

Consolidated Financial Statements,
Schedule of Expenditures of Federal
Awards, and Report of Independent
Certified Public Accountants

Oklahoma Medical Research Foundation

June 30, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Oklahoma Medical Research Foundation

Report on the financial statements**Opinion**

We have audited the consolidated financial statements of Oklahoma Medical Research Foundation (a nonprofit organization) and its subsidiary (collectively the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Foundation 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.

Responsibilities of management for the 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 the Foundation's ability to continue as a going concern for one year after the date 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 consolidated 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 US 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 US 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 financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 the Foundation'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 consolidated financial statements as a whole. The 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* on pages 36 through 38, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information by funds without donor restrictions (Operating and Plant) on the consolidated statement of activities for the year ended June 30, 2023, is presented for purposes of additional analysis, rather than to present the results of operations of the individual funds and is not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on 2022 summarized comparative information

We have previously audited the Foundation's 2022 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 16, 2022. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 on our consideration of the Foundation'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 the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 19, 2023

Oklahoma Medical Research Foundation

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 10,275,949	\$ 8,391,263
Receivables - net	43,093,480	40,662,728
Prepaid expenses and other assets	7,193,947	6,362,258
Assets restricted for investment in plant and equipment	2,732,739	5,549,067
Investments	192,392,469	172,287,137
Plant and equipment - net	<u>84,356,351</u>	<u>86,768,230</u>
Total assets administered by the Foundation	340,044,935	320,020,683
Funds held in trust by others	<u>145,885,933</u>	<u>143,791,326</u>
Total assets	<u>\$ 485,930,868</u>	<u>\$ 463,812,009</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 9,075,900	\$ 6,972,601
Accrued vacation and sick pay	3,171,055	3,006,214
Deferred revenue	2,725,269	2,315,779
Split-interest agreements	101,528	114,937
Postretirement benefits and deferred compensation	7,935,769	7,112,861
Accrued interest payable	98,962	126,112
Other long term liabilities	849,215	-
Bonds payable	<u>10,935,000</u>	<u>13,935,000</u>
Total liabilities	<u>34,892,698</u>	<u>33,583,504</u>
Net assets		
Net assets without donor restrictions	161,089,274	152,426,452
Net assets with donor restrictions	<u>289,948,896</u>	<u>277,802,053</u>
Total net assets	<u>451,038,170</u>	<u>430,228,505</u>
Total liabilities and net assets	<u>\$ 485,930,868</u>	<u>\$ 463,812,009</u>

The accompanying notes are an integral part of these consolidated financial statements.

Oklahoma Medical Research Foundation

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2023
(with comparative totals for 2022)

	Without Donor Restrictions		Total Without	With Donor	Total	2022 Total
	Operating	Plant	Donor Restrictions	Restrictions		
Revenue						
Competitive research grants:						
National Institutes of Health	\$ 37,967,890	\$ -	\$ 37,967,890	\$ -	\$ 37,967,890	\$ 39,903,552
Other	11,212,746	82,506	11,295,252	-	11,295,252	12,525,718
Total grants	49,180,636	82,506	49,263,142	-	49,263,142	52,429,270
Private contributions						
Income and gifts from trusts	8,053,049	-	8,053,049	5,884,704	13,937,753	13,337,393
Gifts and bequests	2,674,925	-	2,674,925	2,445,374	5,120,299	4,546,719
Contributions	2,183,141	262,309	2,445,450	1,594,698	4,040,148	3,763,254
Memorials	815,530	-	815,530	247,860	1,063,390	657,903
Total private contributions	13,726,645	262,309	13,988,954	10,172,636	24,161,590	22,305,269
Special event revenue						
Ticket sales and sponsorships	835,455	-	835,455	-	835,455	-
Less: direct costs of event	(158,983)	-	(158,983)	-	(158,983)	-
Net revenues from special events	676,472	-	676,472	-	676,472	-
Other revenue						
Clinical revenue, net of provisions for contractual and other adjustments of \$39,890,584 and \$38,620,806 for 2023 and 2022, respectively	27,924,582	-	27,924,582	-	27,924,582	21,308,555
Interest, dividends and net realized gains on investments designated for operations	2,310,720	-	2,310,720	3,751,040	6,061,760	5,115,355
Mineral income	1,893,162	-	1,893,162	32,568	1,925,730	1,735,357
Rent	384,818	-	384,818	-	384,818	435,604
Royalties and licensing income	2,947,012	-	2,947,012	-	2,947,012	3,325,397
Loss on disposal of assets	(471,636)	(431,540)	(903,176)	(41,164)	(944,340)	(665,615)
Other	1,910,894	-	1,910,894	-	1,910,894	1,755,683
Total other revenue	36,899,552	(431,540)	36,468,012	3,742,444	40,210,456	33,010,336
Total revenue	100,483,305	(86,725)	100,396,580	13,915,080	114,311,660	107,744,875
Net assets released from restrictions	8,100,788	3,554,868	11,655,656	(11,655,656)	-	-
Total operating revenue	108,584,093	3,468,143	112,052,236	2,259,424	114,311,660	107,744,875
Expenses						
Program services - Research	62,848,486	6,514,994	69,363,480	-	69,363,480	66,544,634
Program services - Clinic operations	31,068,753	255,878	31,324,631	-	31,324,631	24,323,673
Supporting services - General and administrative	6,172,803	1,224,583	7,397,386	-	7,397,386	6,071,866
Total expenses	100,090,042	7,995,455	108,085,497	-	108,085,497	96,940,173
Change in net assets from operations	8,494,051	(4,527,312)	3,966,739	2,259,424	6,226,163	10,804,702
Other gains, losses, transfers and nonrecurring items:						
Increase (decrease) in fair value of funds held in trust by others	-	-	-	2,094,607	2,094,607	(19,063,515)
Net investment gains (losses) in excess of designated for operations	4,603,234	-	4,603,234	7,792,812	12,396,046	(25,053,993)
Transfer to plant	(4,110,757)	4,110,757	-	-	-	-
Pension related changes other than net periodic pension cost	92,849	-	92,849	-	92,849	1,403,128
Net increase (decrease) in net assets for the year	\$ 9,079,377	\$ (416,555)	8,662,822	12,146,843	20,809,665	(31,909,678)
Net assets - beginning of year			152,426,452	277,802,053	430,228,505	462,138,183
Net assets - end of year			\$ 161,089,274	\$ 289,948,896	\$ 451,038,170	\$ 430,228,505

The accompanying notes are an integral part of these consolidated financial statements.

