ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.

GULF BREEZE, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2025

saltmarsh

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.

GULF BREEZE, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2025

CONTENTS

	PAGE
Independent Auditor's Report	1
Audited Financial Statements:	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information:	
Schedule of Expenditures of State Financial Assistance	14
Other Reports and Schedules:	
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*	15
Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*	17
Schedule of Findings and Questioned Costs	20

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Andrews Research & Education Foundation, Inc.
Gulf Breeze, Florida

Opinion

We have audited the accompanying financial statements of Andrews Research & Education Foundation, Inc., (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 the Foundation as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. 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 the Foundation and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management 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.

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 the Foundation'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 the Foundation'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 the Foundation'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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Board of Directors
Andrews Research & Education Foundation, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2026, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and award agreements and other matters. The purpose of that report is 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 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 the Foundation's internal control over financial reporting and compliance.



Pensacola, Florida
September 11, 2026

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025

ASSETS

Current Assets:		
Cash	$	1,585,408
Awards and contracts receivable		548,855
Prepaid expenses and other current assets		105,714
Total current assets		2,239,977
Property and Equipment, net		2,105,820
Total Assets	$	4,345,797

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	380,388
Short-term related party payables		17,902
Accrued expenses		211,143
Refundable advances		184,094
Total current liabilities		793,527
Non-Current Liabilities:		
Long-term related party payables		195,050
Total liabilities		988,577
Net Assets:		
Without donor restrictions		3,079,636
With donor restrictions		277,584
		3,357,220
Total Liabilities and Net Assets	$	4,345,797

The accompanying notes are an integral part of these financial statements.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Public support:			
Awards	$ 3,690,524	$ 152,500	$ 3,843,024
Contributions of cash and other financial assets	226,560	48,898	275,458
Contributions of non-financial assets	2,748	-	2,748
Total public support	3,919,832	201,398	4,121,230
Revenue:			
Project income	397,873	-	397,873
Miscellaneous income	39,170	4,788	43,958
Total revenue	437,043	4,788	441,831
Net assets released from restrictions	235,403	(235,403)	-
Total public support and revenue	4,592,278	(29,217)	4,563,061
Expenses:			
Direct program services:			
Research	2,171,426	-	2,171,426
Eagle Fund	446,780	-	446,780
Education	235,114	-	235,114
Fellowship	148,686	-	148,686
Total direct program services	3,002,006	-	3,002,006
Support services:			
Management and general	1,434,205	-	1,434,205
Total expenses	4,436,211	-	4,436,211
Change in Net Assets	156,067	(29,217)	126,850
Net Assets:			
Beginning of year	2,923,569	306,801	3,230,370
End of year	$ 3,079,636	$ 277,584	$ 3,357,220

The accompanying notes are an integral part of these financial statements.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2025

	Direct Program Services						
	Research	Eagle Fund	Education	Fellowship	Total Program Expenses	Management and General	Total Expenses
Wages	$ 853,504	$ 62,588	$ 19,649	$ 59,351	$ 995,092	$ 657,303	$ 1,652,395
Employee benefits	165,214	7,300	2,292	9,646	184,452	75,726	260,178
Travel	50,224	-	4,675	30,864	85,763	2,535	88,298
Education and training	64,098	-	165,491	627	230,216	-	230,216
Postage	222	-	-	-	222	563	785
Advertising	-	-	867	-	867	1,230	2,097
Membership and licenses	107,916	563	2,286	27,276	138,041	1,331	139,372
Insurance	-	-	-	4,328	4,328	60,773	65,101
Equipment purchase and rental	153,044	4,134	169	50	157,397	38,726	196,123
Professional, legal and accounting	49,419	-	-	4,852	54,271	63,164	117,435
Purchased contractor services	143,989	372,195	36,441	-	552,625	567	553,192
Utilities	68,392	-	290	290	68,972	72,850	141,822
Food services	1,394	-	-	9,196	10,590	2,538	13,128
Depreciation	-	-	-	-	-	380,608	380,608
Medical supplies	311,088	-	-	1,797	312,885	76	312,961
In-kind expenses	2,748	-	-	-	2,748	-	2,748
Other expenses	200,174	-	2,954	409	203,537	76,215	279,752
Total Expenses	$ 2,171,426	$ 446,780	$ 235,114	$ 148,686	$ 3,002,006	$ 1,434,205	$ 4,436,211

