

MONELL CHEMICAL SENSES CENTER

**Financial Statements as of and for the Years Ended
June 30, 2020 and 2019 and Schedule of
Expenditures of Federal Awards for the Year Ended
June 30, 2020 and Independent Auditors' Reports as
Required by the United States Office of
Management and Budget (OMB)**

FID# 23-2020897

NIH# 1232020897A1

**Kreischer
Miller**

PEOPLE | IDEAS | SOLUTIONS

MONELL CHEMICAL SENSES CENTER

June 30, 2020 and 2019

CONTENTS

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

Statements of Financial Position	1
Statements of Activities	2-3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-21

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	22-23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Expenditures of State Awards	25

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

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

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

Independent Auditors' Report

The Board of Directors
Monell Chemical Senses Center
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Monell Chemical Senses Center, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monell Chemical Senses Center as of June 30, 2020 and 2019, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis, and is not a required part of the financial statements. The schedule of expenditures of state awards as required by the Commonwealth of Pennsylvania, Department of Health is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of Monell Chemical Senses Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Monell Chemical Senses Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monell Chemical Senses Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Kreischer Miller".

Horsham, Pennsylvania

October 15, 2020

MONELL CHEMICAL SENSES CENTER

Statements of Financial Position June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 562,560	\$ 1,152,807
Investments	4,095,484	4,311,407
Research grants receivable	1,283,735	424,549
Pledges receivable	2,918,300	964,476
Prepaid expenses and other assets	171,990	244,376
Accrued interest receivable	10,047	12,933
Total current assets	9,042,116	7,110,548
Long-term pledges receivable	531,052	825,000
Property, plant and equipment, net	12,470,216	13,099,240
Total assets	\$ 22,043,384	\$ 21,034,788
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 76,536	\$ 2,017,637
Current portion of Paycheck Protection Program loan	665,164	-
Accounts payable and accrued expenses	647,502	325,651
Deferred revenue	1,658,540	1,665,395
Total current liabilities	3,047,742	4,008,683
Long-term debt, net of current portion	2,168,208	289,199
Paycheck Protection Program loan, net of current portion	831,454	-
Total liabilities	6,047,404	4,297,882
Net assets:		
Without donor restrictions:		
Undesignated	10,621,877	12,097,169
Designated by the Board	1,372,214	1,446,844
With donor restrictions	4,001,889	3,192,893
	15,995,980	16,736,906
Total liabilities and net assets	\$ 22,043,384	\$ 21,034,788

See accompanying notes to financial statements.

MONELL CHEMICAL SENSES CENTER

Statements of Activities
Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restriction	With Donor Restrictions	Total
Public support and revenue:			
Contributions	\$ 3,006,701	\$ 1,977,394	\$ 4,984,095
Contributed services	109,042	-	109,042
Federal grants	4,876,096	-	4,876,096
Other grants	2,394,856	-	2,394,856
Net investment return	117,711	1,400	119,111
Patent income	53,451	-	53,451
Rental income	550,404	-	550,404
Net assets released from restrictions	1,169,798	(1,169,798)	-
Total public support and revenue	12,278,059	808,996	13,087,055
Expenses:			
Program services - research	10,227,141	-	10,227,141
Management and general	2,699,242	-	2,699,242
Fundraising and development	901,598	-	901,598
Total expenses	13,827,981	-	13,827,981
Increase (decrease) in net assets	(1,549,922)	808,996	(740,926)
Net assets, beginning of year	13,544,013	3,192,893	16,736,906
Net assets, end of year	\$ 11,994,091	\$ 4,001,889	\$ 15,995,980

See accompanying notes to financial statements.