Oklahoma Medical Research Foundation
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 20,809,665	\$ (31,909,678)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	7,782,462	7,876,761
Change in value of split-interest agreements	(13,410)	13,829
Loss on disposal of plant and equipment	434,040	323,839
(Recovery) loss of uncollectible receivables	(2,538,604)	296,093
Loss on investments	411,859	310,804
Non-cash lease expense	2,369	-
Contributed non-cash assets	(408,485)	(771,464)
Proceeds from sale of contributed investments without donor restrictions	100,402	166,669
Contributions received for long-term investment, reserved for future periods and investment in plant and equipment	(7,363,097)	(8,035,651)
Net realized and unrealized (gain) loss on investments	(16,061,134)	21,284,051
(Increase) decrease in fair value of funds held in trust by others	(2,094,607)	19,063,515
Changes in operating assets and liabilities:		
Decrease in receivables	106,646	2,118,907
(Increase) decrease in prepaid expenses and other assets	(382,635)	1,458,630
Increase (decrease) in accounts payable and accrued expenses	1,902,334	(263,456)
Increase (decrease) in accrued vacation and sick pay	164,841	(68,019)
Increase in deferred revenue	409,490	964,901
Increase (decrease) in postretirement benefits and deferred compensation	822,908	(1,759,411)
Decrease in accrued interest payable	(27,150)	(26,697)
Net cash provided by operating activities	4,057,894	11,043,623
Cash flows from investing activities:		
Proceeds from maturities/sales of investments	66,708,906	54,929,102
Purchases of investments	(71,165,604)	(63,527,656)
Purchase of life insurance investment	(449,053)	(467,183)
Purchases of plant and equipment	(4,759,312)	(3,826,826)
Proceeds from sales of plant and equipment	2,500	25,100
Decrease in assets restricted for investment in plant and equipment	2,816,328	162,089
Net cash used in investing activities	(6,846,235)	(12,705,374)
Cash flows from financing activities:		
Proceeds from sale of contributed investments with donor restrictions	308,724	609,846
Payments on bonds payable	(3,000,000)	(2,950,000)
Contributions received reserved for future periods	4,079,577	6,243,894
Contributions received for purchase of endowed investments	3,283,520	1,791,757
Payments received on miscellaneous notes	1,206	3,129
Net cash provided by financing activities	4,673,027	5,698,626
Net increase in cash and cash equivalents	1,884,686	4,036,875
Cash and cash equivalents - beginning of year	8,391,263	4,354,388
Cash and cash equivalents - end of year	\$ 10,275,949	\$ 8,391,263
Supplemental cash flow information:		
Contributions of plant and equipment	\$ 262,309	\$ -
Contributions of investments	\$ 408,485	\$ 771,465
Interest paid	\$ 237,774	\$ 318,642
Right-of-use asset obtained from new lease obligation	\$ 1,047,811	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Oklahoma Medical Research Foundation is incorporated under the laws of the State of Oklahoma as a nonprofit organization without capital stock to promote scientific research and education in medicine.

Principles of Consolidation

Oklahoma Medical Research Foundation formed a limited liability company (the "LLC") on June 20, 2019 to hold real estate for future uses related to the Foundation's mission. The Foundation is the sole member of the LLC, which is a disregarded entity for tax purposes. The financial activities of the Foundation and the LLC (collectively, the "Foundation") are presented as a consolidated entity in these financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation. Activity in the LLC was immaterial during the years ended 2023 and 2022.

Recognition of Donor Restrictions

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law, except for changes in fair value for assets held in trust, which are recorded as changes in net assets with donor restrictions. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Restricted contributions received and whose restrictions are met in the same year are classified as revenue without donor restrictions in the consolidated statement of activities.

Revenue Recognition

The Foundation receives grants and contributions from a number of sources, including the federal government, private foundations, and other donors in support of scientific research and education in medicine. Grant revenue is recognized as a contribution when the related costs are expended in accordance with the terms of the grant and eligibility requirements have been met. The Foundation considers receivables relating to research grants and contracts to be fully collectible; accordingly, no allowance is required.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, except that contributions of works of art, historical treasures and similar assets held as part of collections are not recognized or capitalized. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

The Foundation utilizes in-kind gifts of land, buildings and equipment to carry out the mission of the Foundation. If the gift of land, building or equipment provided does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. The Foundation reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. No in-kind gifts of land or buildings were received during the years ended June 30, 2023 and 2022. Contributed in-kind gifts of equipment without donor restrictions were received of \$262,309 and \$0 during the years ended June 30, 2023 and 2022 which are reported in the statement of activities under private contributions in plant.

In addition, the Foundation receives payments from royalty and license contracts, certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and other various contracts and deeds. The Foundation recognizes revenue when control of promised goods or services are transferred to outside parties in an amount that reflects the consideration the Foundation is entitled to in exchange for those goods or services.

Net Assets

The Foundation's net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors ("Board") has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. In addition, changes to this category of net assets include gifts with restrictions whose donor-imposed restrictions were met in the year received, through the passage of time, or through fulfillment of the restricted purpose.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Expirations of donor restrictions on net assets are reported as net assets released from restrictions in the accompanying consolidated statement of activities.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues, gains, other support and expenses recognized during the reporting period. Actual results could differ from those estimates.

Operating and Plant Columns without Donor Restrictions

The amounts in the plant column represent depreciation, interest expense, revenues designated to purchase plant and equipment, and losses on disposals of plant and equipment. The Operating column includes all other revenues and expenses without donor restrictions and other changes in net assets without donor restrictions.

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Measure of Operations

The change in net assets from operations reflected in the accompanying consolidated statement of activities includes substantially all of the activities related to changes in net assets. Amounts not included in this measure of operations consist of net investment gains in excess of losses designated for operations, gains or losses on funds held in trust by others and unusual or nonrecurring items.

Taxes

The Foundation is a public foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code except for amounts relating to unrelated business income. There were no known material unrelated business income taxes incurred in fiscal year 2023 or 2022, and accordingly, no material provision for income taxes has been made in these consolidated financial statements for either period.

Management has reviewed the Foundation's tax positions and concluded that there are no uncertain tax positions that require accrual in the consolidated financial statements or disclosure in the footnotes to be in compliance with authoritative literature. Generally, the Foundation is no longer subject to income tax examination by federal, state or local tax authorities for years prior to 2020. The statute of limitations will remain open for both federal and state purposes for any returns not filed.

Cash Equivalents

The Foundation maintains its cash and cash equivalents in bank deposit accounts, money market funds and short-term certificates of deposit, some of which may not be federally insured. Bank deposit balances are transferred daily into interest-bearing accounts secured by short-term, high-quality fixed income securities issued by banks, corporations and the U.S. Government. The Foundation has not experienced any losses in cash equivalents and believes it is not exposed to significant credit risk on cash equivalents.

Management considers highly liquid debt instruments readily convertible into cash to be cash equivalents other than cash equivalents held as part of its investment portfolio and cash equivalents held as a part of assets restricted for investment in plant and equipment.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidated statement of financial position with gains and losses included in the consolidated statement of activities. The fair values of these investments are generally determined based on quoted market prices or estimates of fair value provided by external investment managers. Investments for which there are no readily determinable fair values are reported at cost. Investments received in connection with technology transfer agreements are not valued until such time as there is a readily determinable fair value for such investments.

Plant and Equipment

Plant and equipment are recorded at cost or fair value at date of donation. Depreciation is based on the estimated useful lives, ranging from 3 to 40 years, using the straight-line method. Plant and equipment with a cost of less than \$5,000 is expensed when purchased. Costs incurred during construction of long-lived assets are recognized as construction in progress and are not depreciated until placed in service. Net interest costs incurred in the construction of plant and equipment are capitalized. In 2023 and 2022, total interest incurred was \$212,993 and \$291,945, respectively. No interest was capitalized in 2023 or 2022.

