

MONELL CHEMICAL SENSES CENTER

**Financial Statements as of and for the Years Ended
June 30, 2022 and 2021 and Schedule of
Expenditures of Federal Awards for the Year Ended
June 30, 2022 and Independent Auditors' Reports as
Required by the United States Office of
Management and Budget (OMB)**

FID# 23-2020897

NIH# 1232020897A1

**Kreischer
Miller**

PEOPLE | IDEAS | SOLUTIONS

MONELL CHEMICAL SENSES CENTER

June 30, 2022 and 2021

CONTENTS

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

Statements of Financial Position	1
Statements of Activities	2-3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-20

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	21-23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Expenditures of State Awards	25

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	26-27
---	-------

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	28-30
--	-------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	31-32
---	-------

Independent Auditors' Report

The Board of Directors
Monell Chemical Senses Center
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Monell Chemical Senses Center, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Monell Chemical Senses Center as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Monell Chemical Senses Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Monell Chemical Senses Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Monell Chemical Senses Center'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis, and is not a required part of the financial statements. The schedule of expenditures of state awards as required by the Commonwealth of Pennsylvania, Department of Health is also 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 audits 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023 on our consideration of Monell Chemical Senses Center'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 Monell Chemical Senses Center'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 Monell Chemical Senses Center's internal control over financial reporting and compliance.



Horsham, Pennsylvania
February 22, 2023

MONELL CHEMICAL SENSES CENTER

Statements of Financial Position June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,464,743	\$ 127,269
Investments	6,001,859	6,053,942
Research grants receivable	2,109,680	2,128,077
Pledges receivable	11,150,458	1,931,888
Prepaid expenses and other current assets	274,729	216,966
Total current assets	27,001,469	10,458,142
Long-term pledges receivable	623,247	267,523
Property, plant and equipment, net	12,680,176	12,698,522
Total assets	\$ 40,304,892	\$ 23,424,187
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 83,470	\$ 79,956
Paycheck Protection Program loan	-	1,496,618
Accounts payable and accrued expenses	855,949	1,268,478
Deferred revenue	2,262,494	1,322,629
Total current liabilities	3,201,913	4,167,681
Long-term debt, net of current portion	2,004,728	2,088,198
Total liabilities	5,206,641	6,255,879
Net assets:		
Without donor restrictions:		
Undesignated	17,615,931	13,052,397
Designated by the Board	14,317,487	1,445,938
With donor restrictions	3,164,833	2,669,973
	35,098,251	17,168,308
Total liabilities and net assets	\$ 40,304,892	\$ 23,424,187

See accompanying notes to financial statements.

MONELL CHEMICAL SENSES CENTER

Statements of Activities Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	\$ 20,034,716	\$ 2,349,583	\$ 22,384,299
Federal grants	7,418,191	-	7,418,191
Other grants	3,255,319	-	3,255,319
Patent income	38,649	-	38,649
Rental income	727,956	-	727,956
Net assets released from restrictions	1,849,134	(1,849,134)	-
Total public support and revenue	33,323,965	500,449	33,824,414
Expenses:			
Program services - research	12,822,859	-	12,822,859
Management and general	3,261,900	-	3,261,900
Fundraising and development	756,301	-	756,301
Total expenses	16,841,060	-	16,841,060
Other income (expense)			
Paycheck Protection Program loan forgiveness	1,496,618	-	1,496,618
Gain (loss) on disposal of assets	(8,754)	-	(8,754)
Net investment return	(535,686)	(5,589)	(541,275)
	952,178	(5,589)	946,589
Increase (decrease) in net assets	17,435,083	494,860	17,929,943
Net assets, beginning of year	14,498,335	2,669,973	17,168,308
Net assets, end of year	\$ 31,933,418	\$ 3,164,833	\$ 35,098,251

See accompanying notes to financial statements.