2019		
Without Donor Restriction	With Donor Restrictions	Total
\$ 3,015,377	\$ 2,818,163	\$ 5,833,540
253,977	-	253,977
4,681,733	-	4,681,733
3,126,963	-	3,126,963
274,216	1,732	275,948
90,363	-	90,363
348,432	-	348,432
1,457,274	(1,457,274)	-
13,248,335	1,362,621	14,610,956
10,052,248	-	10,052,248
2,937,637	-	2,937,637
868,073	-	868,073
13,857,958	-	13,857,958
(609,623)	1,362,621	752,998
14,153,636	1,830,272	15,983,908
\$ 13,544,013	\$ 3,192,893	\$ 16,736,906

MONELL CHEMICAL SENSES CENTER

Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

	2020			
	Program Services-Research	Management and General	Fundraising and Development	Total
Salaries and stipends	\$ 4,686,171	\$ 1,713,441	\$ 533,025	\$ 6,932,637
Payroll taxes and employee benefits	1,322,097	167,945	148,029	1,638,071
Total salaries and related expenses	6,008,268	1,881,386	681,054	8,570,708
Research supplies	532,239	-	-	532,239
Research services and expenses	1,373,639	164,518	-	1,538,157
Office supplies and expenses	95,027	51,211	14,493	160,731
Utilities	471,496	58,244	24,962	554,702
Other occupancy costs	378,050	48,925	17,792	444,767
Insurance	173,350	30,591	-	203,941
Travel, conferences and meetings	147,501	3,851	65,373	216,725
Telephone	8,232	4,432	159	12,823
Printing and publications	9,537	1,683	1,746	12,966
Professional services	33,055	55,792	-	88,847
Development	-	-	60,997	60,997
Interest	91,963	43,620	4,869	140,452
Rental expenses	-	284,633	-	284,633
Depreciation	904,575	70,356	30,153	1,005,084
Uncollectible grants	209	-	-	209
Total other expenses	4,218,873	817,856	220,544	5,257,273
Total functional expenses	\$ 10,227,141	\$ 2,699,242	\$ 901,598	\$ 13,827,981

See accompanying notes to financial statements.

2019

Program Services- Research	Management and General	Fundraising and Development	Total
\$ 4,385,188	\$ 1,922,930	\$ 488,119	\$ 6,796,237
1,142,109	209,822	136,691	1,488,622
5,527,297	2,132,752	624,810	8,284,859
549,783	-	-	549,783
1,365,187	57,039	-	1,422,226
78,665	79,210	12,264	170,139
504,805	62,358	26,725	593,888
325,602	52,179	18,974	396,755
171,638	30,289	-	201,927
279,396	7,338	48,399	335,133
6,325	6,133	-	12,458
17,257	3,045	5,934	26,236
101,014	99,682	-	200,696
-	-	94,487	94,487
113,615	17,117	6,015	136,747
-	319,411	-	319,411
913,939	71,084	30,465	1,015,488
97,725	-	-	97,725
4,524,951	804,885	243,263	5,573,099
\$ 10,052,248	\$ 2,937,637	\$ 868,073	\$ 13,857,958

MONELL CHEMICAL SENSES CENTER

Statements of Cash Flows Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (740,926)	\$ 752,998
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,005,084	1,015,488
Uncollectible grants	209	97,725
Net realized and unrealized gains on investments	(24,525)	(172,209)
(Increase) decrease in:		
Research grants receivable	(859,395)	356,822
Pledges receivable	(1,659,876)	(802,713)
Prepaid expenses and other assets	72,386	27,658
Accrued interest receivable	2,886	2,984
Increase (decrease) in:		
Accounts payable and accrued expenses	321,851	(102,619)
Deferred revenues	(6,855)	50,324
Net cash provided by (used in) operating activities	<u>(1,889,161)</u>	<u>1,226,458</u>
Cash flows from investing activities:		
Purchases of property and equipment	(376,060)	(264,375)
Purchases of investments	(347,485)	(1,330,688)
Proceeds from maturity or sale of investments	587,933	1,257,728
Net cash used in investing activities	<u>(135,612)</u>	<u>(337,335)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(166,728)	(534,691)
Proceeds from refinance	104,636	-
Proceeds from Paycheck Protection Program loan	1,496,618	-
Net cash provided by (used in) financing activities	<u>1,434,526</u>	<u>(534,691)</u>
Net increase (decrease) in cash and cash equivalents	(590,247)	354,432
Cash and cash equivalents, beginning of year	<u>1,152,807</u>	<u>798,375</u>
Cash and cash equivalents, end of year	<u>\$ 562,560</u>	<u>\$ 1,152,807</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 140,452</u>	<u>\$ 136,747</u>
Supplemental disclosure of noncash financing activities:		
Refinance of long-term debt (Note 9)	<u>\$ 2,195,364</u>	<u>\$ -</u>