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held or used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Split-Interest Agreements

The Foundation's split-interest agreements with donors consist primarily of charitable gift annuities. Assets received under these agreements are recorded at fair value on the gift date. During the term of these agreements, changes in the value of the split-interest agreements are recognized in the consolidated statement of activities. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using a risk-free discount rate, determined at the time the annuities are established and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for accretion of the discount and other changes in the estimates of future benefits.

Funds Held in Trust by Others

Funds held in trust by others represent amounts held under irrevocable perpetual trust agreements between donors and third-party trustees. The net increase or decrease in the fair value of funds held in trust by others is reported as a change in net assets with donor restrictions. The amounts the Foundation will ultimately realize could differ materially from these recorded amounts, and significant fluctuations in fair values could occur from year to year.

Assets with Donor Restrictions for Investment in Plant and Equipment

Assets with donor restrictions for investment in plant and equipment consist of cash and cash equivalents which are primarily restricted by donors or the board of directors for plant and equipment.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in Note J. The footnote presents the natural classification detail of the expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Supporting services represent general and administrative expenses that are not allocable to the various Foundation departments as an element of research activities. Of the total, \$2,705,954 and \$1,515,123 represents philanthropy or fundraising costs in 2023 and 2022, respectively.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which is intended to increase transparency and comparability among organizations by recognizing right-of-use ("ROU") lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. The Foundation elected to apply the package of practical expedients, which allows the Foundation to not reassess whether expired or existing contracts contain leases, not reassess the classification of existing leases, and not reassess initial direct costs for existing leases. The Foundation did not apply hindsight in the determination of the lease term and assessing impairment of right-of-use assets for existing leases.

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

The Foundation made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. For all other leases, the Foundation recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease. Additionally, the Foundation's leases may include a non-lease component representing additional services transferred to the Foundation, such as common area maintenance for real estate. The Foundation made an accounting policy election to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Furthermore, the Foundation elected to use the risk-free discount rate for all leases. The Foundation uses the implicit rate when readily determinable.

Adoption of Topic 842 resulted in the recording of ROU assets of \$1,047,811 and lease liabilities of \$1,050,180 related to the Foundation's finance leases as of June 30, 2023. The adoption of the new lease standard did not materially impact the consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Prior Year Information

The consolidated financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2022, from which the summarized totals were derived.

NOTE B - RECEIVABLES

Receivables are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Pledges - net of discount of \$302,243 and \$220,178 for 2023 and 2022, respectively, and an allowance of \$40,000 and \$3,000 for 2023 and 2022, respectively	\$ 3,054,525	\$ 3,132,066
Wills and bequests - net of discount of \$460,829 and \$488,461 for 2023 and 2022, respectively	23,726,139	22,307,665
Recoverable expenditures under research grants and contracts	7,700,464	7,438,164
Clinic operations - net of contractual adjustments and allowance of \$6,764,061 and \$4,321,472 for 2023 and 2022, respectively	5,372,076	3,515,450
Notes - net of allowance of \$130,209 and \$131,415 for 2023 and 2022, respectively	104,329	54,328
Other - net of allowance of \$48,054 and \$0 for 2023 and 2022, respectively	3,096,559	4,187,205
Accrued interest - net of allowance of \$67,211 and \$55,044 for 2023 and 2022, respectively	<u>39,388</u>	<u>27,850</u>
	<u>\$ 43,093,480</u>	<u>\$ 40,662,728</u>

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

The pledges receivable at June 30, 2023, are recoverable as follows:

	<u>Less Than One Year</u>	<u>One To Five Years</u>	<u>More Than Five Years</u>	<u>Total</u>
Pledges receivable	\$ 1,558,523	\$ 1,428,245	\$ 410,000	\$ 3,396,768
Less unamortized discount	-	(167,337)	(134,906)	(302,243)
Less allowance	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
 Net pledges receivable	 <u>\$ 1,518,523</u>	 <u>\$ 1,260,908</u>	 <u>\$ 275,094</u>	 <u>\$ 3,054,525</u>

In addition, the Foundation received a \$1,500,000 conditional promise to give upon obtaining \$1,500,000 in unconditional promises to enhance patient care at the Foundation's Multiple Sclerosis Center of Excellence. The condition was not substantially met as of June 30, 2023 and therefore, has not been recognized as an asset on the consolidated statement of financial position. This conditional promise to give will be recorded when met as contribution revenue on the consolidated statement of activities.

Wills and bequests at June 30, 2023 are estimated to be recoverable as follows:

	<u>Less Than One Year</u>	<u>One To Five Years</u>	<u>More Than Five Years</u>	<u>Total</u>
Wills and bequests	\$ 23,637,968	\$ -	\$ 549,000	\$ 24,186,968
Less unamortized discount	<u>(13,743)</u>	<u>-</u>	<u>(447,086)</u>	<u>(460,829)</u>
 Net wills and bequests receivable	 <u>\$ 23,624,225</u>	 <u>\$ -</u>	 <u>\$ 101,914</u>	 <u>\$ 23,726,139</u>

Recoverable expenditures under research grants and contracts are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Balance of grants and contracts awarded but not collected	\$ 50,957,259	\$ 38,866,144
Less portion not yet expended	<u>(43,256,795)</u>	<u>(31,427,980)</u>
 Recoverable expenditures under research grants and contracts	 <u>\$ 7,700,464</u>	 <u>\$ 7,438,164</u>

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE C - INVESTMENTS

The fair values of investments, classified by investment type, are as follows at June 30:

	2023	2022
Equity investments	\$ 106,852,644	\$ 94,281,097
Equity investments - other	1,586,314	1,998,814
Bond funds	29,776,023	26,488,505
Common collective trusts	22,333,149	21,189,044
Private equity funds	10,100,990	9,864,716
Real estate fund	5,331,126	3,560,958
Hedge funds	13,243,271	12,626,716
Cash equivalents	3,168,952	2,277,287
	<u>\$ 192,392,469</u>	<u>\$ 172,287,137</u>

NOTE D - ENDOWMENTS

U.S. GAAP provides guidance on the net asset classification of donor- restricted endowment funds for a not-for-profit organization and enhanced disclosure information to enable users of consolidated financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds.

The Foundation's endowment consists of individual funds established to provide the Foundation with funding in perpetuity. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which was enacted by the State of Oklahoma effective November 1, 2007 ("OK UPMIFA"), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The funds of the donor-restricted endowment fund will remain classified in assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended, over the long-term (defined as at least one full market cycle, typically three to five years), to earn an annual total return that exceeds the rate of inflation as measured by the Consumer Price Index by at least 5% annually. This is intended to enable the Foundation to meet its recommended distribution to operating budget each year, and maintain the principal of the Foundation's assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation has established a spending policy that attempts to balance the long-term objective of maintaining the purchasing power of the Foundation's invested funds with the goal of meeting current and future cash flow requirements. The Foundation staff makes an annual recommendation to the Board for approval of the annual spending policy. This amount typically does not exceed 5% of the average market value of the Foundation's endowment balances for the previous 12-calendar quarters.