2021

Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,364,331	\$ 1,565,246	\$ 3,929,577
7,296,663	-	7,296,663
2,438,995	-	2,438,995
54,618	-	54,618
665,287	-	665,287
2,907,756	(2,907,756)	-
15,727,650	(1,342,510)	14,385,140
10,696,643	-	10,696,643
2,714,452	-	2,714,452
836,945	-	836,945
14,248,040	-	14,248,040
-	-	-
1,310	-	1,310
1,023,324	10,594	1,033,918
1,024,634	10,594	1,035,228
2,504,244	(1,331,916)	1,172,328
11,994,091	4,001,889	15,995,980
\$ 14,498,335	\$ 2,669,973	\$ 17,168,308

MONELL CHEMICAL SENSES CENTER

Statements of Functional Expenses Years Ended June 30, 2022 and 2021

	2022			Total
	Program Services- Research	Management and General	Fundraising and Development	
Salaries and stipends	\$ 5,090,480	\$ 2,184,269	\$ 473,740	\$ 7,748,489
Payroll taxes and employee benefits	1,593,249	216,306	119,856	1,929,411
Total salaries and related expenses	6,683,729	2,400,575	593,596	9,677,900
Research supplies	1,035,667	-	-	1,035,667
Research services and expenses	2,243,912	232,875	-	2,476,787
Office supplies and expenses	105,996	57,084	-	163,080
Utilities	584,745	39,321	10,147	634,213
Other occupancy costs	556,304	37,409	9,654	603,367
Insurance	222,458	14,959	3,860	241,277
Travel, conferences and meetings	180,307	31,557	-	211,864
Telephone	8,984	4,837	-	13,821
Printing and publications	58,598	4,957	-	63,555
Professional services	49,396	94,830	-	144,226
Development	-	-	120,081	120,081
Interest	81,142	10,488	1,408	93,038
Rental expenses	-	264,981	-	264,981
Depreciation	1,011,621	68,027	17,555	1,097,203
Total other expenses	6,139,130	861,325	162,705	7,163,160
Total functional expenses	\$ 12,822,859	\$ 3,261,900	\$ 756,301	\$ 16,841,060

See accompanying notes to financial statements.

2021

Program Services- Research	Management and General	Fundraising and Development	Total
\$ 4,886,549	\$ 1,788,973	\$ 547,470	\$ 7,222,992
1,379,020	178,969	143,985	1,701,974
6,265,569	1,967,942	691,455	8,924,966
958,262	-	-	958,262
1,019,874	170,130	-	1,190,004
82,671	44,515	10,232	137,418
520,204	34,981	9,027	564,212
437,470	29,418	7,592	474,480
202,166	13,595	3,508	219,269
14,763	13,190	(3,275)	24,678
8,628	4,646	-	13,274
16,112	1,363	5,807	23,282
57,967	75,904	-	133,871
-	-	93,286	93,286
84,158	11,068	1,460	96,686
-	278,518	-	278,518
1,028,799	69,182	17,853	1,115,834
4,431,074	746,510	145,490	5,323,074
\$ 10,696,643	\$ 2,714,452	\$ 836,945	\$ 14,248,040

MONELL CHEMICAL SENSES CENTER

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 17,929,943	\$ 1,172,328
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,097,203	1,115,834
Forgiveness of Paycheck Protection Program loan	(1,496,618)	-
(Gain) loss on disposal of property, plant and equipment	8,754	(1,310)
Net realized and unrealized (gains) losses on investments	657,823	(936,962)
(Increase) decrease in:		
Research grants receivable	18,397	(844,342)
Pledges receivable	(9,574,294)	1,249,941
Prepaid expenses and other current assets	(57,763)	(14,644)
Increase (decrease) in:		
Accounts payable and accrued expenses	(412,529)	600,690
Deferred revenues	939,865	(335,911)
Net cash provided by operating activities	9,110,781	2,005,624
Cash flows from investing activities:		
Purchases of property and equipment	(1,116,726)	(1,342,828)
Proceeds from sale of property, plant and equipment	29,115	-
Purchases of investments	(1,968,054)	(1,783,379)
Proceeds from maturity or sale of investments	1,362,314	761,882
Net cash used in investing activities	(1,693,351)	(2,364,325)
Cash flows from financing activity:		
Repayment of long-term debt	(79,956)	(76,590)
Net increase (decrease) in cash and cash equivalents	7,337,474	(435,291)
Cash and cash equivalents, beginning of year	127,269	562,560
Cash and cash equivalents, end of year	\$ 7,464,743	\$ 127,269
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 93,038	\$ 96,686

See accompanying notes to financial statements.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(1) Nature of Activities

Monell Chemical Senses Center (Monell) is a not-for-profit organization incorporated on November 23, 1976 under the laws of the Commonwealth of Pennsylvania. Monell was established for the purpose of conducting charitable, educational and scientific activities within the meaning of Section 501(c)(3) of the Internal Revenue Code (IRC), including, but not limited to, scientific research. Monell is dedicated to exploring the chemical senses (taste, smell and chemosensory irritation) at every level from molecular to behavioral. Monell brings together top scientists from academia, industry and government to collectively focus on the chemical senses.

