

**VETERANS HEALTH RESEARCH INSTITUTE
OF CENTRAL NEW YORK, INC.**

**Financial Statements
For the Year Ended September 30, 2020
(With Comparative Totals for 2019)
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

February 11, 2021

To the Board of Directors of
Veterans Health Research Institute of Central New York, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Veterans Health Research Institute of Central New York, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veterans Health Research Institute of Central New York, Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Summarized Comparative Information

We have previously audited Veterans Health Research Institute of Central New York, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of residual research funds on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The 2019 supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 supplementary information is fairly stated in all material respects in relation to the financial statements from which it has been derived.

VETERANS HEALTH RESEARCH INSTITUTE OF CENTRAL NEW YORK, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 468,434	\$ 83,899
Accounts receivable	90,460	375,887
Prepaid expenses	<u>4,180</u>	<u>44,628</u>
Total current assets	<u>563,074</u>	<u>504,414</u>
CERTIFICATES OF DEPOSIT	303,276	303,011
PROPERTY AND EQUIPMENT:		
Equipment	113,845	113,845
Less: Accumulated depreciation	<u>(110,844)</u>	<u>(107,980)</u>
Property and equipment - net	<u>3,001</u>	<u>5,865</u>
Total assets	<u>\$ 869,351</u>	<u>\$ 813,290</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 4,185	\$ 2,087
Due to related party	3,122	4,504
Accrued payroll and payroll taxes	59,008	41,281
Paycheck Protection Program loan	153,600	-
Accrued expenses	<u>1,427</u>	<u>13,427</u>
Total liabilities	<u>221,342</u>	<u>61,299</u>
NET ASSETS:		
Without donor restrictions	<u>648,009</u>	<u>751,991</u>
Total net assets	<u>648,009</u>	<u>751,991</u>
Total liabilities and net assets	<u>\$ 869,351</u>	<u>\$ 813,290</u>

The accompanying notes are an integral part of these statements.

VETERANS HEALTH RESEARCH INSTITUTE OF CENTRAL NEW YORK, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
REVENUES, GAINS AND OTHER SUPPORT:		
Grant and contract revenue -		
Governmental	\$ 871,735	\$ 753,769
Other	<u>306,905</u>	<u>341,063</u>
Total grant and contract revenue	<u>1,178,640</u>	<u>1,094,832</u>
Other revenue -		
Donations	-	2,831
Unrealized gains on certificates of deposit	265	5,999
Investment income	<u>7,753</u>	<u>8,251</u>
Total other revenue	<u>8,018</u>	<u>17,081</u>
Total revenues, gains, and other support	<u>1,186,658</u>	<u>1,111,913</u>
EXPENSES:		
Research services	926,698	924,741
Administrative services	<u>363,942</u>	<u>246,353</u>
Total expenses	<u>1,290,640</u>	<u>1,171,094</u>
CHANGE IN NET ASSETS	<u>(103,982)</u>	<u>(59,181)</u>
NET ASSETS - beginning of year	<u>751,991</u>	<u>811,172</u>
NET ASSETS - end of year	<u>\$ 648,009</u>	<u>\$ 751,991</u>

The accompanying notes are an integral part of these statements.

VETERANS HEALTH RESEARCH INSTITUTE OF CENTRAL NEW YORK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(With Comparative Totals for 2019)

	<u>Research Services</u>	<u>Administrative Services</u>	<u>2020 Total</u>	<u>2019 Total</u>
Salaries and related expenses:				
Salaries	\$ 669,868	\$ 257,159	\$ 927,027	\$ 797,105
Fringe benefits	50,619	25,447	76,066	83,398
Payroll taxes	<u>60,811</u>	<u>22,694</u>	<u>83,505</u>	<u>74,642</u>
Salaries and related expenses	781,298	305,300	1,086,598	955,145
Professional fees	40,342	24,161	64,503	64,143
Travel and meeting costs	9,802	9,931	19,733	40,219
Patient reimbursement	11,000	-	11,000	5,185
Office, telephone, postage and other	8,628	4,589	13,217	13,044
Lab supplies and equipment	70,618	20	70,638	62,147
Insurance	-	9,468	9,468	8,287
Dues, printing and publications	4,476	6,925	11,401	14,597
Maintenance and repairs	<u>534</u>	<u>684</u>	<u>1,218</u>	<u>1,333</u>
Total expenses before depreciation	926,698	361,078	1,287,776	1,164,100
Depreciation	<u>-</u>	<u>2,864</u>	<u>2,864</u>	<u>6,994</u>
Total	<u>\$ 926,698</u>	<u>\$ 363,942</u>	<u>\$ 1,290,640</u>	<u>\$ 1,171,094</u>

The accompanying notes are an integral part of these statements.