The Foundation's endowment is composed of the following net asset classifications as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 61,383,819	\$ -	\$ 61,383,819
Donor-gifted endowment funds in perpetuity	-	64,292,993	64,292,993
Donor accumulated gain on endowment funds	-	51,996,443	51,996,443
	\$ 61,383,819	\$ 116,289,436	\$ 177,673,255

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

The Foundation's endowment is composed of the following net asset classifications as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 53,251,051	\$ -	\$ 53,251,051
Donor-gifted endowment funds in perpetuity	-	60,587,662	60,587,662
Donor accumulated gain on endowment funds	-	44,203,632	44,203,632
	<u>\$ 53,251,051</u>	<u>\$ 104,791,294</u>	<u>\$ 158,042,345</u>

The following table reconciles the activity of endowments for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 53,251,051	\$ 104,791,294	\$ 158,042,345
Investment returns:			
Investment income	610,884	1,192,096	1,802,980
Net appreciation (realized and unrealized)	5,487,138	10,351,755	15,838,893
Total investment returns	6,098,022	11,543,851	17,641,873
Contributions, net of discounts	-	3,705,331	3,705,331
Board restricted contribution to endowment	3,983,706	-	3,983,706
Appropriation of endowment assets for expenditure	(1,948,960)	(3,751,040)	(5,700,000)
Endowment net assets, end of year	<u>\$ 61,383,819</u>	<u>\$ 116,289,436</u>	<u>\$ 177,673,255</u>

The following table reconciles the activity of endowments for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 51,111,365	\$ 118,521,411	\$ 169,632,776
Investment returns:			
Investment income	665,587	555,214	1,220,801
Net depreciation (realized and unrealized)	(6,267,371)	(13,797,088)	(20,064,459)
Total investment returns	(5,601,784)	(13,241,874)	(18,843,658)
Contributions, net of discounts	-	3,153,227	3,153,227
Board restricted contribution to endowment	9,300,000	-	9,300,000
Appropriation of endowment assets for expenditure	(1,558,530)	(3,641,470)	(5,200,000)
Endowment net assets, end of year	<u>\$ 53,251,051</u>	<u>\$ 104,791,294</u>	<u>\$ 158,042,345</u>

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE E - PLANT AND EQUIPMENT

Investment in plant and equipment is comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 4,080,847	\$ 4,080,847
Buildings and improvements	187,166,124	186,381,018
Research and other equipment	48,753,674	53,876,066
Less accumulated depreciation	<u>(156,787,676)</u>	<u>(157,604,559)</u>
	83,212,969	86,733,372
Construction in progress	<u>125,705</u>	<u>34,858</u>
	83,338,674	86,768,230
Leased right-of-use equipment	1,032,744	-
Less accumulated amortization	<u>(15,067)</u>	<u>-</u>
Investment in plant and equipment, net	<u>\$ 84,356,351</u>	<u>\$ 86,768,230</u>

NOTE F - FUNDS HELD IN TRUST BY OTHERS

The fair values of funds held in trust by others for the Foundation's benefit consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
J.A. and Leta M. Chapman Charitable Trust	\$ 111,299,140	\$ 109,855,034
J.A. and Leta M. Chapman 1949 Trust	29,781,965	29,399,909
McElmurry Trust	2,238,931	2,088,910
Clyde Evans Trust	1,255,106	1,185,095
The Dallas Foundation	510,124	498,741
Various trusts at Oklahoma City Community Foundation	418,845	400,881
Other trusts	<u>381,822</u>	<u>362,756</u>
	<u>\$ 145,885,933</u>	<u>\$ 143,791,326</u>

These resources are neither in the possession of nor under the control of the Foundation. The trusts are classified as net assets with donor restrictions. The trusts are held and administered by external fiscal trust agents, with the income distributed to the Foundation according to the terms of the gift instruments. Total income and gifts from these trusts was \$13,937,754 and \$13,337,393 in 2023 and 2022, respectively. The increase (decrease) in fair value of the trust net assets during 2023 and 2022 was \$2,094,607 and (\$19,063,515), respectively.

The Foundation participates in endowment funds through the Oklahoma City Community Foundation ("OCCF"). OCCF is a not-for-profit entity that provides for endowed contributions to be pooled to maximize return on investments for the benefit of area not-for-profit organizations. Contributions into the endowment funds are permitted by the not-for-profit entities, as well as individual donors in the community who designate the beneficiary of their contributions. Earnings on these endowed funds are paid annually to the

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

beneficiary organization for unrestricted use. The endowed funds contributed by the Foundation and the earnings thereon, net of distributions received, are noted above for June 30, 2023 and 2022, respectively. The endowed funds contributed by third-party donors held by OCCF designated for the benefit of the Foundation were approximately \$748,000 and \$716,000 at June 30, 2023 and 2022, respectively, and are not reflected in the Foundation's consolidated statements of financial position.

NOTE G - BONDS PAYABLE

In July 2016, the Foundation entered into advanced refinancing of the Series 2008 bonds. The Foundation issued \$43,955,000 of Oklahoma Industrial Authorities ("OIA") Series 2008 Revenue Bonds (the "Series 2008 Bonds") dated July 1, 2008; the proceeds from this bond were used to construct and equip a new research facility. The Series 2008 Bonds were defeased when the Foundation issued \$29,535,000 of OIA Series 2016 Revenue Bonds (the "Series 2016 Bonds") dated July 13, 2016. The Series 2016 Bonds mature on July 1, 2026 and bear interest at the stated rate of 1.81% per annum. Payments of principal and interest began January 1, 2017 and are due January 1 and July 1 of each year. The Series 2016 Bond agreements also require maintenance of a reserve fund which is included in investments in the accompanying consolidated statement of financial position. This amount was \$2,953,500 as of June 30, 2023 and 2022.

The bond agreement contains various restrictive covenants for the Foundation, including a requirement to maintain specified levels of liquidity and a requirement to maintain its 501(c) (3) tax status. The Foundation was in compliance with the covenants as of June 30, 2023 and 2022.

Maturities of bonds payable are as follows at June 30, 2023:

2024	\$ 3,060,000
2025	3,110,000
2026	3,165,000
2027	<u>1,600,000</u>
	<u>\$ 10,935,000</u>

NOTE H - EMPLOYEE BENEFIT PROGRAMS

The Foundation provides a defined contribution pension plan for all eligible employees. All eligible employees participate on the same basis, and the Foundation contributes amounts equal to 8.0% of the individual's salary up to the Social Security wage base and 13.7% of the amounts in excess of the wage base. Employees become fully vested after five years of service. Total contributions to the plan for the years ended June 30, 2023 and 2022 were \$2,662,894 and \$2,407,768, respectively.

The Foundation provides health care benefits to retired employees on a basis substantially similar to those provided to active employees. The plan is currently unfunded.

