

Magee-Womens Research Institute and Foundation

Single Audit

Years Ended June 30, 2022 and 2021
with Independent Auditor's Reports

MaherDuessel

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MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

**The Audit Committee of the Board of Directors
Magee-Womens Research Institute and Foundation**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Magee-Womens Research Institute and Foundation (MWRIF), 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 financial statements referred to above present fairly, in all material respects, the financial position of MWRIF 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 and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MWRIF 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 MWRIF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MWRIF'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 MWRIF'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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain 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 supplementary 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 January 19, 2023 on our consideration of MWRIF'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 MWRIF'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 MWRIF's internal control over financial reporting and compliance.

Mahe Duessel

Pittsburgh, Pennsylvania
January 19, 2023

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 and 2021

(Thousands of Dollars)

	2022	2021
Assets		
Cash and cash equivalents	\$ 6,826	\$ 11,328
Grants receivable (less allowance for uncollectible grants receivables of \$14 and \$7, respectively)	7,383	5,467
Pledges receivable (less allowance for uncollectible pledges/discount of \$152 and \$197, respectively)	3,972	4,574
Investments:		
Without donor restrictions	5,574	4,896
With donor restrictions	49,230	56,179
Beneficial interest in trust	931	1,139
Properties:		
Property, building, and equipment	59,561	59,127
Less accumulated depreciation and amortization	(29,299)	(27,288)
Total net properties	30,262	31,839
Other assets	1,244	1,277
Total Assets	\$ 105,422	\$ 116,699

(Continued)

See accompanying notes to financial statements.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 and 2021

(Thousands of Dollars)

(Continued)

	2022	2021
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,292	\$ 6,302
Refundable advances	4,034	4,451
Deferred revenue	253	137
Deposits held in custody for others	39	67
Capital lease obligation	23,752	24,807
Total Liabilities	34,370	35,764
Net Assets:		
Without donor restrictions:		
Board-designated endowment	489	522
Other	9,454	12,561
Total without donor restrictions	9,943	13,083
With donor restrictions	61,109	67,852
Total Net Assets	71,052	80,935
Total Liabilities and Net Assets	\$ 105,422	\$ 116,699

(Concluded)

See accompanying notes to financial statements.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2022 and 2021

(Thousands of Dollars)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Public Support:						
Grant revenue	\$ 41,228	\$ -	\$ 41,228	\$ 42,201	\$ -	\$ 42,201
Contributions:						
Cash and other financial assets	5,757	3,209	8,966	5,026	4,734	9,760
Non-financial assets	1,324	-	1,324	788	-	788
Sublease revenue	925	-	925	894	-	894
Other revenue	1,390	-	1,390	431	-	431
Investment return, net	(406)	(3,484)	(3,890)	1,350	12,896	14,246
Net assets released from restrictions - capital	208	(208)	-	27	(27)	-
Net assets released from restrictions - time and purpose	6,260	(6,260)	-	5,360	(5,360)	-
Total revenues and public support	56,686	(6,743)	49,943	56,077	12,243	68,320
Expenses:						
Salaries and wages	14,568	-	14,568	14,771	-	14,771
Employee benefits	3,732	-	3,732	3,713	-	3,713
Grant subrecipient payments	23,154	-	23,154	25,403	-	25,403
Supplies and other expenses	14,524	-	14,524	8,177	-	8,177
Contributions to Magee-Womens Hospital	611	-	611	761	-	761
Interest	1,216	-	1,216	1,268	-	1,268
Depreciation and amortization	2,021	-	2,021	1,928	-	1,928
Total expenses	59,826	-	59,826	56,021	-	56,021
Change in Net Assets	(3,140)	(6,743)	(9,883)	56	12,243	12,299
Net Assets:						
Beginning of the year	13,083	67,852	80,935	13,027	55,609	68,636
End of the Year	<u>\$ 9,943</u>	<u>\$ 61,109</u>	<u>\$ 71,052</u>	<u>\$ 13,083</u>	<u>\$ 67,852</u>	<u>\$ 80,935</u>

See accompanying notes to financial statements.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

(Thousands of Dollars)

	Program Expenses	Support Activities		Total Expenses
	Research and Related	Management and Administrative	Development and Fundraising	
Salaries and wages	\$ 10,541	\$ 2,809	\$ 1,218	\$ 14,568
Employee benefits	2,672	708	352	3,732
Grant subrecipient payments	23,154	-	-	23,154
Supplies and other expenses	9,066	2,537	2,921	14,524
Contributions to Magee-Womens Hospital	-	-	611	611
Interest	1,192	24	-	1,216
Depreciation and amortization	1,960	56	5	2,021
	\$ 48,585	\$ 6,134	\$ 5,107	\$ 59,826

See accompanying notes to financial statements.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

(Thousands of Dollars)

	Program Expenses	Support Activities		Total Expenses
	Research and Related	Management and Administrative	Development and Fundraising	
Salaries and wages	\$ 10,716	\$ 3,208	\$ 847	\$ 14,771
Employee benefits	2,680	811	222	3,713
Grant subrecipient payments	25,403	-	-	25,403
Supplies and other expenses	5,122	1,229	1,826	8,177
Contributions to Magee-Womens Hospital	-	-	761	761
Interest	1,243	25	-	1,268
Depreciation and amortization	1,869	54	5	1,928
	\$ 47,033	\$ 5,327	\$ 3,661	\$ 56,021

See accompanying notes to financial statements.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 and 2021

(Thousands of Dollars)

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ (9,883)	\$ 12,299
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gain) loss on investments	4,431	(13,908)
Contributions for long-term purposes and interest income	(4,156)	(3,722)
Depreciation and amortization	2,021	1,928
Changes in operating assets and liabilities:		
Grants and pledges receivable	(1,314)	8,520
Other assets	33	(311)
Accounts payable and accrued expenses	(10)	(323)
Other liabilities	(329)	(1,925)
Net cash provided by (used in) operating activities	(9,207)	2,558
Cash Flows From Investing Activities:		
Purchases of property, building, and equipment	(444)	(882)
Sale of investments	2,580	47
Purchase of investments	(532)	(336)
Net cash provided by (used in) investing activities	1,604	(1,171)
Cash Flows From Financing Activities:		
Repayments of capital lease obligation	(1,055)	(1,003)
Contributions for long-term purposes and interest income	4,156	3,722
Net cash provided by (used in) financing activities	3,101	2,719
Increase (Decrease) in Cash and Cash Equivalents	(4,502)	4,106
Cash and cash equivalents at beginning of year	11,328	7,222
Cash and cash equivalents at end of year	\$ 6,826	\$ 11,328
Supplemental Information:		
Interest paid on capital lease	\$ 1,216	\$ 1,268

See accompanying notes to financial statements.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

YEARS ENDED JUNE 30, 2022 AND 2021

1. Organization and Summary of Significant Accounting Policies

Organization

Magee-Womens Research Institute and Foundation (MWRIF) operates a research institute and is one of a select group of organizations in the United States with women's health, research, and education as a primary focus. MWRIF is committed exclusively to the mission of UPMC Magee-Womens Hospital (Hospital). UPMC is the parent corporation of the Hospital and is also closely affiliated with the University of Pittsburgh.