The accompanying notes are an integral part of these financial statements.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

Cash Flows From Operating Activities:		
Change in net assets from operating activities	$	126,850
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation		380,608
Changes in operating assets and liabilities -		
Awards and contracts receivable		138,769
Prepaid expenses		44,198
Accounts payable		187,626
Related party payables		(17,939)
Accrued expenses		49,807
Refundable advances		135,970
Net cash provided by operating activities		1,045,889
Cash Flows From Investing Activities:		
Purchase of property and equipment		(753,975)
Net Change in Cash		291,914
Cash at Beginning of Year		1,293,494
Cash at End of Year	$	1,585,408

The accompanying notes are an integral part of these financial statements.

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Andrews Research & Education Foundation, Inc., (the "Foundation") was incorporated as a Florida not-for-profit corporation in 2014. The Foundation has no paid-in capital or shareholders and the affairs are conducted by the Board of Directors who shall be elected as provided in the by-laws of the corporation.

The Foundation's primary purpose is to be a leader in the field of musculoskeletal research and education in order to advance the prevention, treatment, and rehabilitation of athletic injuries and enhance human performance and quality of life for people of all ages. The Foundation is funded by awards with the State of Florida, Department of Health, and individual and business contributions.

Basis of Presentation:

The accompanying financial statements of the Foundation, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Contributions are recognized when a donor makes an unconditional promise to give to the Foundation. Contributions that are restricted by a donor are reported as increases in net assets with donor restrictions. When a time restriction expires or a purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Project income is recognized as services are rendered or upon course registrations in the period in which the services are provided.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Net assets without donor restrictions represent resources generated from operations, donations without donor restrictions, and lapse of time or purpose restrictions and are not subject to donor-imposed stipulations.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash:

Cash consists of monies held in a checking account and an interest-bearing deposit account.

Awards and Contracts:

Awards and contracts are stated at the amount management expects to collect from outstanding balances. When necessary, management provides for probable uncollectible amounts through a provision for credit losses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the provision for credit losses and a credit to accounts receivable.

The opening balance of awards and contracts receivable was $687,624 as of January 1, 2025.

Property and Equipment:

Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated market value on the date of contribution. Expenditures which equal or exceed $5,000 that materially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance costs are charged to operations when incurred.

Depreciation is computed using the straight-line method. Estimated useful lives of property and equipment range as follows:

Leasehold improvements	15 years
Furniture, fixtures and equipment	5 - 15 years

Income Taxes:

The Foundation is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3). As a result, there is no provision for taxes in the accompanying financial statements.

Advertising Costs:

Advertising costs are expensed when incurred. Total advertising costs were $2,097 for the year ended December 31, 2025.

Indirect Cost Allocation:

The Foundation allocates indirect costs to its major activities using an Indirect Cost Allocation Rate (“IDCAR”) calculated under the simplified allocation method. This method is used because the Foundation's major activities benefit from indirect costs to approximately the same degree. The distribution base used to calculate the IDCAR is total direct costs, as determined in accordance with the Foundation's cost allocation schedules.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Indirect Cost Allocation (Continued):

The Foundation's major activities include the Research State Appropriation (Regenerative Medicine Center), the Eagle Fund State Appropriation, Clinical Research (Sponsored Studies), Fellowship, Education, Surgical Skills Lab, the HEROES Program, and Fundraising. Indirect costs are captured within the Administrative and General department and allocated across these activities using the IDCAR.

Costs are classified as direct, indirect, or a combination of both, depending on their nature and the benefit they provide to the Foundation's activities.

The Foundation prepares, updates, and maintains its indirect cost rate proposal in accordance with the following:

- Section 215.97, Florida Statutes
- Florida Administrative Code Chapter 69I-5
- State Projects Compliance Supplement
- Reference Guide for State Expenditures

Contributions of Non-financial Assets:

Contributions of non-financial assets totaling $2,748 have been recognized in the accompanying statement of activities and changes in net assets for the year ended December 31, 2025. Donations to the Foundation include costs related to services and goods. Contributions of tangible assets are recognized at fair market value when received. The computation of value for the contributions is based on the fair value of the contributed items or services as of the date received. The amounts reported in the accompanying financial statements as contributions of non-financial assets are offset by like amounts included in expenses.