The following table sets forth the health care plan's status at June 30:

	<u>2023</u>	<u>2022</u>
Accumulated postretirement benefit obligation:		
Retirees	\$ 53,885	\$ 186,477
Fully eligible active plan participants	654,569	638,725
Other active plan participants	<u>2,661,618</u>	<u>2,411,751</u>
	<u>\$ 3,370,072</u>	<u>\$ 3,236,953</u>

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Change in accrued postretirement benefit cost for the years ended June 30, is as follows:

	<u>2023</u>	<u>2022</u>
Liability for postretirement benefits - beginning of year	\$ 3,236,953	\$ 4,236,976
Service cost	291,786	422,367
Interest cost	153,060	115,405
Actuarial gain	(295,648)	(1,506,813)
Benefits paid	<u>(16,079)</u>	<u>(30,982)</u>
Liability for postretirement benefits - end of year	<u>\$ 3,370,072</u>	<u>\$ 3,236,953</u>

Components of net periodic postretirement benefit cost for the years ended June 30, is as follows:

	<u>2023</u>	<u>2022</u>
Service cost	\$ 291,786	\$ 422,367
Interest cost	153,060	115,405
Net gain amortization	<u>(202,799)</u>	<u>(103,685)</u>
	<u>\$ 242,047</u>	<u>\$ 434,087</u>

The change in net gain that has not been recognized in net periodic postretirement benefit cost is as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Unrecognized net gain - beginning of year	\$ 3,508,035	\$ 2,104,907
Net gain amortized to net periodic postretirement benefit cost	(202,799)	(103,685)
Net actuarial gain occurring during the year	<u>295,648</u>	<u>1,506,813</u>
Unrecognized net gain - end of year	<u>\$ 3,600,884</u>	<u>\$ 3,508,035</u>

The change in unrecognized net gain of \$92,849 and \$1,403,128 for 2023 and 2022, respectively, has been recognized in the 2023 and 2022 consolidated statement of activities apart from expenses.

The following assumptions were used in accounting for the plan as of June 30, 2023:

Weighted-average assumption used to determine benefit obligation	
Discount rate	5.31%
Rate of compensation increase	N/A
Assumed health care cost trend rates	
Health care cost trend rate assumed for next year	7.50%
Rate to which the cost trend rate is assumed to decline (the "ultimate trend rate")	5.00%
Year that the rate reaches the ultimate trend rate	2028

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2024	\$ 176,150
2025	218,955
2026	239,179
2027	302,346
2028	304,009
2029 - 2033	<u>1,412,960</u>
	<u>\$ 2,653,599</u>

The Foundation expects to contribute \$176,150 to the plan for the next fiscal year.

NOTE I - NET ASSETS

Net assets are designated for specific purposes or uses as follows at June 30, 2023:

Net assets without donor restrictions consist of the following:	
General activities of the Foundation	\$ 13,314,237
Board designated endowment funds	61,383,819
Investment in plant, net	75,578,971
Designated by the Foundation for research programs	<u>10,812,247</u>
Total net assets without donor restrictions	<u>161,089,274</u>
Net assets with donor restrictions available for specified time periods or purposes:	
Time restricted for periods after June 30, 2023	26,366,140
Designated for research programs	48,500,782
Designated for capital projects	2,238,147
Earnings from net assets with donor restrictions are available from the following:	
Designated for research programs	58,814,673
Designated for capital projects	6,012,074
Time restricted donor contributions maintained in perpetuity	<u>148,017,080</u>
Total net assets with donor restrictions	<u>289,948,896</u>
Total net assets at June 30, 2023	<u>\$ 451,038,170</u>

NOTE J - FUNCTIONAL EXPENSES

Expenses are reported in the accompanying consolidated statement of activities by their program classifications. The Foundation's primary programs services are research and clinic operations. Expenses reported as general and administrative are incurred in support of these primary program services.

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

The Foundation allocates certain types of expenses that relate to more than one program or supporting activity. Expenses of this nature include, but are not limited to, depreciation, interest and operations and maintenance of plant and direct research and clinic support. Amounts have been allocated to the specific programs and support services based on the total square footage of the Foundation's buildings, the number of average employees per department and other financial methods determined by management and are consistently applied.

Functional expenses were incurred for the years ended June 30, 2023 and 2022 as follows:

Year Ended 2023	Program Services			Supporting Services	Total Expenses
	Research	Clinic Operations	Total	General and Administrative	
Personnel	\$ 25,213,430	\$ 2,861,941	\$ 28,075,371	\$ 7,692,124	\$ 35,767,495
Fringe benefits	6,681,037	770,629	7,451,666	2,318,240	9,769,906
Change in benefit accruals	-	-	-	574,099	574,099
Trainee costs	922,684	-	922,684	-	922,684
Professional expenses, awards, other	108,965	466	109,431	647,888	757,319
Professional services and dues	1,747,436	174,678	1,922,114	2,300,331	4,222,445
Communications	66,408	12,154	78,562	42,096	120,658
Office supplies	69,413	12,896	82,309	229,658	311,967
Laboratory supplies	7,301,667	454,672	7,756,339	-	7,756,339
Laboratory animal purchases and care	2,400,049	-	2,400,049	-	2,400,049
Computer supplies and services	553,337	168,733	722,070	1,122,227	1,844,297
Food service	-	-	-	242,247	242,247
Travel	466,437	30,863	497,300	220,582	717,882
Publication cost and books	327,767	577	328,344	7,951	336,295
Printing, postage, and binding	50,918	402	51,320	540,642	591,962
Building and maintenance	138,279	890	139,169	421,195	560,364
Equipment repair and maintenance	1,249,044	473	1,249,517	18,533	1,268,050
Meetings/seminars/sabbatical	213,930	-	213,930	33,824	247,754
In-house expenses	1,286,867	69,099	1,355,966	62,721	1,418,687
Liability and casualty insurance	-	-	-	508,535	508,535
Utilities	-	-	-	3,384,328	3,384,328
Subcontracts	3,851,569	25,656,676	29,508,245	-	29,508,245
Support services allocated	12,953,105	853,604	13,806,709	(13,806,709)	-
Less amounts recovered from other departments	(2,753,856)	-	(2,753,856)	(387,709)	(3,141,565)
Total expense before interest and depreciation	62,848,486	31,068,753	93,917,239	6,172,803	100,090,042
Interest expense	176,636	8,403	185,039	27,954	212,993
Depreciation	6,338,358	247,475	6,585,833	1,196,629	7,782,462
	<u>\$ 69,363,480</u>	<u>\$ 31,324,631</u>	<u>\$ 100,688,111</u>	<u>\$ 7,397,386</u>	<u>\$ 108,085,497</u>