(2) Summary of Significant Accounting Policies

Basis of Accounting

Monell prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for Not-for-Profit Organizations. The significant accounting and reporting policies used by Monell are described subsequently to enhance the usefulness and understandability of the financial statements.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein 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. They may be designated for specific purposes by action of the Board of Directors.

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. Monell reports donor-restricted contributions as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments with initial maturities of three months or less at the time of purchase and are reported at fair value, which approximates cost.

Investments

Investments are reported at fair value. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividends earned on investments and realized and unrealized capital gains and losses, less external investment expenses.

Research Grants Receivable

Research grants receivable are recorded to the extent that expenditures have been incurred for the purpose specified by the grantor where the related funding has not been received by Monell. Research grants receivable represent amounts known to be collectible from sources for which services were rendered. When all collection efforts have been exhausted, the accounts are written off. Historically, Monell has not experienced a significant pattern of uncollectability, thus an allowance of doubtful accounts is not warranted.

Pledges Receivable

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at present value, which is estimated as net realizable value if expected to be collected in one year and discounted future cash flows if expected to be collected in more than one year. Monell assesses the financial strength of its pledges receivable based on prior history and experience with its donors and grantor agencies. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost on the date of purchase or at fair value at date of gift. Property, plant and equipment are depreciated or amortized over their estimated useful lives of 5 to 50 years on the straight-line basis.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Monell applies the five-step revenue model under Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 606 to determine when exchange revenue is earned and recognized. Monell follows FASB ASC 958, *Not-for-Profit Entities*, for nonreciprocal transactions that are outside of the scope of FASB ASC 606.

Monell's contracts do not include variable consideration. Monell does not have significant financing components as payment is generally received in advance or immediately following when services are provided.

Grants

Grants are recognized as revenue and support over time in an amount that reflects the consideration Monell expects to be entitled to receive as the outcomes specified in the grant contract are achieved. Any remaining balance is deferred until earned.

One governmental agency accounts for 66% of research grants receivable at June 30, 2022, and 36% of total public support and revenue for the year ended June 30, 2022.

Certain grant costs billed to the U.S. government are subject to audit by the appropriate granting government agency. There were no such audits for the fiscal years ended June 30, 2022 and 2021. It is the opinion of management that no significant adjustments will occur should there be audits in the future.

Contributions

Contributions, including unconditional promises, are recognized as revenues in the period made. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported as unrestricted support unless they are received with donor-imposed restrictions as to the use of such assets.

Patents

Patent legal expenses, filing and maintenance fees are included in the research expense category. Patent royalties recognized over time are included in patent income in the accompanying statements of activities, after distributions of an inventor's share as specified in Monell's patent policy.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Functional Allocation of Expenses

The cost of providing program services, fundraising services, and management and general oversight have been summarized on a functional basis. In most cases, expenses are charged directly to a particular program activity but there are certain costs that are allocated among the different service areas.

In certain situations where an employee has a role in Monell's research activities and a role in management and oversight, salary costs and the associated fringe benefits and payroll tax expenses are allocated based on the time spent.

Monell also allocates facilities expenses based on estimates of square footage occupied by research, management, and fundraising activities. These costs would include utilities, building repairs and maintenance, cleaning, building equipment and supplies, landscaping, waste removal, and depreciation. The cost of laboratory equipment and supplies and related maintenance and repairs are charged directly to the appropriate program activity accounts.

Income Taxes

Monell has been granted an exempt status from federal, state and local income taxes under each jurisdiction's respective tax law; therefore, no provision for income taxes has been included in the accompanying financial statements.