VETERANS HEALTH RESEARCH INSTITUTE OF CENTRAL NEW YORK, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2020 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (103,982)	\$ (59,181)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Unrealized gains on certificates of deposit	(265)	(5,999)
Depreciation	2,864	6,994
Changes in:		
Accounts receivable	285,427	(97,758)
Prepaid expenses	40,448	(39,764)
Accounts payable	2,098	(1,724)
Due to related party	(1,382)	2,763
Accrued payroll and payroll taxes	17,727	15,955
Accrued expenses	<u>(12,000)</u>	<u>(480)</u>
Net cash flow from operating activities	<u>230,935</u>	<u>(179,194)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Payroll Protection Program loan	<u>153,600</u>	<u>-</u>
Net cash flow from financing activities	<u>153,600</u>	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	384,535	(179,194)
CASH AND CASH EQUIVALENTS - beginning of year	<u>83,899</u>	<u>263,093</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 468,434</u>	<u>\$ 83,899</u>

The accompanying notes are an integral part of these statements.

VETERANS HEALTH RESEARCH INSTITUTE OF CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

1. ORGANIZATION

The Veterans Health Research Institute of Central New York, Inc. (the Corporation), previously known as Central New York Research Corporation, exists to facilitate research and related information sharing that promotes scientific advancement and therapeutic innovation of veteran healthcare. As a nonprofit corporation, its purpose is to provide a flexible funding mechanism that enables research and related functions at the Syracuse and Finger Lakes Health Care System Medical Centers, and/or its affiliated US Department of Veterans Affairs community based outpatient clinics. The only statutory purpose of the Corporation is to be a funding mechanism for the conduct of peer reviewed, approved research activities under the guidelines and authorization of United States Code 38, Sections 7361 through 7368, and VHA Handbook 1200.17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America (GAAP).

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by functional expense classification. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Change in Accounting Principle

During 2020, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, with the purpose of improving consistency in reporting whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, ASU 2018-08 requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and whether a right of return of assets transferred exists. The Corporation adopted ASU 2018-08 on October 1, 2019, using a modified prospective basis, in which the change in accounting principle applies only to agreements that are either not completed as of, or are entered into after, the adoption date. There was no effect on total net assets or change in net assets as a result of adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting

The Corporation reports its activities on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions**

Net assets without donor restrictions include resources, which are available for the support of the Corporation's operating activities. In addition, they include resources set aside by the Board of Directors for residual research. Residual research funds include separate accounts set up for each investigator for the purpose of administration of defined research projects. Residual research funds net assets are subject to the Corporation's project approval/investigator accounts/residual funds policies.

- **Net Assets With Donor Restrictions**

Net assets with donor restrictions include resources that have been donated to the Corporation subject to restrictions as imposed by the donor for a specific time, purpose, or in perpetuity. The satisfaction of the time and purpose restrictions is reflected as net assets released from restrictions in the statement of activities. There were no net assets with donor restrictions as of September 31, 2020 or 2019.

Cash and Cash Equivalents

Cash and cash equivalents include checking and money market funds. The Corporation's cash and cash equivalents balance may at times exceed federally insured limits. The Corporation has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Certificates of Deposit

Certificates of deposit with face values of \$240,000 and \$60,000, totaling \$300,000, were held by the Corporation at September 30, 2020 and 2019. The certificates bear interest at rates ranging from 2.50% to 2.55% at September 30, 2020 and 2019, and will mature in February 2021. Certificates of deposit are stated at cost plus accrued interest.

Property and Equipment

Purchased assets are recorded at cost. Items with a cost of \$5,000 and an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Depreciation expense amounted to \$2,864 and \$6,994 for the years ended September 30, 2020 and 2019, respectively.