Basis of Accounting

MWRIF's financial statements have been prepared on the accrual basis of accounting. Revenues are recognized as they are earned, and expenses are recorded when liabilities are incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking and deposit accounts held at a financial institution, and money market mutual fund accounts. Checking and deposit account balances may at times exceed federally insured amounts. Management has no concerns about the insolvency of the financial institution involved at this time. Though money market mutual funds are not federally insured, all registered brokerage firms including those offering mutual funds are required by law to be members of the Securities Investor Protection Corporation (SIPC), which protects customer assets up to a limit (currently \$500) when a SIPC member firm fails financially. The organization's current money market holdings are invested in funds with portfolios of US Treasury securities backed by the US Government.

Grants Receivable

The allowance for uncollectible grant receivables is based upon management's assessment of historical and expected net collections of non-federal grant receivables. All grants receivable are expected to be collected within one year.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

YEARS ENDED JUNE 30, 2022 AND 2021

Contributions and Revenue Recognition

MWRIF receives the majority of its funding in the form of governmental, industry, or private grants. As discussed below, these grants are primarily treated as conditional grants. The National Institutes of Health is the most significant funding source for research-related activities.

Unconditional promises to give cash and other assets to MWRIF are reported at fair value at the date the promises are received and included in the statements of financial position as pledges receivable. The gifts are reported as restricted support if they are received with donor stipulations that restrict the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Any gifts received and expended for the designated restricted purpose in the same fiscal year are recorded as unrestricted support for the fiscal year.

Conditional promises to give stipulate a measurable performance or other barrier and a right of return and are recognized only when the conditions on which they depend have been met. Other than cost-reimbursable federal contracts and grants treated as conditional grants discussed below, there were no conditional promises to give at June 30, 2022 and 2021.

Contributions received for the acquisition of long-lived assets are recorded at fair value in the period received, as net assets with donor restrictions. Expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset are reported when the asset is placed-in-service, absent specific donor restrictions stating otherwise. Amounts equal to the cost of the asset are reclassified from net assets with donor restrictions to net assets without donor restrictions when the asset is placed in service.

A portion of MWRIF's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as grant revenue on the statements of activities and changes in net assets when MWRIF has incurred expenditures in compliance with specific contract or grant provisions. These federal grants and contracts are awarded for multi-year periods. Remaining available award balances will be recognized as revenue as the projects progress and conditions are met, generally as qualifying expenses are

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

YEARS ENDED JUNE 30, 2022 AND 2021

incurred. Amounts received prior to incurring qualifying expenditures were \$4,034 and \$3,743 during the years ended June 30, 2022 and 2021, respectively, and are reported as refundable advances on the statements of financial position.

As discussed in Note 12, in May 2020, MWRIF received a \$2,974 United States Small Business Administration (SBA) loan through the Federal Government's Paycheck Protection Program (PPP) that resulted from the COVID-19 pandemic (PPP draw #1). MWRIF has elected to treat PPP Draw #1 as a conditional grant and record revenue on the statements of activities and changes in net assets, as the conditions of the loan are substantially met. As of June 30, 2022 and 2021, in regard to PPP Draw #1, \$0 and \$2,089, respectively, has been recognized and is included in grant revenue on the statements of activities and changes in net assets. As discussed in Note 12, PPP Draw #1 was forgiven in September 2021.

In April 2021, MWRIF received another loan of \$2,000 from the United States Small Business Administration (SBA) loan through the Federal Government's Paycheck Protection Program (PPP) that resulted from the COVID-19 pandemic (PPP Draw #2). Under this loan, as of June 30, 2022 and 2021, MWRIF has incurred eligible expenses of \$708 and \$1,292, respectively, and recorded such amounts as grant revenue in the statements of activities. As discussed in Note 12, PPP Draw #2 was forgiven in November 2022.

MWRIF had no material revenue subject to Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, during the years ended June 30, 2022 and 2021.

Investments

MWRIF's investments are primarily comprised of debt and equity securities. MWRIF recognizes realized and unrealized gains and losses on substantially all of its investments in debt and equity securities as revenue and public support with or without donor restrictions in the statements of activities and changes in net assets, depending on the existence or absence of donor restrictions related to assets generating the investment income. Gains and losses on the sales of securities are determined by the average cost method.

These investments predominantly include those maintained in the UPMC Master Trust Funds (UPMC MTF), which are further discussed in Note 2. The fair value of MWRIF's interest in the UPMC MTF is calculated based on the net asset value per investment unit as reported by the

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

YEARS ENDED JUNE 30, 2022 AND 2021

Trust. If available, quoted market prices of assets held by the Trust are used to value investment units.

Income from net assets with donor restrictions to be held in perpetuity allocable to net assets without donor restrictions is 4.25% for the year ended June 30, 2022 and 2021, as stipulated by the Board of Directors (Board), in accordance with the Pennsylvania (PA) Trust Fund Law, unless otherwise stipulated by the donor.

Beneficial Interest in Trusts

MWRIF has a beneficial interest in a trust which is restricted primarily for research. MWRIF has valued its portion of the trust based on the pro rata share of the fair value of the assets held in the trust, which represents a proxy for the present value of future cash flows. This has been recorded as a beneficial interest in trust in the accompanying statements of financial position.

Property, Building, and Equipment

Property, building, and equipment are recorded at cost, or the present value of minimum lease payments for those assets acquired under capital lease arrangements. Donated property is recorded at fair value at the date the property is received. Leasehold improvements are amortized over their useful life or the life of the lease, whichever is shorter. Depreciation of buildings and equipment, which includes amounts related to assets acquired through capital leases, is computed using the straight-line method at rates ranging from five to thirty years. Assets capitalized under capital leases are amortized in accordance with the respective class of owned assets.

MWRIF evaluates the carrying value of long-lived assets to be held and used when events and circumstances indicate that the carrying amount of an asset may not be recovered. Such evaluation considers projected future operating results, trends, and other circumstances. If factors indicated long-lived assets could be impaired, MWRIF would use an estimate of the related undiscounted future cash flows over the remaining life of the long-lived asset in measuring whether the asset is recoverable. If such an analysis indicated that impairment had occurred, MWRIF would adjust the book value of the long-lived asset to fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There were no impairment charges taken for the years ended June 30, 2022 and 2021.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

YEARS ENDED JUNE 30, 2022 AND 2021

Contributed Goods and Services

Donated gifts, services, and supplies are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and would otherwise have been purchased by MWRIF, are recorded at the estimated fair value at the time the services are rendered. MWRIF also receives donated services that do not require specific expertise; these contributed services are not reflected in the financial statements.