Monell is annually required to file a federal Form 990 with the IRS. In addition, Monell is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Monell files an *Exempt Organization Business Income Tax Return* (Form 990T) with the IRS to report its unrelated business taxable income. Monell's tax returns are subject to examination by the relevant tax authorities until the expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return. Based on Monell's assessment of many factors, including past experience and judgments about future events, Monell does not currently anticipate significant changes in its tax positions over the next 12 months.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit and Other Risks

Financial instruments that potentially subject Monell to concentrations of credit risk consist principally of cash and cash equivalents, and investments. Monell places its cash and temporary cash investments with financial institutions. At times, such balances may be in excess of the FDIC insurance limits, however, Monell has not experienced any loss in such accounts and management believes it is not exposed to any significant credit risk on its cash balances.

Monell invests in various investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statements of financial position.

Upcoming Accounting Pronouncement

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, (Topic 842). ASU 2016-02 improves transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities in the statement of financial position, except for leases with lease terms of 12 months or less. Lease assets represent the right to use the underlying asset for the lease term, and lease liabilities represent the liability to make lease payments. Organizations are also required to disclose key information about leasing arrangements. ASU 2016-02, as amended by ASU 2020-05 is effective for financial statements issued for fiscal years beginning after December 15, 2021. Monell is currently evaluating the impact of adoption on its financial statements.

Reclassifications

Certain items in the 2021 financial statements have been reclassified to conform to current year presentation.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Subsequent Events

Monell has performed an evaluation of subsequent events through February 22, 2023, which is the date the financial statements were available to be issued.

(3) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 7,464,743	\$ 127,269
Investments	6,001,859	6,053,942
Research grants receivable	2,109,680	2,128,077
Pledges receivable	11,773,705	2,199,411
Other accounts receivable	226,968	69,744
	<u>27,576,955</u>	<u>10,578,443</u>
Assets unavailable for general expenditure until after one year:		
Perpetually endowed funds	(623,247)	(267,523)
	<u>(2,007,176)</u>	<u>(43,608)</u>
	<u>\$ 24,946,532</u>	<u>\$ 10,267,312</u>

Monell plans a balanced budget and expects that in the current fiscal year sufficient revenue will be collected to cover general expenditures not covered by donor-restricted resources. Operating funds are maintained in a low-interest checking account. Surplus funds are held in an investment account (see Note 4). It is Monell's practice to reinvest interest income, dividends, and gains. In the event of an unanticipated liquidity need, Monell could also draw upon the \$1,000,000 available line of credit (as further discussed in Note 8).

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(4) Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Quoted market prices for identical assets or liabilities in active markets.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets has been consistent. U.S. government agency bonds and notes, municipal bonds, and corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Corporate equity stocks are valued at the closing price reported on the active market in which the individual securities are traded. The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
U.S. government agency bonds and notes	\$ -	\$ 242,891	\$ -	\$ 242,891
Corporate bonds	-	1,336,203	-	1,336,203
Mutual funds	1,357,120	-	-	1,357,120
Corporate equity stocks	3,065,645	-	-	3,065,645
Total assets at fair value	\$ 4,422,765	\$ 1,579,094	\$ -	\$ 6,001,859

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements June 30, 2022 and 2021

(4) Fair Value Measurements, Continued

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
U.S. government agency bonds and notes	\$ -	\$ 267,609	\$ -	\$ 267,609
Corporate bonds	-	1,640,528	-	1,640,528
Municipal bonds	-	20,000	-	20,000
Mutual funds	1,681,048	-	-	1,681,048
Corporate equity stocks	2,444,757	-	-	2,444,757
Total assets at fair value	\$ 4,125,805	\$ 1,928,137	\$ -	\$ 6,053,942

The estimated fair value by expected maturities of Monell's investments in fixed income securities at June 30, 2022 is as follows:

Less than 5 years	\$ 1,380,462
Thereafter	198,632
	<u>\$ 1,579,094</u>

(5) Pledges Receivable

Pledges receivable are unconditional and are receivable as follows at June 30:

	2022	2021
Due in less than one year	\$ 11,150,458	\$ 1,931,888
Due in one to four years	623,247	267,523
Total pledges receivable	<u>\$ 11,773,705</u>	<u>\$ 2,199,411</u>

At June 30, 2022 and 2021 no allowances for collectability were deemed necessary.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(6) Research Grants Receivable

Generally, the payments of government grants to Monell are made on a reimbursement basis. At year end, the portion of allowable expenditures incurred but not yet reimbursed is included in research grants receivable. Total expenditures awaiting reimbursement at June 30 are as follows:

	2022	2021
Federal and Pennsylvania expenditures awaiting reimbursement	\$ 1,034,368	\$ 1,461,605
Other funding sources awaiting reimbursement	1,075,312	666,472
	<u>\$ 2,109,680</u>	<u>\$ 2,128,077</u>

Such amounts are normally received in the next fiscal year. As such, the amounts have not been discounted and no allowances for collectability are deemed necessary.