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Year Ended 2022	Program Services			Supporting Services	Total Expenses
	Research	Clinic Operations	Total	General and Administrative	
Personnel	\$ 23,891,964	\$ 2,430,751	\$ 26,322,715	\$ 6,830,529	\$ 33,153,244
Fringe benefits	6,559,756	682,970	7,242,726	2,091,488	9,334,214
Change in benefit accruals	-	-	-	541,420	541,420
Trainee costs	1,005,251	-	1,005,251	-	1,005,251
Professional expenses, awards, other	53,030	174	53,204	527,064	580,268
Professional services and dues	1,433,337	144,922	1,578,259	2,349,002	3,927,261
Communications	66,561	11,979	78,540	40,906	119,446
Office supplies	65,007	23,892	88,899	135,247	224,146
Laboratory supplies	7,839,837	213,514	8,053,351	-	8,053,351
Laboratory animal purchases and care	2,313,986	-	2,313,986	-	2,313,986
Computer supplies and services	555,233	38,398	593,631	1,020,630	1,614,261
Food service	-	-	-	177,584	177,584
Travel	282,013	9,356	291,369	142,499	433,868
Publication cost and books	364,308	556	364,864	11,551	376,415
Printing, postage, and binding	28,771	1,336	30,107	297,780	327,887
Building and maintenance	122,257	-	122,257	363,910	486,167
Equipment repair and maintenance	1,072,702	4,924	1,077,626	13,670	1,091,296
Meetings/seminars/sabbatical	(330,983)	-	(330,983)	(50,348)	(381,331)
In-house expenses	1,846,424	40,256	1,886,680	57,067	1,943,747
Liability and casualty insurance	-	-	-	460,574	460,574
Utilities	-	-	-	2,802,724	2,802,724
Subcontracts	4,091,317	19,678,659	23,769,976	-	23,769,976
Support services allocated	11,868,715	785,387	12,654,102	(12,654,102)	-
Less amounts recovered from other departments	(3,192,701)	(2,700)	(3,195,401)	(388,888)	(3,584,289)
Total expense before interest and depreciation	59,936,785	24,064,374	84,001,159	4,770,307	88,771,466
Interest expense	241,537	11,826	253,363	38,582	291,945
Depreciation	6,366,312	247,473	6,613,785	1,262,977	7,876,762
	<u>\$ 66,544,634</u>	<u>\$ 24,323,673</u>	<u>\$ 90,868,307</u>	<u>\$ 6,071,866</u>	<u>\$ 96,940,173</u>

NOTE K - DEFERRED REVENUE

The Foundation hosts a special event annually in the fall. Expenses incurred prior to June 30 for each event were \$190,136 and \$2,886 for 2023 and 2022, respectively, and were included in prepaid expenses and other assets on the consolidated statement of financial position. Revenue pledged or received prior to June 30 for each event is included in deferred revenue on the consolidated statement of financial position.

The Foundation receives non-federally funded grants from various institutions that fully awards the amount of the grant award at the beginning of the grant period, which the Foundation recognizes as deferred revenue on the consolidated statement of financial position.

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Deferred revenue is comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Unexpended grant revenue	\$ 2,403,019	\$ 2,079,379
Special event revenue	<u>322,250</u>	<u>236,400</u>
Total deferred revenue	<u>\$ 2,725,269</u>	<u>\$ 2,315,779</u>

NOTE L - COMMITMENTS AND CONTINGENCIES

The Foundation has entered into various deferred compensation arrangements. The total liability related to these agreements was \$4,565,697 and \$3,875,908 at June 30, 2023 and 2022, respectively. The total assets related to these accounts was \$6,097,175 and \$5,388,177 at June 30, 2023 and 2022, respectively, and is included in prepaid expenses and other assets in the consolidated statement of financial position.

As of June 30, 2023, no commitments remain under construction contracts; however, there is construction scheduled to be begin during the 2024 fiscal year.

The Foundation is a party to a \$4 million line of credit agreement with outstanding amounts bearing interest at the 90-day LIBOR rate and maturing December 2024. The line of credit is available for general corporate purposes. The lender has the right to offset outstanding balances against funds held in operating accounts with the lender. The line of credit was not used during the year.

The Foundation, whenever feasible, makes an effort, through licensing, royalty, stock ownership and other arrangements to position itself to share an interest in the commercial rewards attributable to its research programs. In certain situations, the Foundation may not attribute value to such arrangements based upon management's best estimates. As a result, at any point in time, the Foundation may hold revenue and ownership rights that are not reflected in its consolidated financial statements.

In June 2016, the Foundation received a 10-year funding commitment of \$250,000 per year from the Presbyterian Health Foundation. The funds will be used to provide scholarships and stipends to PhD/MD students. As in prior funding commitments from Presbyterian Health Foundation, if the \$250,000 annual funding provided under this commitment is not used in a given year, the unused portion will be available for carry forward to future years. Since the commitment is only funded by the Presbyterian Health Foundation on an as used basis for allowable expenditures, the Foundation records the revenue relating to this commitment when the scholarships and stipends are paid. In 2023, \$92,776 in scholarships and stipends were paid and an equivalent amount of grant revenue was recorded. At June 30, 2023, the remaining funds available under this commitment, which will be recorded as revenue when expended, is \$1,219,839.

The Foundation has been awarded grants from the Department of Health and Human Services ("DHHS") that provided funds for the renovation of portions of the Foundation's research buildings. The grants included clauses that restrict the Foundation from mortgaging or selling the renovated property without the prior written consent of the granting agency.

The Foundation receives a significant portion of its public support from agencies of the U.S. government. If the government effects significant budget cuts in the future, this source of funding could decrease. If this were to occur, it is management's opinion that the Foundation could continue most of its research activities on a more limited basis through other sources of funding.

In the normal course of operations, the Foundation receives grants and other forms of reimbursement from various government agencies. These activities are subject to audit by agents of the funding authority, the

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that the liability, if any, for any reimbursement which may arise as the result of audits, would not be material to the consolidated financial statements.

The Foundation holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such changes, could materially affect the amounts reported in the consolidated financial statements.

From time to time, the Foundation may be involved in certain lawsuits arising in the ordinary course of business. While the outcome of these lawsuits cannot be predicted with certainty, the Foundation does not expect these matters to have a material adverse effect on the Foundation's consolidated financial condition, liquidity or operations.

NOTE M - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-level hierarchy for measuring fair value.

The fair value hierarchy for valuation inputs gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument; and
- Level 3 - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

The following table summarizes financial assets measured at fair value on a recurring basis as of June 30, 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Equity investments	\$ 106,852,644	\$ -	\$ -	\$ 106,852,644
Equity investments - other	-	-	1,586,314	1,586,314
Bond funds	29,776,023	-	-	29,776,023
Common collective trusts	-	22,333,149	-	22,333,149
Private equity funds	-	-	10,100,990	10,100,990
Real estate fund	-	-	5,331,126	5,331,126
Hedge funds	-	-	13,243,271	13,243,271
Cash equivalents	3,168,952	-	-	3,168,952
Total investments	139,797,619	22,333,149	30,261,701	192,392,469
Cash and cash equivalents restricted for investment in plant and equipment	2,732,739	-	-	2,732,739
Funds held in trust by others	-	-	145,885,933	145,885,933
	<u>\$ 142,530,358</u>	<u>\$ 22,333,149</u>	<u>\$ 176,147,634</u>	<u>\$ 341,011,141</u>
				Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
Beginning balance				\$ 171,842,530
Net realized/unrealized gains				12,420,462
Purchases				(21,955,561)
Sales				13,840,203
Ending balance				<u>\$ 176,147,634</u>