Restricted Net Assets

Net assets are classified as net assets with donor restrictions and net assets without donor restrictions according to the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions - Net assets whose use by MWRIF is subject to donor-imposed stipulations that can be fulfilled by actions of MWRIF pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions. Additionally, funds received as gifts and bequests which have been accepted with donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

Income Taxes

MWRIF is a Pennsylvania not-for-profit corporation that is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (Code) as a public charity described in Section 501(c)(3) of the Code. In addition, as a public charity, MWRIF has obtained exemption from all applicable state income taxes on MWRIF's related income. Further, MWRIF annually files a Form 990. Management has determined that MWRIF is not currently subject to

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NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

YEARS ENDED JUNE 30, 2022 AND 2021

unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis on the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. MWRIF supports research on women's health care issues and supports fundraising activities to sustain research as well as to support the mission of the Hospital. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Such expenses require allocation on a reasonable basis that is applied consistently over the years. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, office expenses, information technology, and others, which are allocated on the basis of estimates of time and effort.

Adopted Accounting Standards Update

The provisions of this Standards Update have been adopted and incorporated into these financial statements.

ASU 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets.”* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of the types of nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization. The implementation of this amendment was applied retrospectively to all periods presented.

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NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

YEARS ENDED JUNE 30, 2022 AND 2021

Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2016-02, “*Leases (Topic 842)*,” is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2016-13, “*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*,” is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

YEARS ENDED JUNE 30, 2022 AND 2021

2. Investments

Investments are comprised of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Without donor restrictions	\$ 5,574	\$ 4,896
With donor restrictions	<u>49,230</u>	<u>56,179</u>
	<u>\$ 54,804</u>	<u>\$ 61,075</u>

Effective October 1, 2008, MWRIF entered into an agreement with UPMC for the provision of investment management services. Under the agreement, MWRIF has granted UPMC the authority to manage all investments, in accordance with the objectives, guidelines, and restrictions set forth in the agreement by MWRIF's Board of Directors. Investment management services are provided by UPMC at no charge to MWRIF; other third-party fees are incurred as further disclosed below. The donated UPMC investment management services are not considered to be significant and are not recorded by MWRIF on the statements of activities and changes in net assets. Investments within the UPMC Master Trust Fund (UPMC MTF) are held by a bank trustee and invested in a diversified portfolio of fixed income, domestic and international equity securities, public real estate funds, and commodities funds. MWRIF's interest in the UPMC MTF is based on the number of units granted upon initial investment and is adjusted for a pro rata share of the total investment return of the master trust. The fair value of MWRIF's interest in the UPMC MTF represents the net asset value of the units held.

In order to allow for additional liquidity for potential operating needs, MWRIF is also invested in fixed income securities outside of the UPMC MTF. The separate fixed income portfolio is held in the same account as MWRIF'S master trust units at the current custodian bank. The investment management agreement between UPMC and MWRIF was amended effective January 1, 2020 to allow UPMC to manage this fixed income portfolio within that account for MWRIF in addition to the master trust units.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

YEARS ENDED JUNE 30, 2022 AND 2021

Total investment return on all investments and cash and cash equivalents is comprised of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends (net of investment fees of \$300 and \$283, respectively)	\$ 541	\$ 338
Net realized gains on sales of investments	<u>3,294</u>	<u>3,985</u>
	3,835	4,323
Unrealized gains (losses) on investments	<u>(7,725)</u>	<u>9,923</u>
Total investment return	<u>\$ (3,890)</u>	<u>\$ 14,246</u>
Rate of return on investments	<u>-7.10%</u>	<u>23.32%</u>

Fair Value Measurement

MWRIF holds certain assets that are required to be measured at fair value on a recurring basis. These include cash, cash equivalents, and investments held through participation in the UPMC MTF as described above.

The UPMC MTF measures equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognizes any changes in fair value in excess of revenues over expenses unless the investments qualify for a practicability exception. The UPMC MTF's alternative investments are measured using net asset value per share under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using the method are met.

MWRIF has no unfunded commitments to the UPMC MTF and the UPMC MTF investments have no significant redemption provisions.

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The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are generally unsupported by market activity. ASC 820 established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-driven valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables represent MWRIF's fair value hierarchy for its financial assets (cash and investments) at fair value on a recurring basis as of June 30, 2022 and 2021. When quoted market prices are unobservable for fixed income securities, quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable, are used for valuation purposes. The following tables represent all MWRIF investments within their holding levels, including the UPMC MTF, for which MWRIF has the detail of the holding level for participation in the UPMC MTF and chooses to present its fair value measurements at that level of detail.

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June 30, 2022			
Assets	Level 1	Level 2	Total Carrying Amount
Cash and cash equivalents	\$ 6,826	\$ -	\$ 6,826
Money market funds	-	2,984	2,984
Fixed income:			
Corporate	-	2,140	2,140
U.S. government	-	1,467	1,467
Mortgages	-	1,821	1,821
Municipal bonds	-	54	54
Derivatives	-	6	6
Foreign government	-	3	3
Mutual fund	-	3,366	3,366
Domestic equity	-	9,079	9,079
International equity:			
Equity	-	3,328	3,328
Mutual fund	-	2,950	2,950
Real Estate	-	1,236	1,236
Long-short return	-	330	330
Absolute return	-	589	589
	<u>\$ 6,826</u>	<u>\$ 29,353</u>	36,179
Total assets in fair value hierarchy			
Investments measured at net asset value*			25,451
Total cash, cash equivalents, and investments at fair value			\$ 61,630

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June 30, 2021			
Assets	Level 1	Level 2	Total Carrying Amount
Cash and cash equivalents	\$ 11,328	\$ -	\$ 11,328
Money market funds	-	3,697	3,697
Fixed income:			
Corporate	-	2,148	2,148
U.S. government	-	1,725	1,725
Mortgages	-	1,488	1,488
Municipal bonds	-	58	58
Derivatives	-	8	8
Foreign government	-	48	48
Mutual fund	-	5,291	5,291
Domestic equity	-	10,890	10,890
International equity:			
Equity	-	4,851	4,851
Mutual fund	-	3,752	3,752
Real estate	-	1,224	1,224
Long-short return	-	495	495
Absolute return	-	419	419
	<u>\$ 11,328</u>	<u>\$ 36,094</u>	<u>47,422</u>
Total assets in fair value hierarchy			<u>47,422</u>
Investments measured at net asset value*			<u>24,981</u>
Total cash, cash equivalents, and investments at fair value			<u>\$ 72,403</u>

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

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Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient:

	<u>2022</u>	<u>2021</u>
Alternative investments:		
Domestic equity	\$ 841	\$ 822
Fixed income	277	189
Long/short equity	3,908	4,578
International equity	2,920	3,395
Absolute return	3,493	2,940
Private equity	11,669	11,378
Real estate	2,343	1,679
	<u>\$ 25,451</u>	<u>\$ 24,981</u>

Risks and Uncertainties

Investment securities are exposed to various risks such as interest rate and market risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such change could materially affect the amount reported on the statements of financial position.