(7) Property, Plant and Equipment

Property, plant and equipment consist of the following at June 30:

	2022	2021
Land	\$ 450,406	\$ 450,406
Buildings and improvements	25,749,598	25,691,671
Equipment	11,615,142	10,604,469
Furniture and fixtures	206,887	206,887
Construction-in-progress	33,109	439,113
	38,055,142	37,392,546
Accumulated depreciation	<u>(25,374,966)</u>	<u>(24,694,024)</u>
	<u>\$ 12,680,176</u>	<u>\$ 12,698,522</u>

Depreciation expense was \$1,097,203 and \$1,115,834 for the years ended June 30, 2022 and 2021, respectively.

(8) Line of Credit

Monell has a line of credit with a bank for its working capital needs that provides maximum borrowings of \$1,000,000, set to expire on April 30, 2024. Principal is payable upon expiration and is collateralized by certain investments held by Monell. Borrowings under the line bear interest at 0.75% below the prime rate published in the *Wall Street Journal* (4.00% at June 30, 2022) payable monthly. There are no balances outstanding under this line of credit as of June 30, 2022.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(9) Long-Term Debt

On September 24, 2019, Monell repaid existing loans through the issuance of a mortgage relating to Monell's property at 3500 Market Street ("3500 Loan"). The 3500 Loan was obtained in the amount of \$2,300,000, and is payable in equal monthly installments of principal and interest of \$14,318, through September 2029 when a final balloon payment of approximately \$1,400,000 is due. The 3500 Loan bears interest at a fixed rate of 4.25%. The 3500 Loan is subject to prepayment penalties ranging from 5% to 1% through September 2024. The outstanding principal balance on the 3500 Loan is \$2,088,198 and \$2,168,154 at June 30, 2022 and 2021, respectively.

The mortgage agreement and line of credit are subject to certain financial covenants.

In April 2020, Monell received a loan in the amount of \$1,496,618 from its primary lender pursuant to the Paycheck Protection Program (PPP) administered by the United States Small Business Administration (SBA) and authorized by the Keeping American Workers Employed and Paid Act, which is part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), enacted on May 27, 2020. The note was forgivable subject to the borrower meeting certain requirements related to the use of funds and good-faith certification requirements relating to eligibility for the loan. In June 2021, Monell submitted its loan forgiveness application. Notification of the SBA forgiving the full amount of the loan was received in July 2021. Accordingly, Monell recognized the forgiveness of indebtedness in the year ended June 30, 2022 as other income on the accompanying statement of activities.

Aggregate future maturities of long-term debt are as follows:

Years Ending	
June 30,	Amount
2023	\$ 83,470
2024	86,906
2025	90,958
2026	94,956
2027	99,130
Thereafter	1,632,778
	<u>\$ 2,088,198</u>

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(10) Deferred Revenue

Deferred revenue consists of payments received in advance from private sources, government entities and foundations for activities that have not taken place as of year end. Deferred revenue for expenses that have not yet been incurred consists of the following at June 30:

	2022	2021
Various corporate / industry grants	\$ 1,276,019	\$ 407,000
Private foundation grants	844,175	801,809
Commonwealth of Pennsylvania Tobacco Fund	79,728	112,739
University of Pennsylvania NIH - DK19525	-	1,081
Discover Biomed NIH - DC017693-03S1	12,458	
National Institute of Health	50,114	-
	<u>\$ 2,262,494</u>	<u>\$ 1,322,629</u>

(11) Related Party Transactions

Two members of Monell's Board of Directors also serve as directors for a charitable foundation that provides financial support for Monell. Contributions from that foundation and members of Monell's Board of Directors totaled \$20,096,375 and \$2,203,020 for the years ended June 30, 2022 and 2021, respectively. The Foundation revenue accounts for 17.5% of total public support and revenue for the year ended June 30, 2022. Receivables outstanding at June 30, 2022 and 2021 related to these contributions were \$11,437,512 and \$1,956,130, respectively, representing 97% of total pledges receivable at June 30, 2022.

