

SAGE BIONETWORKS

Single Audit Reports

For the Year Ended December 31, 2022

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**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***

Independent Auditor's Report

**To the Board of Directors
Sage Bionetworks
Seattle, Washington**

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 (*Government Auditing Standards*), the financial statements of Sage Bionetworks (the Organization), which comprise the statements of financial position as of December 31, 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, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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.



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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Clark Nuber P.S.

Certified Public Accountants
September 29, 2023

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

**To the Board of Directors
Sage Bionetworks
Seattle, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Sage Bionetworks' (the Organization's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization'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 Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization'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 Organization's federal programs.



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

In performing an audit in accordance with 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 Organization'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 the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of the Organization as of and for the year ended December 31, 2022, and have issued our report thereon dated September 29, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
September 29, 2023

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**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Cluster/Federal Grantor Program Title/Pass-Through Grantor	Assistance Listing Number	Pass-Through Grant Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster				
U.S. Department of Health and Human Services				
National Institutes of Health:				
Mental Health Research Grants- Passed through the University of Massachusetts	93.242	OSP2018097	\$ -	\$ 314,832
Trans-NIH Research Support- Passed through Scripps Research Institute	93.310	5-54704		1,731,848
Passed through Vignet, Inc. dba Vibrent Health	93.310	NIMH-RDOC	14,800	223,095
Passed through University of Colorado, Denver	93.310	FY23.1188.002		203,698
Passed through UCLA	93.310	1685 G LB544		62,098
Total Assistance Listing Number 93.310			14,800	2,220,739
National Center for Advancing Translational Sciences- Passed through University of Colorado, Denver	93.350	FY22.1126.006		182,210
21st Century Cures Act - Beau Biden Cancer Moonshot- Passed through Dana-Farber Cancer Institute, Inc.	93.353	1315703		294,800
Passed through Dana-Farber Cancer Institute, Inc.	93.353	1288401		1,438,492
Total Assistance Listing Number 93.353				1,733,292
Cancer Biology Research- Direct	93.396		114,296	803,272
Direct	93.396			519,311
Direct	93.396		86,905	552,278
Total Assistance Listing Number 93.396			201,201	1,874,861
Lung Diseases Research- Passed through Massachusetts General Hospital	93.838	239077	136,406	1,019,394
Cardiovascular Diseases Research- Passed through the Children's Hospital of Philadelphia	93.837	GRT-00000659-08		1,046,318
Diabetes, Digestive, and Kidney Diseases Extramural Research- Passed through Boston Children's Hospital	93.847	GENFD0002231820		305,481
Extramural Research Programs in the Neurosciences and Neurological Disorders- Passed through University of Minnesota	93.853	N009825101		63,878
Passed through Massachusetts General Hospital	93.853	232297		233,388
Passed through the University of Rochester	93.853	417482-G/UR FAO GR510887		56,718
Total Assistance Listing Number 93.853				353,984

See notes to schedule of expenditures of federal awards and independent auditor's report.

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**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2022**

Cluster/Federal Grantor Program Title/Pass-Through Grantor	Assistance Listing Number	Pass-Through Grant Number	Passed Through to Subrecipients	Federal Expenditures
Aging Research-				
Direct	93.866			3,368,903
Direct	93.866		115,320	497,928
Passed through Northwestern University	93.866	60051682 SBN		411,809
Passed through Emory University	93.866	A704145		1,147,635
Passed through Northwestern University	93.866	60051681 SBN		185,133
Passed through Pennsylvania State University	93.866	5976-SB-DHHS-0408		851,039
Passed through Indiana University	93.866	9123_SAGE		260,441
Passed through Northwestern University	93.866	60051683 SBN		122,550
Passed through Northwestern University	93.866	60051679 SBN		39,267
Passed through Columbia University	93.866	4(GG014827-13)		242,065
Passed through Emory University	93.866	A543655		40,773
Passed through University of Washington	93.866	UWSC11147		11,284
Passed through Mayo Clinic	93.866	SAG-273172		185,145
Passed through Emory University	93.866	A239459		6,040
Passed through Northwestern University	93.866	60051680 SBN		12,304
Passed through Indiana University	93.866	9453_SAGE		105,366
Passed through University of California Irvine	93.866	2022-1803		96,841
Passed through Mayo Clinic	93.866	SAG-273172-02		5,612
Passed through Mayo Clinic	93.866	SAG-303491		9,412
Passed through Duke University	93.866	303001531		12,964
Passed through Northwestern University	93.866	60051950 SBN		268,176
Passed through University o Pittsburgh	93.866	AWD00006352 (138663-3)		28,821
Total Assistance Listing Number 93.866			<u>115,320</u>	<u>7,909,508</u>
Total U.S. Department of Health and Human Services			<u>467,727</u>	<u>16,960,619</u>
Total Research and Development Cluster				
Total Expenditures of Federal Awards			<u>\$ 467,727</u>	<u>\$ 16,960,619</u>

See notes to schedule of expenditures of federal awards and independent auditor's report.

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Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

Note 1 - Method of Accounting

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Sage Bionetworks (the Organization) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the Organization.

Note 2 - Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes 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 Section 2 CFR 516(a)? Yes None reported.

Identification of Major Programs

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.242; 93.310; 93.350; 93.353; 93.396; 93.838; 93.837; 93.847 93.853; 93.866	Research and Development Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2022**

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Awards Findings and Questioned Costs

No matters were reported.