

Report of Independent Auditors and Financial Statements
with Supplemental Information for
Oregon Research Institute

December 31, 2010 and 2009

Contents

REPORT OF INDEPENDENT AUDITORS	1
---------------------------------------	---

FINANCIAL STATEMENTS

Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4
Statements of cash flows	5
Notes to financial statements	6-15

COMPLIANCE INFORMATION

Schedule of expenditures of federal awards	16-18
Notes to the schedule of expenditures of federal awards	19
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>	20-21
Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133	22-23
Schedule of findings and questioned costs	24

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Oregon Research Institute

We have audited the accompanying statements of financial position of Oregon Research Institute (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Oregon Research Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Oregon Research Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon Research Institute as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2011 on our consideration of Oregon Research Institute'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Oregon Research Institute taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Eugene, Oregon
March 10, 2011

**OREGON RESEARCH INSTITUTE
STATEMENT OF FINANCIAL POSITION**

ASSETS

	DECEMBER 31,	
	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 899,975	\$ 526,315
Grants and contracts receivable	931,240	1,584,382
Prepaid expenses	139,024	138,025
Total current assets	1,970,239	2,248,722
 PROPERTY AND EQUIPMENT, less		
accumulated depreciation and amortization	842,453	845,626
 OTHER ASSETS		
Beneficial interest in assets held by others	183,589	162,209
TOTAL ASSETS	\$ 2,996,281	\$ 3,256,557

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 1,031,659	\$ 1,158,915
Accrued payroll and related expenses	427,648	450,414
Accrued leave payable, current portion	169,072	163,375
Long-term debt, current portion	127,000	116,900
Total current liabilities	1,755,379	1,889,604
 LONG TERM LIABILITIES		
Accrued leave payable	304,012	274,935
Long-term debt	176,076	307,358
Total liabilities	2,235,467	2,471,897
 NET ASSETS		
Unrestricted	760,814	784,660
Total net assets	760,814	784,660
TOTAL LIABILITIES AND NET ASSETS	\$ 2,996,281	\$ 3,256,557

**OREGON RESEARCH INSTITUTE
STATEMENT OF ACTIVITIES**

	YEAR ENDED DECEMBER 31,	
	2010	2009
	Unrestricted Total	Unrestricted Total
REVENUES, GAINS AND OTHER SUPPORT		
Grants and contracts	\$ 23,288,476	\$ 20,631,595
Interest income	8,290	9,990
Contributions and donations	14,466	13,449
Other income	11,577	58,440
	<u>23,322,809</u>	<u>20,713,474</u>
EXPENSES		
Program services:		
Children and youth	8,861,197	6,223,533
Cessation and treatment	2,001,849	2,237,391
Chronic illness	717,084	1,003,517
Interactive technology	2,100,459	1,978,614
Physical activity	860,182	883,908
Depression	964,538	1,038,639
Personality traits	629,374	525,751
Virtual reality	158,709	195,639
Methodology	27,732	57,196
	<u>16,321,124</u>	<u>14,144,188</u>
Support services	6,732,911	6,321,064
Depreciation and amortization	292,620	257,787
Total support services	<u>7,025,531</u>	<u>6,578,851</u>
Total expenses	<u>23,346,655</u>	<u>20,723,039</u>
CHANGE IN NET ASSETS	(23,846)	(9,565)
NET ASSETS, beginning of year	<u>784,660</u>	<u>794,225</u>
NET ASSETS, end of year	<u><u>\$ 760,814</u></u>	<u><u>\$ 784,660</u></u>

OREGON RESEARCH INSTITUTE
STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (23,846)	\$ (9,565)
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities:		
Depreciation and amortization	292,620	257,787
Unrealized gain - beneficial interest	(7,084)	(36,688)
Changes in assets and liabilities:		
Grants and contracts receivable	653,142	(480,244)
Prepaid expenses and deposits	(999)	(101,430)
Accounts payable	(127,256)	585,011
Accrued payroll and related expenses	(22,766)	58,600
Accrued leave payable	34,774	(57,580)
Net cash from operating activities	<u>798,585</u>	<u>215,891</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments held by		
Oregon Community Foundation	(14,296)	(6,737)
Additions to property and equipment	<u>(289,447)</u>	<u>(301,002)</u>
Net cash used by investing activities	<u>(303,743)</u>	<u>(307,739)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(121,182)	(70,360)
Borrowings on long-term debt	-	170,000
Net cash from financing activities	<u>(121,182)</u>	<u>99,640</u>
NET INCREASE IN CASH	373,660	7,792
CASH AND CASH EQUIVALENTS, beginning of year	<u>526,315</u>	<u>518,523</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 899,975</u>	<u>\$ 526,315</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 25,078</u>	<u>\$ 31,507</u>