Donations

Donations are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Donor-restricted donations whose restrictions are met within the same year as received are reported as donations without donor restrictions in the accompanying financial statements.

Donations of noncash assets are recorded at their fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills are recorded at their fair values in the period received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Grant Revenue

The Corporation receives grants to assist in carrying out its programs. Unconditional grants are recognized as revenues in the period received or promised. Conditional grants are not recognized as revenues until the conditions on which they depend are substantially met. The Corporation has adopted a policy whereby all government and other contracts be recorded as without donor restrictions if the restriction expires in the same reporting period as received.

Conditional grants were received with the following conditions as of September 30:

	<u>2020</u>
Incurring qualified program expenses	\$ <u>605,199</u>
	\$ <u>605,199</u>

Accounts receivable represent amounts due to the Corporation under grant agreements where conditions were substantially met at year end. It is the policy of management to review outstanding accounts receivable and follow up on past due collections. The Corporation will establish an allowance for doubtful accounts based upon factors surrounding the credit risk of specific funding sources, historical trends, and other information, if necessary. Management considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded at September 30, 2020 and 2019. If amounts become uncollectible, they will be charged to bad debt expense when the determination is made. Unpaid balances remaining after the stated payment terms are considered past due.

Allocation of Certain Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. The costs are functionalized on a direct basis, where possible. Indirect costs are allocated by estimated time spent, usage, or square footage.

Income Taxes

The Corporation is a New York non-profit corporation and is exempt from federal and state income taxes as a corporation, which is qualified under Section 501(c)(3) of the Internal Revenue Code. The Corporation is classified as a corporation that is not a private foundation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

3. LIQUIDITY

The Corporation's financial assets available within one year of the financial position date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 468,434	\$ 83,899
Accounts receivable	90,460	375,887
Certificates of deposit	<u>303,276</u>	<u>303,011</u>
 Total financial assets, at year end	 862,170	 762,797
 Less those unavailable for general expenditures within one year, due to:		
 Board designation	 <u>(500,151)</u>	 <u>(532,264)</u>
 Total amounts available for general expenditures within one year	 <u>\$ 362,019</u>	 <u>\$ 230,533</u>

The Corporation's ability to meet its cash needs is dependent on timely collection of its accounts receivable and maintaining research funding from the government and others to support its mission. The Corporation may redeem the certificates of deposit prior to the maturity date with an early redemption penalty in the event of an unanticipated liquidity need. In addition, residual research funds are designated by the board and include separate accounts set up for each investigator for the purpose of administration of defined research projects. Residual research funds net assets are subject to the Corporation's project approval/investigator accounts/residual funds policies and can be undesignated by the Board of Directors.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Governmental	\$ 29,620	\$ 95,370
Other	<u>60,840</u>	<u>280,517</u>
	<u>\$ 90,460</u>	<u>\$ 375,887</u>

5. PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Corporation entered into an unsecured promissory note payable to a bank in the amount of \$153,600. This note was entered into by the Corporation as part of the Paycheck Protection Program (PPP). The PPP provides for this borrowing, or a portion of the borrowing, to be forgiven to the extent the Corporation meets eligibility and defined requirements related to expenditure of funds. If no forgiveness is granted, the loans require aggregate monthly payments, including interest at 1%, starting at the earlier of ten months from the end of the 24-week measurement period or the determination by the Small Business Administration.

Maturities of paycheck protection program loan is as follows at September 30:

2021	\$	85,049
2022		<u>68,551</u>
Total	\$	<u>153,600</u>

6. CONTINGENCIES

The Corporation's PPP arrangement calls for the Corporation to claim certain operating costs as support for its PPP forgiveness. The possibility exists that one or more of the Corporation's recurring funders might view the funding received through the PPP arrangement as reducing their obligation to fund the Corporation at previously planned or committed levels. Such funders may choose to retro-actively modify funding amounts covering services rendered.