(12) Rental Income

Monell leases a portion of its facilities under noncancelable operating leases that will expire at various dates through October 2024 or when Monell requires the use of the space. The lease agreements typically provide for a specific monthly payment plus reimbursement of certain operating costs. Future minimum rental income at June 30, 2022 is as follows:

Years Ending	
June 30,	Amount
2023	\$ 585,892
2024	75,896
2025	22,583
	<u>\$ 684,371</u>

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(13) Employee Retirement Plans

Monell sponsors a defined contribution plan (the Plan) that is qualified under Section 403(b) of the IRC. This plan is available to all regular full-time or part-time employees. To be eligible to receive contributions made by Monell, employees must have attained 21 years of age with at least two years of full time service. Benefits are provided through the Teachers Insurance and Annuity Association (TIAA).

The Plan provides for a discretionary match to be determined by the Board of Directors on an annual basis. Effective January 16, 2017, the Board elected to contribute a discretionary match of 6% to active participants. Monell's contributions for the years ended June 30, 2022 and 2021 were approximately \$338,000 and \$294,000, respectively.

Monell also offers a Supplemental Tax-Deferred Annuity Plan to which participant contributions are made voluntarily under Section 403(b) of the IRC and are invested at the direction of the participant. All regular full-time or part-time employees are eligible to participate. This plan allows employees to defer a percentage of their salary pre-tax, in accordance with Internal Revenue Service regulations. There are no employer matching contributions required under this plan.

(14) Postretirement Benefit

Effective June 2007, Monell implemented a health benefit plan for both pre-65 and post-65 aged retirees. To become eligible for the plan, an employee's age plus years of service must total at least 75, with a minimum of age 60 and 15 years of service. The plan provides retirees and eligible spouses under age 65 a subsidy on the cost of continuing their current health insurance coverage. Retirees and dependents age 65 years old or older must enroll in Medicare Parts A and B in order to be eligible for post-65 retiree health benefits. Monell will provide a Medicare Supplement plan for retirees and their eligible spouses in accordance with the terms of the plan. Monell's obligations under the plan are revocable; Monell reserves the right to terminate the plan based on its ability to fund the benefit or the future health insurance premium costs. Expenses associated with this plan for the years ended June 30, 2022 and 2021 were approximately \$61,000 and \$46,000, respectively.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements June 30, 2022 and 2021

(15) Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2022	2021
Subject to expenditure for specified purposes:		
Faculty recruitment	\$ 100,000	\$ 1,222,328
Anosmia research	114,450	139,794
Ovarian cancer research	16,147	48,590
Monell Student Apprenticeship Program	58,675	75,666
Lectureships	114,628	120,545
Disease detection	-	80,709
Sensory nutrition research	1,667	8,340
George Preti research core	57,869	-
Conferences	45,000	45,000
Post doctoral fellowships	-	480,309
	<hr/> 508,436	<hr/> 2,221,281
Subject to the passage of time:		
Unrestricted promises to give that have not yet been received	51,676	405,084
Endowment:		
Perpetual (Note 16)	2,604,721	43,608
	<hr/> \$ 3,164,833	<hr/> \$ 2,669,973

(16) Endowment

Monell's endowment fund was established by restricted gifts from donors. The Board of Directors of Monell has interpreted the Commonwealth of Pennsylvania state law 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, Monell classifies as donor restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) enhancements or diminishments of the fund from investment income, loss and spending allowance.

Monell adopted FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds*, now incorporated in FASB ASC 958. Endowment funds subject to FASB ASC 958 include funds established by donors to provide annual funding for specific activities and general operations.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2022 and 2021

(16) Endowment, Continued

Return Objectives and Risk Parameters

Monell has adopted an investment policy for endowment assets that provides primarily for the preservation of capital, real growth after inflation and capital appreciation. In addition, liquidity, providing adequate income, and limiting volatility of distributions are important.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The income on the endowment net assets is used in accordance with donor stipulations. No formal spending policy has been adopted.

One of Monell's endowments is the Martin Meyerson Lectureship Endowment Fund. The investment income earned on this endowment is restricted for lectureships. For the years ended June 30, 2022 and 2021, investment income (loss) of (\$5,589) and \$10,595, respectively, was recorded as an increase (decrease) in net assets with donor restrictions.