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

The following table summarizes financial assets measured at fair value on a recurring basis as of June 30, 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Equity investments	\$ 94,281,097	\$ -	\$ -	\$ 94,281,097
Equity investments - other	-	-	1,998,814	1,998,814
Bond funds	26,488,505	-	-	26,488,505
Common collective trusts	-	21,189,044	-	21,189,044
Private equity funds	-	-	9,864,716	9,864,716
Real estate fund	-	-	3,560,958	3,560,958
Hedge funds	-	-	12,626,716	12,626,716
Cash equivalents	2,277,287	-	-	2,277,287
Total investments	123,046,889	21,189,044	28,051,204	172,287,137
Cash and cash equivalents restricted for investment in plant and equipment	5,549,067	-	-	5,549,067
Funds held in trust by others	-	-	143,791,326	143,791,326
	<u>\$ 128,595,956</u>	<u>\$ 21,189,044</u>	<u>\$ 171,842,530</u>	<u>\$ 321,627,530</u>
				Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
Beginning balance				\$ 190,782,874
Net realized/unrealized losses				(19,464,229)
Purchases				(28,912,370)
Sales				29,436,255
Ending balance				<u>\$ 171,842,530</u>

NOTE N - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Foundation's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or internal designations. The Foundation has certain donor-restricted net assets that are available for general expenditures within one year of June 30, 2023 because the restrictions on the net assets are expected to be met by conducting the normal activities of our programs in the coming year. Accordingly, the related resources have been included in the table below detailing the financial assets

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

available to meet general expenditures within one year. The Foundation has other assets limited to use for donor-restricted purposes and for contractually required debt service reserves, which are not included.

	<u>2023</u>	<u>2022</u>
Financial assets due within one year:		
Cash and cash equivalents	\$ 10,275,949	\$ 8,391,263
Receivables, net	43,093,480	40,662,728
Prepaid expenses and other assets	7,193,947	6,362,258
Investments	<u>192,392,469</u>	<u>172,287,137</u>
Total financial assets	<u>252,955,845</u>	<u>227,703,386</u>
Less amount unavailable for general expenditures with one year due to:		
Donor-restricted gifts for research	(1,637,916)	(2,244,843)
Other assets held for future obligations	(6,562,225)	(5,737,654)
Reserved for debt service	(2,953,500)	(2,953,500)
Investments non-convertible to cash within one year	(8,320,663)	(7,452,805)
Donor-restricted endowment fund	<u>(116,289,436)</u>	<u>(104,791,294)</u>
Total amounts unavailable due to donor restrictions or law	<u>(135,763,740)</u>	<u>(123,180,096)</u>
Total financial assets available for general expenditure within one year	<u>\$ 117,192,105</u>	<u>\$ 104,523,290</u>

As a part of our liquidity plan, the Foundation routinely monitors the availability of resources to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As such, cash in excess of daily requirements are invested in short-term investments and money market funds. Included in financial assets above are board-designated endowment funds that could be made available for current operations at the discretion of the Board of Directors.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue, including federal funds, to cover general expenditures not covered by donor-restricted resources. Furthermore, in the event of an unanticipated liquidity need, the Foundation also could draw upon \$4,000,000 of an available line of credit (as further discussed in Note L).

NOTE O - LEASES

The Foundation leases certain property, plant and equipment under a finance lease.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. The Foundation also considered whether its service arrangements include the right to control the use of an asset. It was concluded that there were no such arrangements.

The Foundation leases equipment from unrelated parties under a finance lease agreement. This equipment leases includes a purchase option exercisable at the end of the lease term at the lessee's discretion. The Foundation's lease does not contain any material restrictive covenants.

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities. The components of lease expense are as follows:

<u>Year Ended June 30,</u>	<u>2023</u>
Amortization of ROU asset	\$ 15,067
Interest on lease liability	<u>2,369</u>
 Total lease cost	 <u>\$ 17,436</u>

The ROU asset and lease liability obtained in exchange for new lease obligation was \$1,047,811 and \$1,050,180, respectively.

Statement of Financial Position Classification

A Statement of Financial Position summary of lease right-of-use assets and liabilities is as follows:

Assets	
Plant and equipment -net	\$ 1,032,744
 Liabilities	
Accounts payable and accrued expenses	\$ 200,965
Other long term liabilities	\$ 849,215

Weighted-average Remaining Lease Term and Discount Rate

The weighted-average remaining lease term and weighted-average discount rate used to calculate the present value of lease liabilities are as follows:

<u>Weighted-Average as of June 30, 2023</u>	<u>Remaining Lease Term</u>	<u>Discount Rate</u>
Finance lease	4.25	3.70%

Total Present Value of Lease Liabilities

Future undiscounted cash flows for each of the next five years and thereafter, and the reconciliation to the lease liability recognized on the statement of financial position as of June 30, 2023 is as follows:

2024	\$ 236,440
2025	283,728
2026	283,728
2027	283,728
2028	<u>47,288</u>
 Total lease payments	 1,134,912
 Less interest	 <u>(84,732)</u>
 Total present value of lease liabilities	 <u>\$ 1,050,180</u>

Oklahoma Medical Research Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE P - RELATED PARTY TRANSACTIONS

The Foundation has transactions in the normal course of business with third parties of which directors of the Foundation are also officers. All such transactions are conducted at arm's length.

NOTE Q - SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions subsequent to June 30, 2023 through December 19, 2023, the date these consolidated financial statements were available to be issued, for potential recognition or disclosure in these consolidated financial statements.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Oklahoma Medical Research Foundation

We have audited, 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 (Government Auditing Standards), the consolidated financial statements of Oklahoma Medical Research Foundation and its subsidiary (collectively the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2023.

Report on internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 19, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Oklahoma Medical Research Foundation

Report on compliance for each major federal program

Opinion on each major federal program

We have audited the compliance of Oklahoma Medical Research Foundation and its subsidiary (collectively the “Foundation”) with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation’s major federal programs for the year ended June 30, 2023. The Foundation’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, the Foundation 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 June 30, 2023.

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 (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation’s compliance with the compliance requirements referred to above.

Responsibilities of management for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation’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 the Foundation'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 US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation'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 internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on internal control over compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in the Foundation's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been 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.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 19, 2023

Oklahoma Medical Research Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2023

Federal Grantor/Pass-through Grantors Program Title	Federal Assistance Listing Number (if available)	Pass-through Entity ID Number	Amount Provided to Subrecipient	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER				
Direct Funded Grants:				
U.S. Department of Health and Human Services:				
National Institutes of Health:				
National Institute on Aging Research	93.866		\$ 534,009	\$ 3,783,355
National Institute of Allergy and Infectious Diseases Research	93.855		613,446	5,350,922
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846		70,693	5,893,578
National Institute of Dental, Oral and Craniofacial Research	93.121		1,191	636,888
National Institute of Diabetes, Digestive and Kidney Diseases	93.847		-	-
National Institute of Vision Research	93.867		5,947	755,389
National Institute of Biomedical Research and Research Training	93.859		507,933	7,048,732
National Institute of Child Health and Human Development	93.865		9,982	286,226
National Institute of Cardiovascular Diseases Research	93.837		21,334	2,821,560
National Institute of Lung Diseases Research	93.838		36,768	378,890
National Institute of Blood Diseases and Resources Research	93.839		498,323	1,751,754
National Center for Advancing Translational Sciences	93.350		-	54,924
National Institute of Drug Abuse and Addiction Research	93.279		-	-
National Institute of Discovery and Applied Research for Technology	93.286		108,901	341,950
National Institute of Cancer Biology Research	93.396		-	169,130
National Institute of NeuroSciences and Neurological Disorders	93.853		49,300	447,968
Trans-NIH Research Support	93.310		-	397,956
National Institute of Deafness and Communication Disorders	93.173		-	88,573
Congressional Directives	93.493		-	300,662
Total U.S. Department of Health and Human Services			<u>2,457,827</u>	<u>30,508,457</u>
Other departments:				
U.S. Department of Defense:				
U.S. Army Medical Research and Development	12.420		-	57,267
U.S. Office of Personnel Management:				
Veteran Affairs Personnel Mobility Program	N/A		-	732,519
National Science Foundation:				
Biological Sciences	47.074		-	188,354
Total other departments			<u>-</u>	<u>978,140</u>
Total Direct Funded Grants			<u>\$ 2,457,827</u>	<u>\$ 31,486,597</u>

The accompanying notes are an integral part of this schedule.

