
Change in net assets	$	271,096
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Amortization expense		2,680
Increase in assets:		
Due from federal government		(41,675)
Other receivables		(203,908)
Prepaid expenses		(42,345)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		124,099
Deferred revenue from cooperative agreements		(90,000)
Net cash provided by operating activities		19,947
Cash Flows from Investing Activities		
Purchase of property and equipment		(2,388)
Cash Flows from Financing Activities		
Repayments on Economic Injury Disaster Loan		(149,900)
Net Decrease in Cash		(132,341)
Cash, Beginning		800,411
Cash, Ending	$	668,070
Supplemental Disclosure of Cash Flows Information		
Cash paid for interest	$	2,858

See notes to financial statements.

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's research and development programs include the following representative projects:

Medical Device Development Research – MHRF conducts medical device research for the military primarily focused on dealing with trauma, vascular injury, resuscitation and other combat care treatments which include the following projects:

> Endovascular Perfusion Augmentation for Critical Care - 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 and portable ventilation analytics monitor capable of battlefield deployment.
>
> FIVES and EVAC - MHRF is researching the development of the Field Intravenous Expeditionary System (FIVES) and Endovascular Variable Aortic Control (EVAC). The objective 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). MHRF is also involved in the research on the design of a clinical-grade EVAC controller for prolonged weaning to provide partial flow which will lead to the development of hardware and software for test fixtures needed for the EVAC controller manufacturing, verification and validation testing as well as manufacturing of sterile units in final packaging for the verification and validation and completion of regulatory documentation for the EVAC controller.

NOTE 1 - NATURE OF THE ORGANIZATION (Continued)

Laboratory and Animal Research - MHRF is performing laboratory and animal scientific research and experiments to aid in the advancement of military technology and military research to benefit the United States Armed Forces which include the following projects:

FOAM 16 - MHRF is conducting research through the Fast Onset Abdominal Management (F.O.A.M.) preclinical study, which has a goal to develop a new noncompressible intra-abdominal hemorrhage model.

UMD EPR - MHRF is conducting work for the University of Maryland, Baltimore campus to investigate emergency preservation and resuscitation (EPR) technology in the context of autonomous transport. The first aim is to characterize the physiologic response to extra-corporeal membrane oxygenation (ECMO) achieved EPR in models of controlled yet critical physiologic derangement. The second aim is the generation of closed loop control algorithms to automate EMCO.

Mitochondria - There are several diseases including trauma and hemorrhage that adversely affect the mitochondria of the body. MHRF is working with an investigator from the University of Utah to study the use of elamipretide, as a molecule to reduce complications associated with the use of resuscitative endovascular balloon occlusion of the aorta (REBOA) in a pig model of severe blood loss. This experiment will demonstrate that elamipretide can prevent complications commonly observed after using REBOA catheters.

Other Program Services - MHRF also provides enterprise, program, and project level research administration and provides solutions to specific taskings such as research process consulting, staffing support, and clinical trials which include the following projects:

PE Systems conducts acquisition and prototyping support for the United States Air Force. MHRF provides a project level subject matter expert that serves at the Life Cycle Management Group for the Human Systems Division.

CDC Eagle Global Scientific is a life sciences company that provides research, development, and personnel support to many federal agencies. MHRF provides an Epidemiologist that works directly at the Centers for Disease Control.

Zeiss CRADA: MHRF provides a clinical research assistant who works at the refractive surgery center located in the Wilford Hall Ambulatory Surgical Center at Lackland Air Force Base.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting.

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 grantors 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:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net assets without donor restrictions - 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.

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, 2021, 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, 2021, MHRF’s outstanding conditional grants totaled approximately $1.6 million, which will be recognized as revenue as conditions are met and expenditures are incurred.

Interest income is recorded as revenue when received.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 since MHRF had no taxable income from unrelated business activities.

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, 2021 consisted of the following:

Website	$ 13,000
Less, accumulated amortization	(11,780)
Net value of website	$ 1,220

During the years ended December 31, 2021, the amortization expense was $2,680.

NOTE 4 - 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, 2021.

Revenue

MHRF received a majority of its revenue from one federal government agency during the year ended December 31, 2021. 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 5 - 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 6 - 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, 2021, MHRF contributed $56,663 to the Plan.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

MHRF's financial assets that are available for general expenditures within one year of December 31, 2021 are as follows:

Cash	$ 668,070
Due from federal government	934,299
Other receivables	235,060
Total financial assets available within one year	$ 1,837,429

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

NOTE 8 - 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 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 14, 2022 which is the date the financial statements are available to be issued.

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2022.

Report on 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 MHRF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MHRF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Columbia, Maryland
December 14, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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

Opinion on Each Major Federal Program

We have audited Military Health Research Foundation, Inc.'s (MHRF) 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 MHRF's major federal programs for the year ended December 31, 2021. MHRF's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MHRF 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 MHRF'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 MHRF's federal programs.

Auditor's 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 MHRF'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 MHRF's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 MHRF'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 MHRF'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 MHRF's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

UHY LLP

Columbia, Maryland
December 14, 2022

MILITARY HEALTH RESEARCH FOUNDATION, INC.
SCHEDULE OF FEDERAL EXPENDITURES
For the year ended December 31, 2021

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	$ 267,938	$ 495,257
Department of Defense, Department of the Army Medical Research Acquisition Activity				
Endovascular Perfusion Augmentation for Critical Care	W81XWH1820072	12.420	738,579	876,489
Department of Defense, Air Force Materiel Command				
VentRight Technologies: Portable Ventilation Monitoring Optimizing Critical Care	FA8650-20-2-6104	12.300	238,970	269,619
Department of Defense, Department of the Army Medical Research Acquisition Activity				
Improving Mitochondrial Function to Mitigate Ischemia-Reperfusion Injury from Aortic Occlusion in a Swine Model of Hemorrhagic Shock	W81XWH2010180	12.420	86,608	113,821
Total Research and Development Cluster			1,332,095	1,755,186
Total Federal Expenditures			**$ 1,332,095**	**$ 1,755,186**

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, 2021. 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, 2021

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	$	495,257
Department of Defense, Department of the Army Medical Research Acquisition Activity			
Endovascular Perfusion Augmentation for Critical Care	12.420		876,489
Department of Defense, Air Force Materiel Command			
VentRight Technologies: Portable Ventilation Monitoring Optimizing Critical Care	12.300		269,619
Department of Defense, Department of the Army Medical Research Acquisition Activity			
Improving Mitochondrial Function to Mitigate Ischemia-Reperfusion Injury from Aortic Occlusion in a Swine Model of Hemorrhagic Shock	12.420		113,821
Total research and development cluster		$	1,755,186

Threshold for distinguishing between Type A and B programs	$	750,000
Did MHRF qualify as a low risk auditee?		Yes

MILITARY HEALTH RESEARCH FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2021

SECTION II. FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III. FEDERAL AWARD FINDINGS

None noted.

SECTION IV. STATUS OF PRIOR YEAR FINDINGS

None.