Subsequent Events:

Management has evaluated subsequent events through September 11, 2026, which is the date the financial statements were available to be issued.

NOTE 2 - AWARDS AND CONTRACTS RECEIVABLE

Awards and contracts receivable consist of the following:

State awards	$	352,686
Accounts receivable		196,169
Total	$	548,855

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	$ 317,552
Furniture, fixtures, and equipment	3,307,893
Equipment development in progress	208,448
	3,833,893
Accumulated depreciation	(1,728,073)
Total	$ 2,105,820

Depreciation expense was $380,608 for the year ended December 31, 2025.

NOTE 4 - REFUNDABLE ADVANCES

The Foundation receives funding under a grant awarded by the Florida Department of Health for Community Health Promotion-Contracted Services (CSFA No. 64.157), with a total authorized grant award of $3,500,000 for the grant period July 1, 2025, through June 30, 2026. In accordance with FASB ASC 958-605, grant proceeds are recognized as contribution revenue in the period in which the qualifying expenditures are incurred and the eligibility requirements of the grant are met.

Amounts received from the Florida Department of Health in advance of meeting the applicable eligibility requirements are recorded as refundable advances on the statement of financial position. As of December 31, 2025, the Foundation received grant funds in excess of qualifying expenditures incurred to date. Accordingly, a refundable advance liability of $184,094 is reflected in the accompanying financial statements, representing funds that remain subject to expenditure and, if not expended in accordance with grant terms, are returnable to the Florida Department of Health.

NOTE 5 - NET ASSETS

Net assets without donor restrictions totaled $3,079,636 as of December 31, 2025. Net assets were released from donor restrictions during the year ended December 31, 2025, by incurring expenses satisfying the purpose restrictions. These funds are available for use at the discretion of management to support ongoing operations and activities of the organization.

NOTE 5 - NET ASSETS (Continued)

Donor restricted net assets consist of the following as of December 31, 2025:

Eagle Fund	$ 214,543
Fellowship Program	63,041
	$ 277,584

NOTE 6 - RETIREMENT PLAN

The Foundation has established a 401(k) plan covering all employees who have been employed for a specific length of continuous service. Participants may elect to contribute a portion of their compensation, subject to statutory limitations to the plan. The Foundation provides matching contributions which equal 25% of the first 6% of the amount each employee elects to contribute to the plan. The Foundation's contributions to the plan for the year ended December 31, 2025 totaled $8,914.

NOTE 7 - LIQUIDITY

Financial assets available for general expenditures within one year of December 31 are as follows:

Cash	$ 1,585,408
Awards and contracts receivable	548,855
	$ 2,134,263

At December 31, 2025, all net assets with donor restrictions are available for payment of qualifying expenses, and all financial assets without donor restrictions are available to meet cash needs for general expenditures.

NOTE 8 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2025, the Foundation conducted transactions involving members of the board of directors.

- Several board members also hold key positions with vendors used by the Foundation. Expenses paid to these vendors totaled $248,904.
- Contributions totaling $100,000 were received from a company affiliated with certain members of the Board of Directors.
- A sponsorship payment of $25,000 was received from a company affiliated with certain members of the Board of Directors.

NOTE 8 - RELATED PARTY TRANSACTIONS (Continued)

As of December 31, 2025, the Foundation had an outstanding balance of $195,050 payable to a physician who serves on the Board of Directors. This balance represents amounts due to the Director of the Fellowship program. The amount is recorded as long-term related party payables on the statement of financial position. The payable is non-interest bearing, unsecured, and has no stated maturity date.

In addition, the Foundation had an outstanding balance of $17,902 payable to related parties for various items to include reimbursements, rent and utilities, imaging services, and stipends. This amount is recorded as short-term related party payables on the statement of financial position.