See accompanying notes to financial statements.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(1) Nature of Activities

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

Accounting Pronouncement Adopted

Revenue Recognition

On July 1, 2019, Monell adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Topic 606 has been applied on the modified-retrospective method using the cumulative effect method on contracts existing on July 1, 2019. As part of the adoption, Monell elected to follow the practical expedient of applying Topic 606 only to contracts that were not completed as of July 1, 2019. There was no adjustment to opening net assets at July 1, 2019.

On July 1, 2019, Monell adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. Monell adopted ASU 2018-08 using a modified prospective application to agreements not completed as of July 1, 2019 and to agreements entered into after July 1, 2019. There was no adjustment to opening net assets at July 1, 2019.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncement

Leases

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. They may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Monell reports donor-restricted contributions as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

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

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Investments

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

Research Grants Receivable

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

Pledges Receivable

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

Property, Plant and Equipment

Property, plant and equipment are recorded at cost on the date of purchase or at fair value at date of gift. Property, plant and equipment are depreciated or amortized over their estimated useful lives of 4 to 50 years on the straight-line basis.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration Monell expects to be entitled to receive in exchange for those goods and services. Monell applies the five-step revenue model under FASB *Accounting Standards Codification* (ASC) 606 to determine when exchange revenue is earned and recognized. Monell follows FASB ASC 958, *Not-for-Profit Entities*, for nonreciprocal transactions that are outside of the scope of FASB ASC 606.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

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

Contributions

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

Contributed Services

Certain scientists at Monell are employees of other agencies and while producing work for Monell, have their salaries and benefits paid by those outside agencies. The expenses paid by the outside agencies are considered contributed services and are recorded as both revenue and expenses in the accompanying financial statements. Contributed services for the years ended June 30, 2020 and 2019 were \$109,042 and \$253,977, respectively.

Grants

Grants are recognized as revenue and support over time to the extent that expenditures have been incurred for the purpose specified by the grantor or the conditions of the grant has been satisfied. Any remaining balance is deferred until earned.

One governmental agency accounts for 62% of research grants receivable at June 30, 2020, and 27% of total public support and revenue for the year ended June 30, 2020.

Certain grant costs billed to the U.S. government are subject to audit by the appropriate granting government agency. There were no such audits for the fiscal years ended June 30, 2020 and 2019. It is the opinion of management that no significant adjustments will occur should there be audits in the future.

Patents

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

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Functional Allocation of Expenses

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

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

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

Income Taxes

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

Monell is annually required to file a federal Form 990 with the IRS. In addition, Monell is subject to income tax on net income derived from business activities that are unrelated to their exempt purpose. Monell files an *Exempt Organization Business Income Tax Return* (Form 990T) with the IRS to report its unrelated business taxable income. With few exceptions, Monell is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2016. Based on Monell's assessment of many factors, including past experience and judgments about future events, Monell does not currently anticipate significant changes in its tax positions over the next 12 months.

Use of Estimates

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

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Concentration of Credit and Other Risks

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

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

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19's effect on Monell's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As the pandemic continues to evolve, the disease could have a material effect on Monell's activities, results of operations, financial condition, and cash flow.