3. Pledges Receivable

Multi-year pledges are valued at the original pledge commitment and discounted at 6.49% and 7.86% at June 30, 2022 and 2021, respectively. MWRIF's average annual rate of return on investments (exclusive of unrealized gains/losses) is considered to be an appropriate discount rate for pledges. Pledges due within one year are considered to be Level 1 because of the short maturity of these instruments. Since MWRIF's noncurrent pledges receivable have no significant observable inputs, they are classified as Level 3.

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Non-current pledges receivable as at June 30, 2022 and 2021 consists of the following:

	2022	2021
Beginning balance	\$ 2,257	\$ 4,985
Additions of long-term, pledges	132	1,696
Pledges receivable, which become due within one year	(445)	(4,424)
Ending balance	\$ 1,944	\$ 2,257

Total payments to be received on pledges at June 30, 2022 and 2021 are as follows:

	2022	2021
Less than 1 year	\$ 2,180	\$ 2,514
1-5 years	1,914	2,257
More than 5 years	30	-
	4,124	4,771
Less allowance for uncollectible pledges and discount	(152)	(197)
Net pledges receivable	\$ 3,972	\$ 4,574

4. Property, Building, and Equipment

Property, building, and equipment and the related accumulated depreciation and amortization consist of the following at June 30, 2022 and 2021:

	2022		2021	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land	\$ 6,189	\$ -	\$ 6,189	\$ -
Building	45,700	22,877	45,718	21,325
Equipment	7,672	6,422	7,220	5,963
	\$ 59,561	\$ 29,299	\$ 59,127	\$ 27,288

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Included in building, at both June 30, 2022 and 2021 is \$44,438, related to assets recorded under a capital lease with the Hospital (Note 5).

Accumulated depreciation at June 30, 2022 and 2021 includes \$22,096 and \$20,576, respectively, related to assets recorded under the capital lease.

MWRIF wrote off obsolete fully depreciated assets totaling \$17 and \$160, respectively, in the years ended June 30, 2022 and 2021.

5. Leases

Prior to September 22, 2005, MWRIF leased a research building under a capital lease arrangement with the Hospital. Effective September 22, 2005, MWRIF, the Hospital, and UPMC executed an agreement that provided for the termination of the existing lease, the transfer of certain MWRIF properties to the Hospital in exchange for \$5,200, the construction of a research building owned by the Hospital, and MWRIF's lease of the research building from the Hospital for a period of 30 years. The lease between MWRIF and the Hospital has been accounted for as a capital lease.

Subsequent to the completion of construction, MWRIF transferred a total of \$8,534 to the Hospital as partial payment of the capital lease obligation. The funds transferred were comprised of federal and state grants received in support of the construction of the research facility.

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Under the terms of the lease, MWRIF is required to make monthly principal and interest payments of \$189 through March 31, 2037. Future minimum lease payments, by year and in the aggregate, under capital leases at June 30, 2022 are as follows:

Fiscal year ending June 30,		
2023	\$	2,271
2024		2,271
2025		2,271
2026		2,271
2027		2,271
Thereafter		22,331
		33,686
Less amounts representing interest		(9,934)
Present value of capital lease obligations		23,752
Less current maturities of principal		(1,109)
Present value of long-term capital lease obligations	\$	22,643

Interest payments, at the rate of 5% per annum, on capital lease obligations were \$1,216 and \$1,268, respectively, for the years ended June 30, 2022 and 2021.

In December 2020, MWRIF entered into a five-year lease with UPMC Hamot for space within the UPMC Magee Women's Hospital – Hamot in Erie. Lease expenses for the year ended June 30, 2022 was approximately \$6. Future minimum lease payments are as follows:

Year Ending June 30,	Total
2023	\$ 20
2024	20
2025	20
2026	13
	\$ 73

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6. Net Assets

Net assets without donor restrictions as of June 30, 2022 and 2021 include \$489 and \$522, respectively, of Board-designated endowed funds designated to provide support for pilot research projects, conducted by OB/Gyn residents and fellows at MWRIF. \$0 and \$2,855 of the Board-designated endowment funds were undesignated as of June 30, 2022 and 2021, respectively, and made available for general activities.

Net assets with donor restrictions are restricted as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Research	\$ 31,767	\$ 36,136
Patient care	4,170	4,538
Total subject to expenditure for specified purpose	<u>35,937</u>	<u>40,674</u>
Subject to MWRIF's spending policy and appropriation:		
Accumulated unspent endowment appropriation	1,173	785
Investment in perpetuity	23,999	26,393
Total subject to MWRIF's spending policy and appropriation	<u>25,172</u>	<u>27,178</u>
Total net asset with donor restrictions	<u>\$ 61,109</u>	<u>\$ 67,852</u>

7. Liquidity and Availability of Funds

MWRIF manages its financial assets with the goal to ensure availability as general expenditures, liabilities, and other obligations come due. Current cash needs are reviewed weekly, and cash in excess of daily requirements is invested in short-term treasury money market funds. A significant portion of MWRIF's operations is supported by research grants from outside sponsors, as well as restricted and unrestricted contributions. Certain of the restricted contributions may not be available for general expenditures within one year. However, a budget is approved by the Board annually which is used to control expenditures throughout the year as well as identify those restricted funds that can be used for operations. MWRIF actively manages its receivables, ensuring both grant and pledge receivables are collected in a timely manner. Researchers are encouraged to regularly submit requests for research funds from external sponsors to fund their research work. In addition, MWRIF's

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fundraising team focuses on ensuring that funding is raised through contributions and grants to help cover the cost of programs, other general expenditures of the organization, and strategic initiatives.

As described in Note 8, MWRIF has arranged with UPMC for access to a line of credit of \$4,000 to assist in meeting cash needs if there would be a lag between the receipt of contributions and grants and the payment of costs. The original agreement ended April 20, 2022 and an extension is currently being negotiated.

As of June 30, 2022, MWRIF's financial assets expected to be available within one year to meet the cash needs for general expenditures were as follows:

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Financial assets available as of June 30:			
Cash	\$ (291)	\$ 7,117	\$ 6,826
Grant receivables	7,383	-	7,383
Pledge receivables	111	3,861	3,972
Other assets	435	-	435
Investments	5,574	50,161	55,735
Total financial assets:	13,212	61,139	74,351
Less those unavailable for general expenditures within one year due to:			
Endowment funds, including Board-Designated	(489)	(25,172)	(25,661)
Net assets restricted by donor with purpose or time restrictions	-	(35,937)	(35,937)
Add back:			
Endowment income available for expenditures	-	571	571
Expected release of purpose/time restricted funds	-	7,392	7,392
 Net financial assets available to meet cash requirements for general expenditures within one year	\$ 12,723	\$ 7,993	\$ 20,716