During the year ended December 31, 2025, the Foundation provided consulting services to Andrews Medicine, LLC ("AMLLC"), a for-profit entity, under a three-year consulting agreement entered into in September 2023. The Foundation's President and three of the Foundation's board members are board members of AMLLC. The consulting services provided under the written agreement included meeting attendance, preparation of presentations, research, consultation, strategic guidance on education and outreach initiatives, expertise in fellowship program development and management, streamlined administrative support and other mutually agreed upon services. The Foundation recognized revenue of $15,477 from AMLLC related to these services. Management believes the terms of the arrangement were consistent with those that would have been applied in an arm's-length transaction with an unrelated party.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Dependency on Government Support:

The Foundation's services are funded primarily with awards from the State of Florida Department of Health. A reduction in the level of future support from these agencies could have a substantial effect on the Foundation's programs and activities. As of December 31, 2025, management is unaware of any such reduction in future support as a result of any audit findings.

Uninsured Cash Balances:

The Foundation maintains cash balances with a financial institution. Demand deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At December 31, 2025, the Foundation had $1,347,006 held by the financial institution in excess of insured limits.

NOTE 10 - SUBSEQUENT EVENT

In March 2026, the Foundation obtained an unsecured line of credit with a bank in the amount of $1,000,000. Borrowings on the line of credit bear interest at the bank's secured overnight financing rate plus 1.95% with a floor of 3.45%. The line of credit matures March 17, 2027. As of the date the financial statements were available to be issued, no amounts had been borrowed under the line of credit.

SUPPLEMENTARY INFORMATION

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2025

Awarding Agency/Pass-through Agency/Project Title	CSFA Number	Contract / Award Number	Expenditures
Florida Department of Health			
Eagle Fund	64.134	COHET	$ 502,019
Community Health Promotion - Contracted Services	64.157	COHEM/CORKG	3,188,505
Total State Financial Assistance			$ 3,690,524

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

OTHER REPORTS AND SCHEDULES

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*

Board of Directors
Andrews Research & Education Foundation, Inc.
Gulf Breeze, Florida

We have audited 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, the financial statements of Andrews Research & Education Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, 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 September 11, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation'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 have not been identified.

Board of Directors
Andrews Research & Education Foundation, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and award 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida
September 11, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH SECTION 215.97, *FLORIDA STATUTES* AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

Board of Directors
Andrews Research & Education Foundation, Inc.
Gulf Breeze, Florida

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the Andrews Research & Education Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in the *Florida Department of Financial Services State Projects Compliance Supplement* that could have a direct and material effect on the Foundation's major state projects for the year ended December 31, 2025. The Foundation's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state projects for the year ended December 31, 2025.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards"*); and the audit requirements of Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards, Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our 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 state project. Our audit does not provide a legal determination of the Foundation'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 state statutes, regulations, rules, and provisions of contracts or award agreements applicable to its state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Foundation'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 Section 215.97, *Florida Statutes* and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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.

Board of Directors
Andrews Research & Education Foundation, Inc.

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 state project 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 state project 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 state project 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 Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Saltmarsh

Pensacola, Florida
September 11, 2026

ANDREWS RESEARCH & EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the Andrews Research & Education Foundation, Inc.

2. No significant deficiencies in internal control over financial reporting relating to the audit of the financial statements are reported in the 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*.

3. No instances of noncompliance material to the financial statements of Andrews Research & Education Foundation, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies or material weaknesses relating to the audit of the major state project are reported in the Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*.

5. The auditor's report on compliance for the major state project for Andrews Research & Education Foundation, Inc. expresses an unmodified opinion.

6. There are no audit findings relative to the major state project for Andrews Research & Education Foundation, Inc. which are required to be reported in accordance with Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*.

7. The project tested as major was:

   Community Health Promotion-Contracted Services (CSFA No. 64.157)

8. The threshold for distinguishing Type A and B projects was $750,000 for state projects.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no finding relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECT

There were no findings and questioned costs related to the major state project which are required to be reported in accordance with Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*.

In accordance with Rules of the Auditor General 10.656(3)(e), no management letter is required because there were no findings required to be reported in the management letter.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2022-001: Segregation of Duties

We noted the small size of the finance staff has limited the extent of segregation of incompatible duties. The basic premise is that no one person should have access to both cash and the related accounting records or to all phases of a transaction.

While some steps have been taken to improve segregation of duties, and it may not be economically feasible to hire more staff simply to achieve greater segregation of duties, we recommend that management continue to take steps, wherever practicable, to improve segregation of duties. We also recommend that management periodically reevaluate the controls to ensure that material weaknesses do not develop.

Current Status:

This condition no longer exists.