Subsequent Events

Monell has performed an evaluation of subsequent events through October 15, 2020, which is the date the financial statements were available to be issued.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(3) Liquidity and Availability

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

	2020	2019
Cash and cash equivalents	\$ 562,560	\$ 1,152,807
Investments	4,095,484	4,311,407
Research grants receivable	1,283,735	424,549
Unconditional pledges receivable	3,449,352	1,789,476
Accrued interest receivable	10,047	12,933
	<u>9,401,178</u>	<u>7,691,172</u>
Assets unavailable for general expenditure until after one year:		
Collateral held for HVAC loan	(531,052)	(825,000)
Perpetually endowed funds	-	(500,000)
	<u>(43,608)</u>	<u>(43,608)</u>
	<u>\$ 8,826,518</u>	<u>\$ 6,322,564</u>

Monell regularly monitors the liquidity required to meet its operating expenses and other commitments while also striving to maximize the return on its financial assets. For the purposes of analyzing available resources to meet general expenditures over a 12-month period, Monell considers all expenses related to its mission, including necessary management and fundraising expenses to be general expenditures. Capital expenditures are not included in this analysis.

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

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(4) Fair Value Measurements

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

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

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

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

For the years ended June 30, 2020 and 2019, the application of valuation techniques applied to similar assets has been consistent. U.S. government agency bonds and notes, municipal bonds, and corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Corporate equity stocks are valued at the closing price reported on the active market in which the individual securities are traded. The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$1,662,735	\$ -	\$1,662,735
Municipal bonds	-	40,549	-	40,549
Corporate equity stocks	2,392,200	-	-	2,392,200
Total assets at fair value	\$2,392,200	\$1,703,284	\$ -	\$4,095,484

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements June 30, 2020 and 2019

(4) Fair Value Measurements, Continued

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
U.S. government agency bonds and notes	\$ -	\$ 203,616	\$ -	\$ 203,616
Corporate bonds	-	1,595,214	-	1,595,214
Municipal bonds	-	61,190	-	61,190
Corporate equity stocks	2,451,387	-	-	2,451,387
Total assets at fair value	\$ 2,451,387	\$ 1,860,020	\$ -	\$ 4,311,407

The estimated fair value by expected maturities of Monell's investments in fixed income securities at June 30, 2020 is as follows:

Less than 5 years	\$ 1,468,616
Thereafter	234,668
	<u>\$ 1,703,284</u>

(5) Pledges Receivable

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

	2020	2019
Due in less than one year	\$ 2,918,300	\$ 964,476
Due in one to four years	531,052	825,000
Total pledges receivable	<u>\$ 3,449,352</u>	<u>\$ 1,789,476</u>

At June 30, 2020 and 2019 no allowances for uncollectability were deemed necessary.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(6) Research Grants Receivable

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

	2020	2019
Federal and Pennsylvania expenditures awaiting reimbursement	\$ 841,575	\$ 225,329
Other funding sources awaiting reimbursement	442,160	199,220
	<u>\$ 1,283,735</u>	<u>\$ 424,549</u>

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

(7) Property, Plant and Equipment

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

	2020	2019
Land	\$ 450,406	\$ 450,406
Buildings and improvements	25,438,386	25,305,563
Equipment	9,978,739	9,802,524
Furniture and fixtures	206,887	206,887
Construction-in-progress	-	11,130
	<u>36,074,418</u>	<u>35,776,510</u>
Accumulated depreciation	<u>(23,604,202)</u>	<u>(22,677,270)</u>
	<u>12,470,216</u>	<u>\$13,099,240</u>

Depreciation expense was \$1,005,084 and \$1,015,488 for the years ended June 30, 2020 and 2019, respectively.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(8) Line of Credit

Monell has a line of credit with a bank for its working capital needs that provides maximum borrowings of \$1,000,000, set to expire on April 21, 2021. Principal is payable upon expiration and is collateralized by certain investments held by Monell. Borrowings under the line bear interest at the LIBOR rate plus 2.25% (3.06% at June 30, 2020) payable monthly. There are no balances outstanding under this line of credit as of June 30, 2020.

(9) Long-Term Debt

On March 30, 2005, Monell purchased a property, known as 3508 Market Street, through a conventional mortgage with a bank. In April 2005, Monell converted the conventional mortgage into a \$4,230,000 tax-free bond mortgage ("3508 Loan"). The 3508 Loan was payable in monthly installments with a final balloon payment on May 1, 2020.