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The following reflects MWRIF's financial assets as of June 30, 2021 expected to be available within one year to meet the cash needs for general expenditures:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Financial assets available as of June 30:			
Cash	\$ 5,323	\$ 6,005	\$ 11,328
Grant receivables	5,467	-	5,467
Pledge receivables	-	4,574	4,574
Other assets	495	-	495
Investments	4,896	57,318	62,214
Total financial assets:	16,181	67,897	84,078
Less those unavailable for general expenditures within one year due to:			
Endowment funds, including Board-Designated	(522)	(27,178)	(27,700)
Net assets restricted by donor with purpose or time restrictions	-	(40,674)	(40,674)
Add back:			
Endowment income available for expenditures	-	824	824
Expected release of purpose/time restricted funds	-	6,146	6,146
Net financial assets available to meet cash requirements for general expenditures within one year	\$ 15,659	\$ 7,015	\$ 22,674

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8. Transactions with UPMC and University of Pittsburgh

MWRIF purchases substantially all its employee and medical professional services from UPMC (including the Hospital) and the University of Pittsburgh. These costs are reflected as salaries and wages and employee benefits in the statements of activities and changes in net assets. Amounts related to UPMC services incurred but unpaid at June 30, 2022 and 2021 total \$2,698 and \$2,875, respectively, and are included in accounts payable and accrued expenses in the accompanying statements of financial position. Amounts related to University of Pittsburgh services incurred but unpaid at June 30, 2022 and 2021 total \$327 and \$167, respectively. In addition, University of Pittsburgh provides certain fundraising personnel at no cost to MWRIF, as detailed in Note 11. The value of the personnel services for the year ended June 30, 2022 was \$448.

MWRIF occupies Hospital space in Pittsburgh for which rent was valued at \$786 and \$787, respectively, for the years ended June 30, 2022 and 2021, which is provided rent-free by the Hospital. The amounts donated are classified as contributions of nonfinancial assets and other expense in the accompanying statements of activities and changes in net assets. The Hospital currently supports two locations. Research designated space within the Hospital is occupied by those researchers focusing on clinical studies where access to patients is necessary. A second location outside the Hospital is occupied by MWRIF administrative personnel in finance, fundraising, and research support functions.

As detailed in Note 5, MWRIF has lease transactions with various UPMC entities.

On July 1, 2014, MWRIF and UPMC entered into a contribution arrangement in support of MWRIF's fundraising campaign. Under the terms of the arrangement UPMC agreed to establish an internally designated endowment on their books for which they retain control with future transfers to the endowment occurring quarterly equal to the amount of funds collected directly by MWRIF if certain terms are met. The agreement to match fundraising dollars will expire the earlier of when the total funds collected by MWRIF reaches \$50,000 or December 31, 2024. MWRIF currently anticipates it will reach the \$50 million benchmark prior to December 31, 2024. Under the terms of this agreement, MWRIF may withdraw quarterly an amount equal to a percent of UPMC's internally designated fund's moving average fair value over the last 12 quarters, currently capped at 4.25%. For the years ended June 30, 2022 and 2021, MWRIF has withdrawn \$1,650 and \$1,168, respectively, under this arrangement.

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During the years ended June 30, 2022 and 2021, MWRIF contributed \$611 and \$761, respectively, to the Hospital in accordance with donors' designation.

MWRIF owns a building (net book value of \$0 and \$1 at June 30, 2022 and 2021, respectively) that is used by a childcare center owned by the Hospital. MWRIF does not charge the childcare center for the use of this building.

In April 2017, MWRIF entered into an agreement with UPMC to avail a line of credit of \$4,000 bearing interest, per annum, equal to 1-month LIBOR plus a margin of UPMC's borrowing cost (currently 62.5 basis points), plus 25 basis points. The line of credit matures in five years, but has a renewal option, at the same terms and conditions, of an additional five years. There was no amount outstanding at June 30, 2022 and 2021 on the line of credit.

9. Endowment

At June 30, 2022, MWRIF's endowments consist of 26 individual funds established for a variety of purposes, including support for several annual lectureships in various areas related to women's health; for research fellowships designed to provide funds to new researchers building their research program; and support for new research and clinical initiatives and program development. The endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. MWRIF classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by MWRIF in a manner consistent with the standard of prudence prescribed by relevant law.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level MWRIF is required to retain by donor stipulation or law. As of June 30, 2022, three donor-restricted endowment funds, which together have an original gift value of \$90, a current fair value of \$85, and a shortfall of \$5, were considered underwater.

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This resulted from unfavorable market fluctuations that occurred shortly after the investment of the original gifts. No distributions had been made from these endowments as of June 30, 2022. There were no underwater endowments as of June 30, 2021.

MWRIF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. In order to achieve this goal, MWRIF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

MWRIF has a policy of appropriating for distribution each year, a Board-approved percent of each endowment fund's moving average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. Such appropriation, however, is not recorded in the statements of activities and changes in net assets until funds are actually disbursed for use. The current approved rate is 4.25%, which is applied in the absence of any donor-specified amount. In establishing this policy, MWRIF considered the long-term expected return on its endowment. The specific approved appropriation percent is determined, taking into consideration the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

At June 30, 2022, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 25,172	\$ 25,172
Board-designated funds	489	-	489
Total funds	<u>\$ 489</u>	<u>\$ 25,172</u>	<u>\$ 25,661</u>

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Changes in endowment net assets for the fiscal year ended June 30, 2022 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 522	\$ 27,178	\$ 27,700
Investment return:			
Investment income	5	234	239
Net realized and unrealized appreciation	(38)	(1,934)	(1,972)
Total investment income	(33)	(1,700)	(1,733)
Contributions	-	206	206
Appropriation of endowment assets released for expenditure	-	(512)	(512)
Endowment net assets, end of year	\$ 489	\$ 25,172	\$ 25,661

At June 30, 2021, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 27,178	\$ 27,178
Board-designated funds	522	-	522
Total funds	\$ 522	\$ 27,178	\$ 27,700

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Changes in endowment net assets for the fiscal year ended June 30, 2021 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,764	\$ 21,243	\$ 24,007
Investment return:			
Investment income	10	149	159
Net realized and unrealized appreciation	603	6,123	6,726
Total investment income	613	6,272	6,885
Contributions	-	107	107
Appropriation of endowment assets released for expenditure	-	(444)	(444)
undesignated for general expenditure	(2,855)	-	(2,855)
Endowment net assets, end of year	\$ 522	\$ 27,178	\$ 27,700

10. Commitments and Contingencies

Every year since 2009, the Department of Obstetrics, Gynecology, and Reproductive Sciences of the University of Pittsburgh has pledged financial support to MWRIF to support research operations and equipment needs of MWRIF researchers who are also University of Pittsburgh faculty. Additional amounts of \$308 and \$177, respectively, were pledged in 2022 and 2021 and \$1,642 and \$2,848, respectively, of these funds remained unused as of June 30, 2022 and 2021. MWRIF considers this pledge of financial support to be conditional and therefore does not recognize the pledge until the conditions are met. MWRIF accessed \$1,514 and \$1,393, respectively, of these pledged funds during 2022 and 2021 and recorded them as increase in net assets without donor restrictions in its financial statements.