Oklahoma Medical Research Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended June 30, 2023

Federal Grantor/Pass-through Grantors Program Title	Federal Assistance Listing Number (if available)	Pass-through Entity ID Number	Amount Provided to Subrecipient	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER - CONTINUED				
Pass-through Grants:				
U.S. Department of Health and Human Services:				
National Institutes of Health:				
National Institute of Aging Research:				
University of Oklahoma Health Sciences Center	93.866	731563627	\$ -	\$ 933,520
University of Michigan	93.866	386006309	-	31,748
Mayo Clinic	93.866	416011702	-	(6,694)
Adventist Health System	93.866	590724459	-	59,593
University of Kansas Medical Center	93.866	481108830	-	46,073
University of Kentucky Research Foundation	93.866	616033693	-	44,400
Emory University	93.866	580566256	-	87,739
National Institute of Allergy and Infectious Diseases:				
Emory University	93.855	580566256	-	1,895,201
University of Oklahoma	93.855	736017987	-	163,247
Oregon Health & Science University	93.855	931176109	-	427,370
University of Pittsburgh	93.855	250965591	-	18,912
University of Texas Southwest Medical Center	93.855	756002868	-	12,363
National Institute of Arthritis and Musculoskeletal and Skin Diseases:				
Stanford University	93.846	941156365	-	3,166
Penn State University	93.846	251857035	-	164,825
Medical University of South Carolina	93.846	576000722	-	166,667
University of Pittsburgh	93.846	250965591	-	38,409
University of Buffalo	93.846	141368361	-	58,975
National Institute of Biomedical Research and Research Training:				
Oklahoma State University	93.859	731383996	-	28,598
University of Oklahoma Health Sciences Center	93.859	731563627	-	1,366,415
Cherokee Nation	93.859	730757033	-	102,328
University of Texas MD Anderson Cancer Center	93.859	746001118	-	6,451
Stanford University	93.859	941156365	-	429,506
University of Arkansas for Medical Sciences	93.859	716046242	-	234,209
National Institute of Cardiovascular Diseases Research:				
Boston Children's Hospital	93.837	042774441	-	199,110
National Institute of Cancer Cause and Prevention Research:				
University of Oklahoma Health Sciences Center	93.393	731563627	-	45,943
University of Oklahoma	93.393	736017987	-	14,523
National Institute of Dental, Oral and Craniofacial Research:				
University of Florida	93.121	596002052	-	23,014
University of California San Francisco	93.121	946036493	-	303,950
National Institute of Diabetes, Digestive and Kidney Disease Research:				
University of California Davis Medical Center	93.847	530754770	-	58,298
University of Oklahoma Health Sciences Center	93.847	731563627	-	29,216
University of Kentucky Research Foundation	93.847	616033693	-	67,523
Research and Training in Complementary and Integrative Health:				
University of Kentucky Research Foundation	93.213	616033693	-	63,465
Trans-NIH Research Support:				
University of Oklahoma Health Sciences Center	93.310	731563627	-	116,047
Cherokee Nation	93.310	730757033	-	329,382
Cancer Detection and Diagnosis Research:				
University of Oklahoma Health Sciences Center	93.394	731563627	-	45,923
Human Genome Research:				
Broad Institute of MIT and Harvard	93.172	263428781	-	60,718
National Institute of Drug Abuse and Addiction Research:				
Emory University	93.279	580566256	-	80,170
National Institute of Vision Research:				
University of Oklahoma Health Sciences Center	93.867	731563627	-	17,841
Total U.S. Department of Health and Human Services:			-	7,768,144

The accompanying notes are an integral part of this schedule.

Oklahoma Medical Research Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended June 30, 2023

<u>Federal Grantor/Pass-through Grantors Program Title</u>	<u>Federal Assistance Listing Number (if available)</u>	<u>Pass-through Entity ID Number</u>	<u>Amount Provided to Subrecipient</u>	<u>Total Expenditures</u>
RESEARCH AND DEVELOPMENT CLUSTER - CONTINUED				
Pass-through Grants:				
U.S. Department of Defense:				
Military Medical Research and Development:				
Columbia University	12.420	135598093	\$ -	\$ 8,511
Total U.S. Department Defense			-	8,511
Total Pass-through Grants			-	7,776,655
Total research and development cluster			<u>\$ 2,457,827</u>	<u>\$ 39,263,252</u>
OTHER PROGRAMS				
U.S. Department of Health and Human Services:				
Provider Relief Fund and American Rescue Plan Rural Distribution	93.498		\$ -	\$ 124,905
Total other programs			<u>\$ -</u>	<u>\$ 124,905</u>
Total expenditures of federal awards			<u>\$ 2,457,827</u>	<u>\$ 39,388,157</u>

The accompanying notes are an integral part of this schedule.

Oklahoma Medical Research Foundation

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

1. The purpose of the Schedule of Expenditures of Federal Awards (the "Schedule") is to present a summary of the activities of Oklahoma Medical Research Foundation (the "Foundation") for the year ended June 30, 2023, which have been financed by the U.S. Government.

For purposes of the Schedule, federal awards have been classified into two types:

- Direct federal awards consisting of federal assistance; and
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

The Schedule is prepared on the cash basis of accounting. Expenditures are recognized when paid.

Federal awards provided to subrecipient are treated as expenditures when they are paid to the subrecipient.

2. Assistance Listing Numbers ("ALN") are presented for those programs for which such numbers were available.
3. Federal direct programs are presented by federal department and, where applicable, the funding agency within the department. Federal pass through programs are presented by the entity through which the Foundation received the federal award. Amounts provided to subrecipient from each federal program have been separately identified for additional analysis. These awards are included in total cash basis expenditures.
4. The Foundation has a federally negotiated indirect cost rate and therefore elected not to use the 10% de minimis indirect cost rate as covered in 2 CFR §200.414.

Oklahoma Medical Research Foundation
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified	No
• Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted:	No

Federal Awards

Internal controls over major programs:	
• Material weakness(es) identified	No
• Significant deficiencies identified that are not considered to be material weakness(es)	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with §200.516 of 2 CFR 200.	No

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$1,181,645
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Auditee qualified as low-risk auditee?	Yes
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SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reportable.

Oklahoma Medical Research Foundation
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2023

There were no prior year findings or questioned costs reported.