Monell had a loan with a bank that was used to acquire a new HVAC system ("HVAC Loan"). The HVAC Loan was payable in monthly installments of \$24,099, plus interest at 2.21% above the LIBOR rate, through June 27, 2021.

On September 24, 2019, both the 3508 Loan and HVAC Loan were repaid in the amounts of \$1,665,165 and \$530,199, respectively, through the issuance of a mortgage relating to Monell's property at 3500 Market Street ("3500 Loan"). The 3500 Loan was obtained in the amount of \$2,300,000, and is payable in equal monthly installments of principal and interest of \$14,318, through September 2029 when a final balloon payment of approximately \$1,400,000 is due. The 3500 Loan bears interest at a fixed rate of 4.25%. The 3500 Loan is subject to repayment penalties ranging from 5% to 1% through September 2024. The outstanding principal balance on the 3500 Loan at June 30, 2020 is \$2,244,744.

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

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(9) Long-Term Debt, Continued

In April 2020, Monell received a loan in the amount of \$1,496,618 from its primary lender pursuant to the Paycheck Protection Program (PPP) administered by the United States Small Business Administration (SBA) and authorized by the Keeping American Workers Employed and Paid Act, which is part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), enacted on May 27, 2020. The PPP was established to provide economic stimulus and funding to organizations affected by the COVID-19 pandemic. The PPP note is forgivable subject to Monell meeting specific requirements related to the use of the funds and good-faith certification requirements related to eligibility for the loan. In order to receive the forgiveness of the loan, Monell must submit a loan forgiveness application which will be subject to review and approval by the SBA. Monell expects to submit its loan forgiveness application subsequent to year end. Interest and principal on the loan are deferred until such time that Monell receives a decision from the SBA on its loan forgiveness application. If the loan is forgiven, Monell owes no interest or principal on the loan and it will record the amount as income in the period that it receives notice of forgiveness. Any amounts not forgiven bear interest at an annual rate of 1% and are due in equal monthly installments of principal and interest beginning November 2020 through April 2022. There can be no assurance that any portion of the loan will be forgiven pursuant to the terms of the PPP.

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

Years Ending	
June 30,	Amount
2021	\$ 741,757
2022	911,410
2023	83,470
2024	86,906
2025	90,958
Thereafter	1,826,861
	<u>\$ 3,741,362</u>

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(10) Deferred Revenue

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

	2020	2019
Various corporate / industry grants	\$ 803,897	\$1,055,633
Private foundation grants	743,040	609,762
Commonwealth of Pennsylvania Tobacco Fund	74,759	-
University of Pennsylvania IDOM / NORC	16,608	-
National Institute of Nursing Research	20,236	-
	<u>\$1,658,540</u>	<u>\$1,665,395</u>

(11) Related Party Transactions

Two members of the Board of Directors also serve as directors for a charitable foundation that provides financial support for Monell. Contributions from that foundation and members of Monell's Board of Directors totaled \$1,872,550 and \$3,526,269 for the years ended June 30, 2020 and 2019, respectively. The Foundation revenue accounts for 14.5% of total public support and revenue for the year ended June 30, 2020. Receivables outstanding at June 30, 2020 and 2019 related to these contributions were \$2,014,000 and \$1,600,000, respectively, representing 58% of total pledges receivable at June 30, 2020.

(12) Rental Income

Monell leases a portion of its facilities under noncancelable operating leases that will expire at various dates through June 2023 or when Monell requires the use of the space. The lease agreements typically provide for a specific monthly payment plus reimbursement of certain operating costs. Future minimum rental income at June 30, 2020 are as follows:

Years Ending	
June 30,	Amount
2021	\$ 558,246
2022	463,862
2023	78,682
	<u>\$1,100,790</u>

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(13) Employee Retirement Plans

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

The Plan provides for a discretionary match to be determined by the Board of Directors on an annual basis. Effective January 16, 2017, the Board elected to contribute a discretionary match of 6% to active participants. Monell's contributions for the years ended June 30, 2020 and 2019 were approximately \$289,000 and \$246,000, respectively.