MWRIF receives significant financial assistance from Federal agencies in the form of grants. Expenses of funds under these programs require compliance with the grant agreements and are subject to review. Such a review was conducted by the National Institutes of Health (NIH)

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during 2021. As a result of this review, MWRIF was subject to specific award conditions for NIH awards active from October 1, 2021 through September 30, 2022. In addition, as requested by the NIH review, MWRIF engaged an independent audit firm to audit certain transactions recorded to Federal awards during the period under NIH review. As a result of the independent review, MWRIF returned \$13 to the NIH representing four transactions whose allowability was unclear.

Subsequent to September 30, 2022, NIH officially removed the specific award conditions and no material on-going monitoring or additional requirements or returns of funds are required.

11. Contributed Non-financial Assets

MWRIF receives various forms of contributed non-financial assets ("in-kind" contributions) including food and non-food items, media, in-kind services, use of facilities, and manpower for fundraising and development activities.

Food and non-food donated items consist primarily of food, clothing, gift cards, gift baskets, sports memorabilia, musical instruments, and store vouchers donated to defray the cost of fundraising events. These gifts are recognized as in-kind contributions at fair value when received and are expensed at the same value when used. Valuation of these items is based on stated value (i.e. gift cards) or fair market value on the date received depending on the nature of the item. Some of the donated items are either auctioned or raffled by MWRIF during fundraising events and the originally recognized in-kind contribution value is adjusted accordingly by the actual proceeds from each item thus sold.

Donated media services are recognized when pledged as in-kind contributions at fair value, with a corresponding advertisement expense allocated to benefitting programs when they are delivered. The valuation of these advertisements is provided by the service provider, who estimates the fair value based on the date, time, and market in which each is displayed.

MWRIF may receive donated professional services requiring specialized skills which would otherwise be purchased, and recognizes them as in-kind contributions at fair value and as expenses when services are rendered. The estimated fair value of these services is provided by the service provider based on prevailing billing rates of such services at the time and place they were provided.

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As discussed in Note 8, MWRIF receives the use of donated space from UPMC. It also may receive donated space for its fundraising events. The use of these facilities is recognized as an in-kind contribution at fair value and corresponding rental expense when used. The fair value of these rentals is estimated based on prevailing market rates for leasing similarly situated facilities.

MWRIF receives professional fundraising services from certain personnel employed by the Health Sciences Foundation of the University of Pittsburgh. Their services are recognized as in-kind contributions at fair value, with corresponding salaries and fringe benefit expenses. The value of these services is provided by the employer.

During the year ended June 30, 2022 and 2021, MWRIF recognized the following in-kind contributions:

	<u>2022</u>	<u>2021</u>
Food and non-food items	\$ 20	\$ 1
Media	44	-
Facilities	811	787
Fundraising services	448	-
In-kind services	1	-
	<u>\$ 1,324</u>	<u>\$ 788</u>

In addition, MWRIF also received donated services in the form of volunteer time for fundraising events during the years ended June 30, 2022 and 2021 of 524 hours and 279 hours, respectively. In accordance with generally accepted accounting principles in the United States of America, the value of these services is not reflected in the financial statements since these services did not require specific expertise.

12. Paycheck Protection Program Loan

In response to the anticipated impact of COVID-19 on the financial position of the organization, MWRIF applied for and received loans from PNC Bank NA in the amount of \$2,974 and \$2,000 in 2021 and 2020, respectively, under the Paycheck Protection Program. As previously discussed, MWRIF treated these as conditional federal grants for accounting purposes. The loans were subject to notes dated April 5, 2021 and May 3, 2020, respectively.

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In September 2021, MWRIF received notice that the SBA approved forgiveness of the May 3, 2020 loan, and funds were transferred to PNC Bank NA paying the note in full. MWRIF has incurred eligible expenses for the full amount of the April 5, 2021 loan and received notice in November 2022 that the SBA had approved forgiveness of that 2021 loan.

13. Subsequent Events

MWRIF evaluated subsequent events for recognition or disclosure through the Independent Auditor's Report Date, the date the financial statements were available for issuance.

SUPPLEMENTARY INFORMATION

**MAGEE-WOMENS RESEARCH
INSTITUTE AND FOUNDATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022 (in whole dollars)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number(s)	Direct Award or Pass Through #	Passed Through to Subrecipients	Research & Development Cluster
Department of Defense (DOD)				
Military Medical Research and Development				
A novel platform for ovarian cancer diagnosis and screening	12.420	Direct	\$ 47,107	\$ 134,738
Pass-Through New York Univ/DoD Omics Consortium/Origin of Ovarian Cancer	12.420	W81XWH1910232	-	826
Pass-Through University of Pittsburgh/Ovarian Cancer Therapy	12.420	W81XWH-18-OCRP-PA	-	2,623
COVID 19 Pass-Through Univ of Louisville Prevent	12.420	MCDC2006-010	-	331,790
Total Department of Defense/12.420			47,107	469,977
National Science Foundation (NSF)				
Pass-Through Univ of Pgh/Engineering momocytes/stem cells to improve outcomes of Wound Healing	47.041	IIP-1734751	-	1,915
Total National Science Foundation/47.041			-	1,915
Department of Health and Human Services (HHS)				
Food and Drug Administration Research:				
Pass-Through Univ of Pgh/Physiologically-based Model of the Female Reproductive Tract	93.103	HHSF223201810188C	15,803	87,326
Environmental Health:				
Pass-Through Univ of Pgh/Placental origins of phthalate-induced changes in fetal repr	93.113	R01ES029336	-	26,519
Injury Prevention and Control Research and State and Community Based Programs:				
Pass-Through Univ. of Utah Optimizing Pregnancy and Treatment Interventions for Moms 2.	93.136	R01CE002996	25,330	128,854
Research on Health Care Costs, Quality and Outcomes	93.226	Direct - R01HS026943	292,664	364,795
National Center on Sleep Disorders Research	93.233	Direct	10,062	10,062
Drug Abuse and Addiction Research Programs:				
Improving Postpartum Contraceptive	93.279	Direct	282,274	546,660
Project STEPuP: A prenatal provider education and training	93.279	Direct	377,509	634,941
Frontiers in Addiction Research and Pregnancy	93.279	Direct	201,382	282,955
Pass-Through Univ of Pittsburgh NIDA CTN-0080 - Medication trtmt for opioid use disorder YR2	93.279	133114	-	99,466
Pass-Through Univ of Pittsburgh Availability, accessibility, and structure of opioid use dis	93.279	R01DA045675	-	36,290
Pass-Through Univ of Pittsburgh Teen Mothers' Prenatal Cannabis and Co-Use with Tobacco	93.279	R01DA046401	-	39,830
Pass-Through Univ of Pittsburgh Investigation of Opioid Exposure & Neurodevelopment	93.279	R34DA050290	-	26,138
Subtotal 93.279			861,165	1,666,280
Discovery and Applied Research for Technological Innovations to Improve Human Health:				
Smart Phone Fluid Overload	93.286	Direct	19,884	76,052
Trans-NIH Research Support:				
Pass-Through Univ of Rochester Pre-Postnatal Exposure Period for Child Health	93.310	417407G/UR FAO GR510835	-	480,164
National Center for Advancing Translational Sciences:				
Pass-through Univ of Pittsburgh CTSI-Sadovsky	93.350	UL1TR001857	-	31,980
Research Infrastructure Programs:				
Pass-Through Univ of Georgia Derivation of Functional Spermatogonia Stem Cells from Rhesus	93.351	R01OD028223	79,714	97,406
Lieca Stellaris	93.351	Direct	-	490,180
Subtotal 93.351			79,714	587,586
21st Century Cures Act - Beau Biden Cancer Moonshot:				
Developing a Human in Mouse Cancer Model with a Completely H	93.353	Direct	40,913	46,475
Nursing Research:				
Sleep Experience of Mothers w/ Hospitalized Preterm Infants	93.361	Direct	22,937	22,937
Cancer Cause and Prevention Research				
Pass-Through Duke University Testing a clinician and Patient Intervention to promote smoke cessation among pregnant women	93.393	R01CA247791	-	20,648
Cancer Detection and Diagnosis Research:				
Pass-Through Univ of Pittsburgh/Clinical Eval of a Q GRFT Nasal Spray for Prevention CCS Sup	93.394	P30CA047904	-	25,105