7. RETIREMENT PLAN - DEFINED CONTRIBUTION PLAN

The Corporation sponsors a Section 403(b) defined contribution plan (the Plan) covering all employees who satisfy the Plan's eligibility requirements. The Corporation makes a discretionary contribution to the Plan each year. Contributions to the Plan were \$19,706 and \$24,495 for the years ended September 30, 2020 and 2019, respectively. These amounts are included in fringe benefits expense on the statement of functional expenses.

8. RELATED PARTY TRANSACTIONS

The by-laws of the Corporation require the Board of Directors to consist of at least seven members which include:

1. The Syracuse and Finger Lakes Health Care System Medical Center Directors.
2. The Syracuse Veterans Affairs Chief of Staff.
3. The Syracuse Veterans Affairs Associate Chief of Staff (ACOS) for Research.
4. At least two persons who are not officers or employees of the Federal Government and who are familiar with issues involving medical research.
5. At least one scientific investigator who is actively participating in at least one on-going research project.

8. RELATED PARTY TRANSACTIONS (Continued)

The Veterans Affairs Medical Center Director (who is mandatorily on the Board of Directors of the Corporation) has the authority to allow the Corporation use of the hospital's facilities and any other support that is deemed necessary. During the current year, the hospital provided laboratory, office space, utilities, and maintenance to the Corporation. The Corporation has not recorded this in-kind support, as no objective basis is available to measure it.

At September 30, 2020 and 2019, the due to related party consisted of \$3,122 and \$4,504 owed to the Veterans Affairs Medical Center, respectively.

9. RISKS AND UNCERTAINTIES

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The future impact of this situation on the Corporation and its results and financial position is not presently determinable.

10. SUBSEQUENT EVENTS

The Corporation evaluated subsequent events through February 11, 2021, the date these financial statements were available to be issued.

VETERANS HEALTH RESEARCH INSTITUTE OF CENTRAL NEW YORK, INC.

SCHEDULE OF BOARD DESIGNATED - RESIDUAL RESEARCH FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020

(With Comparative Totals for 2019)

<u>Investigators</u>	<u>Dept.</u> <u>No.</u>	<u>2020</u>	<u>2019</u>
Mihai- Novartis-PASSAGE	288	3,610	3,652
Arasu- PROMINENT	295	(14,042)	(10,277)
Murthy- GA39925	296	-	305
Murthy- BI 1368.0005	297	-	(2,106)
Murthy- BI 1368.0017	298	-	(1,160)
Murthy- Ironwood	299	(2,883)	(8,580)
Murthy- GA40209	2000	-	1,280
Murthy- Janssen	2002	-	120
Kaul- Alung	2003	2,000	-
Possemato- Riluzole	335	(4)	(4)
Possemato- NIH-Mindfulness	346	(884)	(1,372)
Cynamon- UofR	347	(10)	-
Possemato- NIH-Bing Univ	348	140	(1,787)
Servatius - CCDC	349	90,795	77,343
Cynamon- Quercus Molecule Design	351	14,029	-
CTC- Clinical Trial Center	440	72,443	52,325
Blakely- Prostate Imaging	581	2,796	2,568
Brose- Merit	583	(1,811)	-
Intrator - VA Career Development	584	1,448	1,448
Funderburk- HRSD COVID-19	585	1,086	-
Anthony- POMVwC	639	(2,545)	(2,545)
Gonzalez- SVS Frailty	642	3,735	3,735
Walsh- Pain Study	644	1,788	2,148
Cynamon- Pheromonicin	646	36,263	56,263
Cynamon- LegoChem	647	15,296	79,408
Cynamon- Paratek-MousePulmonary	648	-	10,101
Dougherty - NCMIC/Marquarie	649	31,393	32,575
Cynamon- AN2 Therapeutics	650	32,381	-
Cynamon- Arixa Pharmaceuticals	651	17,957	-
Bishop- Hypersomnia Foundation	652	6,818	-
Cynamon- General	701	10,023	21,739
Murthy- General	704	82,083	96,982
Kaul- General	705	2,563	4,259
Possemato- General	706	978	2,191
Servatius- General	708	76,731	95,463
Trikha- General	709	2,684	2,684
Motter- General	713	6,582	6,798
Costanza- General	714	6,708	6,708
		<u>\$ 500,151</u>	<u>\$ 532,264</u>

The accompanying notes are an integral part of this schedule.