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

(14) Postretirement Benefit

Effective June 2007, Monell implemented a health benefit plan for both pre-65 and post-65 aged retirees. To become eligible for the plan, an employee's age plus years of service must total at least 75, with a minimum of age 60 and 15 years of service. The plan provides retirees and eligible spouses under age 65 a subsidy on the cost of continuing their current health insurance coverage. Retirees and dependents age 65 years old or older must enroll in Medicare Parts A and B in order to be eligible for post-65 retiree health benefits. Monell will provide a Medicare Supplement plan for retirees and their eligible spouses in accordance with the terms of the plan. Monell's obligations under the plan are revocable; Monell reserves the right to terminate the plan based on its ability to fund the benefit or the future health insurance premium costs. Expenses associated with this plan for the years ended June 30, 2020 and 2019 were approximately \$57,000 and \$49,000, respectively.

MONELL CHEMICAL SENSES CENTER

Notes to Financial Statements

June 30, 2020 and 2019

(15) Net Assets With Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purposes:		
Faculty recruitment	\$ 1,092,359	\$ 1,239,045
Anosmia research	323,816	272,123
Ovarian cancer research	111,229	86,389
Monell Student Apprenticeship Program	41,634	48,305
Lectureships	111,123	112,220
Disease detection	61,324	-
Sensory nutrition research	34,700	34,700
George Preti research core	105,624	-
Conferences	45,000	-
	<u>1,926,809</u>	<u>1,792,782</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but are unavailable for expenditure until due	2,031,472	1,356,503
Endowment:		
Perpetual (Note 16)	43,608	43,608
	<u>\$ 4,001,889</u>	<u>\$ 3,192,893</u>

(16) Endowment

An endowment was created in 2009 from a donor to establish the Martin Meyerson Lectureship Endowment Fund. The investment income earned on this endowment is restricted for lectureships. For the years ended June 30, 2020 and 2019, investment income of \$1,400 and \$1,732, respectively, was recorded as an increase in net assets with donor restrictions.

(17) Kare Memorial Fellowship Fund

A portion of unrestricted net assets comprises funds designated by the Board of Directors for the Kare Memorial Fellowship Fund. The use of such funds is determined by the Board of Directors. The net asset balance of this fund is \$1,372,214 and \$1,446,844 at June 30, 2020 and 2019, respectively.

SUPPLEMENTARY INFORMATION

MONELL CHEMICAL SENSES CENTER

FID# 23-2020897

NIH# 1232020897A1

Supplementary Information
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Program or Cluster Title/Pass-Through Grantor	Federal CFDA Number	Federal Expenditures
Research and Development Program Cluster:		
U.S. Department of Health and Human Services, Public		
Health Service - National Institutes of Health:		
Research Related to Deafness and Communication Disorders	93.173	\$ 3,497,654
Research Related to Diabetes, Digestive and Kidney Diseases Extramural Research	93.847	227,622
Child Health and Human Development Extramural Research	93.865	76,221
Pass-through - National Institute of Health:		
Research Related to Deafness and Communication Disorders Temple University	93.173	293,495
Research Related to Deafness and Communication Disorders Johns Hopkins University	93.173	113,806
Research Related to Deafness and Communication Disorders Discovery BioMed	93.173	59,723
Research Related to Deafness and Communication Disorders University of Denver	93.173	51,166
Research Related to Deafness and Communication Disorders Arizona State University	93.173	6,084
Research Related to Deafness and Communication Disorders University of Pennsylvania	93.173	39
Research Related to National Institute of Nursing Research Contract No. 75N98019P03096	93.361	2,748
Research Related to Diabetes, Digestive and Kidney Diseases Extramural Research - University of Pennsylvania	93.847	12,167
Research Related to Programs in the Neurosciences and Neurological Disorder New York University	93.853	280,851
Total		4,621,576
U.S. Department of Agriculture-Wild Life Services: Wildlife Services	10.028	136,434
Department of Veterans Affairs -VA Medical Center Grant # 1/01CX001617-01A1	64.999	64,503
HVMN Inc. - U.S. Special Operations Command USSOCOM: Contract # H9240519C0016	N/A	53,583
Total expenditures of federal awards		\$ 4,876,096

See accompanying notes to schedule of expenditures of federal awards.