Investment income on all other endowments is unrestricted, and recorded as investment income without donor restrictions on the accompanying statements of activities.

(17) Board Designated Net Assets

A portion of unrestricted net assets comprises funds designated by the Board of Directors for the Kare Memorial Fellowship Fund. The use of such funds is determined by the Board of Directors with input from the Kare Fellowship Fund Committee. The net asset balance of this fund is \$1,223,152 and \$1,445,938 at June 30, 2022 and 2021, respectively.

During the year ended June 30, 2022, Monell received a bequest from a former Board member in the amount of \$13,698,687. The use of such funds is determined by the Board of Directors. The net asset balance of this fund is \$13,094,334 at June 30, 2022.

SUPPLEMENTARY INFORMATION

MONELL CHEMICAL SENSES CENTER

FID# 23-2020897

NIH# 1232020897A1

Supplementary Information
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/Pass-Through Grantor	Assistance Listing	Federal Expenditures
Research and Development Program Cluster:		
U.S. Department of Health and Human Services, Public		
Health Service - National Institutes of Health:		
Research Related to Oral Diseases and Disorders Research	93.121	\$ 250,257
Research Related to Deafness and Communication Disorders	93.173	4,158,056
Research and Training in Complementary and Integrative Health	93.213	568,118
Research Related to Diabetes, Digestive and Kidney Diseases Extramural Research	93.847	736,178
Child Health and Human Development Extramural Research	93.865	101,495
Pass-through - National Institute of Health:		
Research Related to Oral Diseases and Disorders Research	93.121	94,264
Research Related to Deafness and Communication Disorders Temple University	93.173	197,366
Research Related to Deafness and Communication Disorders Johns Hopkins University	93.173	96,884
Research Related to Deafness and Communication Disorders Discovery BioMed	93.173	375,863
Research Related to Deafness and Communication Disorders Arizona State University	93.173	10,609
Research Related to Diabetes, Digestive and Kidney Diseases Extramural Research - University of Pennsylvania	93.847	51,081
Research Related to Programs in the Neurosciences & Neurological Disorders - New York University	93.853	266,288
Research Related to Allergy and Infectious Diseases Research University of Pennsylvania	93.855	72,577
Alcohol Research Programs - NIAAA Contract No. 75N94022P00293	93.273	2,017
Research Related to National Institute of Nursing Research Contract No. 75N98019P03096	93.361	72,814
Total		7,053,867
U.S. Department of Agriculture-Wild Life Services:		
Wildlife Services	10.028	160,690
Department of Veterans Affairs -VA Medical Center		
Grant # 1101CX001617-01A1	64.999	4,995
Grant # 1101BX005432	64.999	45,107
		50,102
HVMN Inc. - U.S. Special Operations Command		
USSOCOM: Contract # H9240519C0016	N/A	(6,629)

See accompanying notes to schedule of expenditures of federal awards.

Continued...

MONELL CHEMICAL SENSES CENTER

FID# 23-2020897

NIH# 1232020897A1

Supplementary Information

Schedule of Expenditures of Federal Awards, Continued

Year Ended June 30, 2022

Federal Grantor/Program or Cluster Title/Pass-Through Grantor	Assistance Listing	Federal Expenditures
Leidos Inc. - Defense Priority Allocation System DARPA CMO: Contract # HR001121C0021	N/A	<u>90,011</u>
SWRI - DOD - DTRA: Subcontract No. N99070N	12.HDTRA-18-D-002	<u>70,150</u>
Total expenditures of federal awards		<u>\$ 7,418,191</u>

See accompanying notes to schedule of expenditures of federal awards.

Continued...

MONELL CHEMICAL SENSES CENTER

FID# 23-2020897

NIH# 1232020897A1

Supplementary Information
Schedule of Expenditures of Federal Awards, Continued
Year Ended June 30, 2022