See accompanying notes to schedule of expenditures of federal awards.

**MAGEE-WOMENS RESEARCH
INSTITUTE AND FOUNDATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022 (in whole dollars)
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number(s)	Direct Award or Pass Through #	Passed Through to Subrecipients	Research & Development Cluster
Cancer Treatment Research:				
Pass-Through Tradewind Bioscience Development of a Therapeutic Monoclonal Antibody Against EGFL6	93.395	R41CA250757	-	67,019
Pass-Through Univ. of Pittsburgh Targeting the Chemokine System to Sensitize Tumors	93.395	P01CA234212	-	146,605
Subtotal 93.395			-	213,624
Cancer Biology Research:				
ALDH Inhibition as Modulator of Tumor Immunobiology	93.396	Direct	280,533	443,849
Using Microfluidic Single Cell Culture to Characterize Cancer	93.396	Direct	40,878	41,402
The Function of EGFL6 in Ovarian Cancer Cell Biology, Tumor	93.396	Direct	245,983	349,407
Subtotal 93.396			567,394	834,658
Cancer Research Manpower:				
Frontiers in Stem Cells in Cancer (FriSC2) Yr 9 (6592 Yr 8)	93.398	Direct	61,723	168,507
ACL National Institute on Disability, Independent Living, and Rehabilitation Research:				
Pass-Through Brandeis University Center for Disability and Pregnancy Research	93.433	90DPHF0011	11,054	29,448
Cardiovascular Diseases Research:				
Shared Antecedents to Pre-term Birth and Cardiovascular Dise	93.837	Direct	22,651	84,145
Pass-Through UAB Chronic Hypertension and Pregnancy-CHAP Clinical (Base)	93.837	U01HL120338	21,650	31,813
Pass-Through RTI NuMoM2B Heart Health Study	93.837	U01HL145358	53,539	113,646
Subtotal 93.837			97,840	229,604
Diabetes, Digestive, and Kidney Diseases Extramural Research:				
Immune and developmental actions of the material microbial metabolites on the hypothalamus	93.847	Direct	85,249	125,240
Pass-Through Univ of Washington Non-invasive analysis of methylated cell free DNA in necrotizing enterocolitis	93.847	R01DK124614	-	1,953
Pass-Through Northwestern University Glycemic Profile of Pregnancy (Go Moms)	93.847	U01DK123759	47,465	442,121
Pass-Through Medical College of WI Predicting Urinary Continence Status	93.847	K01DK121866	-	1,510
Subtotal 93.847			132,714	570,824
Allergy and Infectious Diseases Research:				
Development of a urine-based POC Test	93.855	Direct	271,041	366,289
Long Acting Film Technology for Contraception (LATCH)	93.855	Direct	641,387	957,462
Film Antiretroviral Microbicide Evaluation(FAMEII)Core A YR5	93.855	Direct	1,489,580	2,871,665
Microbicide Trial Network	93.855	Direct	6,252,598	8,848,561
Frontiers in Emerging, Reemerging and Zoonotic Diseases and Diversity	94.855	Direct	90,581	121,418
Pass-Through RTI AMBER Advancing Sustained/extended Release for HIV	93.855	1R01AI54549	-	14,754
Pass Through Univ of Nothe Carolina Chlamydia Vaccine Initiative STC CRC	93.855	511466	93,182	510,754
Pass-Through Univ of Pittsburgh Trimer Therapeutic vaccination	93.855	U02AI152969	-	11,967
Pass-Through Temple University Activating Syncytiotrophoblast Microvesicles and Dang	93.855	263851-Magee	-	44,961
Pass-Through Univ. of Louisville Griffiths in-based R-microbicides -PREVENT Proj 3 YR 4	93.855	U19AI113182	-	25,438
Pass-Through Johns Hopkins Development of Rectal Enema As Microbicide	93.855	5U19AI113127	-	64,396
Pass-Through Univ of Pittsburgh Placental Extracellular Vesicles as regulators of maternal Health	93.855	R01AI148690	-	16,387
Pass-Through Univ of Maryland UMB Vaccine Treatment Evaluation Unit - DMID21-0004	93.855	UM1AI148689	24,204	336,624
Pass-Through RTI NIAID-9 MAGE LAPIS HIV PrEP - LAPIS-PC-001	93.855	R01AI152713	-	35,769
Pass-Through FHI HIV Prevention Trials Network	93.855	UM1AI068619	2,105,892	3,415,360
Subtotal 93.855			10,968,465	17,641,805
Biomedical Research and Research Training:				
Characterization of a Meiotic Crossover Surveillance System	93.859	Direct	205,788	276,905
Role of GCNA in preserving genome integrity and fertility	93.859	Direct	278,473	307,445
Pass-Through Cleveland State Univ. Role of Chromosomally Tethered Proteasome in Chromosome Pair	93.859	1R01GM125800-02	41,651	98,751
Subtotal 93.859			525,912	683,101

See accompanying notes to schedule of expenditures of federal awards.