Continued...

MONELL CHEMICAL SENSES CENTER

FID# 23-2020897
 NIH# 1232020897A1

Supplementary Information
 Schedule of Expenditures of Federal Awards, Continued
 Year Ended June 30, 2020

Summary of Federal Associated by CFDA and Contract Number		Federal Expenditures
<p style="text-align: center;">Federal CFDA Number</p> <hr/>		
Research and Development Cluster:		
93.173	Research Related to Deafness and Communication Disorders	\$ 4,021,967
93.853	Programs in the Neurosciences and Neurological Disorders	280,851
93.847	Diabetes, Digestive & Kidney Diseases Extramural Research	239,789
93.865	Child Health and Human Development Extramural Research	76,221
93.361	National Institute of Nursing Research	2,748
64.999	Department of Veterans Affairs - VA Medical Center	64,503
10.028	Wild Life Services	136,434
<p style="text-align: center;">Contract No.</p> <hr/>		
H9240519C0016	HVMN Inc. - U.S. Special Operations Command	<u>53,583</u>
Total expenditures of federal awards		<u>\$ 4,876,096</u>

See accompanying notes to schedule of expenditures of federal awards.

MONELL CHEMICAL SENSES CENTER

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

(1) Basis of Presentation

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

(2) Subrecipients

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

Federal Grantor	Federal CFDA Number	Amount Provided to Subrecipients
U.S. Department of Health and Human Services, Public Health Services - National Institutes of Health: Research Related to Deafness and Communication Disorders	93.173	\$ 432,386
Child Health and Human Development Extramural Research	93.865	<u>35,361</u>
Total federal awards provided to subrecipients		<u>\$ 467,747</u>

(3) De Minimis Indirect Cost Rate

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

MONELL CHEMICAL SENSES CENTER

FID# 23-2020897
NIH# 1232020897A1

Supplementary Information
Schedule of Expenditures of State Awards
Year Ended June 30, 2020

State Grantor/Program or Cluster Title/Pass-Through Grantor	Agency or Pass-Through Number	State Expenditures
Research and Development Program Cluster: Commonwealth of Pennsylvania: Department of Health - Tobacco Settlement Research Formula Fund	SAP # 4100083095	\$ 28,941
Pass-through - Commonwealth of Pennsylvania Pennsylvania Department of Health The Children's Hospital of Philadelphia	SAP # 4100077078	153,024
		<hr/>
		\$ 181,965

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

The Board of Directors
Monell Chemical Senses Center
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Monell Chemical Senses Center, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Kreischer Miller".

Horsham, Pennsylvania
October 15 2020

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

The Board of Directors
Monell Chemical Senses Center
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Monell Chemical Senses Center's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Monell Chemical Senses Center's major federal programs for the year ended June 30, 2020. Monell Chemical Senses Center's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Monell Chemical Senses Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in cursive script that reads "Kreisler Miller".

Horsham, Pennsylvania
October 15, 2020

MONELL CHEMICAL SENSES CENTER

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

- Type of auditors' report issued: Unmodified
- Internal control over financial reporting:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- Noncompliance material to financial statements noted Yes No

Federal Awards

- Internal control over major programs:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- Type of auditors' report issued on compliance for major programs: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Research and Development Program Cluster:
93.173	Research Related to Deafness and Communication Disorders
93.853	Programs in the Neurosciences & Neurological Disorders
93.847	Diabetes, Digestive & Kidney Diseases Extramural Research
93.865	Child Health and Human Development Extramural Research
93.361	National Institute of Nursing Research
64.999	Department of Veterans Affairs -VA Medical Center
10.028	Wildlife Services

MONELL CHEMICAL SENSES CENTER

**Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2020**

I. SUMMARY OF AUDITORS' RESULTS, CONTINUED

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

Auditee qualified as low-risk auditee? Yes No

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

IV. PRIOR AUDIT FINDINGS

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