Assistance Listing	Summary of Federal Associated by Assistance Listing and Contract Number	Federal Expenditures
Research and Development Cluster:		
93.173	Research Related to Deafness and Communication Disorders	\$ 4,838,778
93.121	Research Related to Oral Diseases and Disorders	344,521
93.213	Research and Training in Complementary and Integrative Health	568,118
93.273	Alcohol Research Programs	2,017
93.855	Allergy and Infectious Diseases Research	72,577
93.847	Diabetes, Digestive & Kidney Diseases Extramural Research	787,259
93.853	Programs in the Neurosciences and Neurological Disorders	266,288
93.865	Child Health and Human Development Extramural Research	101,495
93.361	National Institute of Nursing Research	72,814
64.999	Department of Veterans Affairs - VA Medical Center	50,102
10.028	Wild Life Services	160,690
Contract No.		
H9240519C0016	HVMN Inc. - U.S. Special Operations Command	(6,629)
HR001121C0021	Leidos Inc. - Defense Priority Allocation System	90,011
N99070N	SWRI - DOD - DTRA: 12.HDTRA-18-D-002	70,150
Total expenditures of federal awards		<u>\$ 7,418,191</u>

See accompanying notes to schedule of expenditures of federal awards.

MONELL CHEMICAL SENSES CENTER

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

(1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards includes the federal grant activity of Monell Chemical Senses Center (Monell) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) Subrecipients

Of the federal expenditures presented in the schedule, Monell provided federal awards to subrecipients as follows:

Federal Grantor	Assistance Listing	Amount Provided to Subrecipients
U.S. Department of Health and Human Services, Public Health Services - National Institutes of Health: Research Related to Deafness and Communication Disorders	93.173	\$ 675,803
Child Health and Human Development Extramural Research	93.865	<u>53,016</u>
Total federal awards provided to subrecipients		<u>\$ 728,819</u>

(3) De Minimis Indirect Cost Rate

Monell has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

MONELL CHEMICAL SENSES CENTER

FID# 23-2020897

NIH# 1232020897A1

Supplementary Information
Schedule of Expenditures of State Awards
Year Ended June 30, 2022

State Grantor/Program or Cluster Title/Pass-Through Grantor	Agency or Pass-Through Number	State Expenditures
Research and Development Program Cluster:		
Commonwealth of Pennsylvania:		
Department of Health - Tobacco Settlement Research Formula Fund	SAP # 4100083095	\$ 13,435
Department of Health - Tobacco Settlement Research Formula Fund	SAP # 4100085735	40,254
Department of Health - Tobacco Settlement Research Formula Fund	SAP # 4100088556	80,528
Pass-through - Commonwealth of Pennsylvania Pennsylvania Department of Health The Children's Hospital of Philadelphia	SAP # 4100077078	38,724
		<u>38,724</u>
		<u>\$ 172,941</u>

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Monell Chemical Senses Center
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Monell Chemical Senses Center, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Monell Chemical Senses Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monell Chemical Senses Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Monell Chemical Senses Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monell Chemical Senses Center's financial statements are free of 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 determination of financial statement amounts. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Horsham, Pennsylvania
February 22, 2023

Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

The Board of Directors
Monell Chemical Senses Center
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Monell Chemical Senses Center's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Monell Chemical Senses Center's major federal programs for the year ended June 30, 2022. Monell Chemical Senses Center's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Monell Chemical Senses Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Monell Chemical Senses Center's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Monell Chemical Senses Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Monell Chemical Senses Center 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, 2022.

Report on Internal Control over Compliance

Management of Monell Chemical Senses Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Monell Chemical Senses Center's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Monell Chemical Senses Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Kreischer Miller

Horsham, Pennsylvania

February 22, 2023

MONELL CHEMICAL SENSES CENTER

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

Noncompliance material to financial statements noted Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs:

Assistance Listing	Name of Federal Program or Cluster
	Research and Development Program Cluster:
93.173	Research Related to Deafness and Communication Disorders
93.121	Research Related to Oral Diseases and Disorders
93.213	Research and Training in Complementary and Integrative Health
93.273	Alcohol Research Programs
93.855	Allergy and Infectious Diseases Research
93.847	Diabetes, Digestive & Kidney Diseases Extramural Research
93.853	Programs in the Neurosciences and Neurological Disorders
93.865	Child Health and Human Development Extramural Research
93.361	National Institute of Nursing Research
64.999	Department of Veterans Affairs - VA Medical Center
10.028	Wild Life Services

MONELL CHEMICAL SENSES CENTER

**Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2022**

I. SUMMARY OF AUDITORS' RESULTS, CONTINUED

Dollar threshold used to distinguish between
type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

IV. PRIOR AUDIT FINDINGS

The prior year single audit disclosed no findings in the schedule of findings and questioned costs and no significant uncorrected or unresolved findings exist from prior single audits.