**MAGEE-WOMENS RESEARCH
INSTITUTE AND FOUNDATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022 (in whole dollars)
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number(s)	Direct Award or Pass Through #	Passed Through to Subrecipients	Research & Development Cluster
Child Health and Human Development Extramural Research:				
BIRCWH	93.865	Direct	454,275	565,091
WRHR YR 10	93.865	Direct	8,100	8,100
Metabolic Analysis for Treatment Choice in Gestational Diabe	93.865	Direct	99,531	99,531
Gen of Male Infer: A Marker of Overall Health	93.865	Direct	1,097,968	1,518,733
NIMA-like Kinase NEK1 as a Regulator of Mammalian Gametogene	93.865	Direct	149,874	165,316
Acoustofluidic Separation of Placental Nanovesicle	93.865	Direct	270,702	350,073
Prolapse Mesh	93.865	Direct	187,483	496,389
Extracellular vesicles and their ncRNA cargo as markers of t	93.865	Direct	-	798
Hormones, Immunity & HIV Risk	93.865	Direct	95,930	158,142
High Resolution Transcriptome Analysis of the Primate Testis	93.865	Direct	14,407	16,724
Pharmacologically-based Strategies for Buprenorphine Treatme	93.865	Direct	304,024	576,840
Overcoming Complications of Polypropylene Prolapse Meshes: D	93.865	Direct	212,200	449,026
Next Generation Therapies for Fertility Preservation in Male	93.865	Direct	762,450	862,816
Identifying Molecular Signatures of Genomic Imprinting Errors	93.865	Direct	18,891	38,162
Development of Novel Testicular Tissue Organ Culture Systems	93.865	Direct	21,026	27,727
A Phase 1 PK and Safety Study of Velpatasvir/Sofosbuvir	93.865	Direct	78,337	156,948
Targeting Macrophage to Improve the Outcomes of Urogynecolog	93.865	Direct	14,130	79,399
Exosome Based Placental Maternal Communication	93.865	Direct	190,020	282,996
T32 Scholar Fund	93.865	Direct	121,864	137,918
BASIC VENKAT LAB YR 15	93.865	Direct	550	550
Optimization of Drug Dosing in Preg Women ADMIN YR15	93.865	Direct	137,459	185,624
Pitt Pelvic Floor Research Prog YR 8	93.865	Direct	148,184	277,693
Maternal Fetal Medicine Units (MFMU)	93.865	Direct	70,961	285,022
Pass-Through Univ. of Calif LA Toward a Preclinical Model for overcoming Infertility	93.865	R01HD098278	20,537	83,644
Pass-Through George Wash Univ. Clinical Center MFMU	93.865	U10HD036801	-	687,770
Pass-Through RTI Pelvic Floor Disorders Network PFDN Capitation Funding	93.865	U01HD069031	-	86,616
Pass-Through Trustees of Indiana University Intensive Glycemic Targets in Overweight & Obese Women	93.865	R01HD101476	-	34,810
Pass-Through University of NC Neonatal gut-on-a-chip platform for high content drug testing and precision medicine	93.865	R01HD105301	-	3,991
Pass-Through Case Western University Patient Centered outcome of Sacrocolpopexy versus Uterosacral Ligament Suspension	93.865	R01HD105892	3,402	7,052
Pass-Through Johns Hopkins Acceptability and Desirability of a Novel HIV Prevention Douche among Adolescent Men	93.865	U24HD089880	-	11,485
Subtotal 93.865			4,482,305	7,654,986
Aging Research:				
Telomere-Social Disadvantage & Feal programming of Newborn	93.866	Direct	21,948	119,095
A Prospective Examination of Perioperative Neurocognitive Di	93.866	Direct	73,986	77,761
Frontiers in Aging and Regeneration Res Main (old 65.83)	93.866	Direct	181,625	395,471
Advancing Native American Diversity in Aging Research	93.866	Direct	130,161	175,917
Evaluating the association between surgery and subsequent cognitive function, everyday functioning, and independence	93.866	Direct	88,430	90,430
Preeclampsia and the Brain: Small vessel disease and cognitive function in early midlife	93.866	Direct	75,567	132,907
Pass-Through University of Pittsburgh Defining the impact of stromal aging on ovarian cancer initiation	93.866	U01AG077923	-	100,602
Subtotal 93.866			571,717	1,092,183

See accompanying notes to schedule of expenditures of federal awards.

**MAGEE-WOMENS RESEARCH
INSTITUTE AND FOUNDATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022 (in whole dollars)
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number(s)	Direct Award or Pass Through #	Passed Through to Subrecipients	Research & Development Cluster
Contraceptive Development Program NICHD Female Sites	93.000	Direct	4,419	7,225
Intraoperative Sampline of Fallopian Tubes Passed-Through NCI/WESTAT	93.000	6100-S02/S03 & 8946-S05	5,443	114,411
CCN0138/C - Daily Oral Low Dose Ulipristal Acetate Pass-Through Columbia University	93.000	HHSN2752013000101	6,399	12,993
A randomized, placebo-controlled trial of TOL-463 for suppre Pass-Through UAB	93.000	HHSN272201300012I / HHSN27200016	-	32,499
Release Assays from EVA rings Through Advanced Bioscience Laboratories	93.000	HHSN272201000001C	-	(13,599)
Subtotal 93.000 Research & Development Program			16,261	153,529
Total Department of Health and Human Services			18,803,857	32,847,052
Agency for International Development				
USAID Foreign Assistance for Program Overseas:				
Pass-Through RTI MWRIF USAID TFPD Subaward	98.000	2-312-0214177-51731L	-	36,340
Pass-Through RTI Subcutaneous Contraceptive and HIV Implant (SCHIELD)	98.000	AID-OAA-A-17-00011	-	23,448
Subtotal 98.000			-	59,788
Microbicide R&D to Advance HIV Prevention Technologies (MATRIX)	98.001	7200AA22CA00002	1,498,886	2,754,385
Pass-Through University of Pittsburgh MOSAIC	98.001	7200AA21CA00011	-	16,199
Subtotal 98.001			1,498,886	2,770,584
Total Agency for International Development			1,498,886	2,830,372
Total Federal Expenditures			\$ 20,349,850	\$ 36,149,316

See accompanying notes to schedule of expenditures of federal awards.

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Magee-Womens Research Institute and Foundation (MWRIF) under programs of the federal government for the year ended June 30, 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 MWRIF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MWRIF.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

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

**Magee-Womens Research
Institute and Foundation**

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2022

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

**The Audit Committee of the Board of Directors
Magee-Womens Research Institute and Foundation**

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 Magee-Womens Research Institute and Foundation (MWRIF), 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 January 19, 2023.

Report on Internal Control over Financial Reporting

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

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 MWRIF’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

The Audit Committee of the Board of Directors
Magee-Womens Research Institute and Foundation
Independent Auditor's Report

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.

Maher Duessel

Pittsburgh, Pennsylvania
January 19, 2023

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**The Audit Committee of the Board of Directors
Magee-Womens Research Institute and Foundation**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Magee-Womens Research Institute and Foundation (MWRIF)'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 MWRIF's major federal programs for the year ended June 30, 2022. MWRIF'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, MWRIF 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.

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MWRIF's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MWRIF's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MWRIF'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 MWRIF'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 MWRIF'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

Magee-Womens Research Institute and Foundation
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance

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.

Maher Duessel

Pittsburgh, Pennsylvania
January 19, 2023

MAGEE-WOMENS RESEARCH INSTITUTE AND FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

7. Major Programs:

<u>Name of Federal Program or Cluster</u>	Federal ALN(s)
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Research and Development Cluster	Various
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8. Dollar threshold used to distinguish between type A and type B programs: \$1,084,480

9. Auditee qualified as low-risk auditee? yes no

II. Findings related to financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

**MAGEE-WOMENS RESEARCH
INSTITUTE AND FOUNDATION**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

NONE