OREGON RESEARCH INSTITUTE NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization - Oregon Research Institute (ORI or the Institute) was incorporated under the laws of the State of Oregon, with the purpose of providing charitable, scientific and educational research. The Institute is supported primarily by research grants from the U.S. Department of Health and Human Services and the U.S. Department of Education. The Institute's primary facilities are located in Eugene, Oregon, with branch offices in Portland, Oregon and Albuquerque, New Mexico.

Functional expenses - Expenses for the Institute are summarized according to the functional classification of program services and support services. The activities are segregated as follows:

Program Services:

Understanding and Preventing Problem Behaviors and Promoting Optimal Development in Children and Youth (Children and Youth): ORI research in this area focuses on the role that families, schools, peers, neighborhoods, and communities play in promoting the positive development of children, adolescents, and young adults, as well as the effectiveness of programs in preventing or reducing problem behaviors and improving child and adolescent outcomes.

Cessation and Treatment of Tobacco, Alcohol, and Other Drug Use (Cessation and Treatment): ORI is a leader on understanding and preventing the use and abuse of substances, including tobacco, alcohol, and illegal drugs. Research in this area focuses on developing and testing treatment programs to help people cease or reduce their substance use.

Preventing and Treating Chronic Illness (Chronic Illness): The mission of ORI researchers studying chronic illness is to help people prevent and manage chronic and severe illness by changing their health behavior, particularly among those who are medically underserved and at high risk for disease.

Promoting Healthy Behaviors with Interactive Technology Applications (Interactive Technology): The advent of the Internet has provided new avenues for disseminating interventions that promote healthy behaviors. ORI researchers in this field have adapted several proven interventions for tobacco cessation, diabetes management, and parent training for use and testing over the Internet.

Promoting Physical Activity Across the Life Span (Physical Activity): ORI researchers seek to understand the patterns, influences, and barriers related to physical activity and to promote physical activity among youth, adults, and the elderly.

**OREGON RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Understanding and Treating Depression and Related Disorders (Depression): ORI research in this area focuses on the causes, treatment, and prevention of depression. ORI scientists are especially interested in how adolescent depression affects other aspects of life, such as parenting, health habits, eating disorders, suicidal behavior, substance use, and other mental disorders.

Understanding Personality (Personality Traits): ORI personality investigators seek to understand how individuals perceive, comprehend, and describe personality traits, and to what extent taxonomic systems for classifying words that refer to personality traits are consistent across languages.

Using Virtual Reality for Education and Rehabilitation (Virtual Reality): Researchers in ORI's Applied Computer Simulation Labs develop and test virtual reality education and rehabilitation programs for disabled individuals, with the goal of helping severely disabled children and adults acquire important functional skills in virtual reality environments and then determining the extent to which those skills transfer to the real world.

Advancing Scientific Research Methods and Analytic Techniques (Methodology): ORI scientists specializing in this area promote the application of state-of-the-art statistical techniques for analyzing research data. They refine, extend, and promote relatively recent and underused data analysis methods, with the aim of improving the quality and scientific power of behavioral research.

Support services: These expenses relate to the administration, fiscal, personnel, and organization-wide functions necessary for the Institute to operate.

Donated materials and services - Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

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

**OREGON RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Institute and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When revenue is received in the same fiscal period as the expenditures are incurred, the revenue is recorded as unrestricted net assets. In 2010 and 2009, the Institute had no temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations specify that the Institute maintain them permanently. Generally, the donors of these assets permit the Institute to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2010 and 2009, the Institute had no permanently restricted net assets.

Properties and equipment (property) - Purchased properties are recorded at cost. Donated properties are recorded at their estimated fair market value on the date of gift. Expenditures for maintenance and repairs are expensed, while renewals and betterments are capitalized. Assets purchased with a cost of less than \$5,000 are not accounted for as property; however, the Institute maintains records for federal grant and insurance purposes. The cost and accumulated depreciation of property sold or otherwise disposed of are eliminated from the accounts and the resulting gains or losses are reflected in revenue and expenses. Depreciation and amortization are computed using straight-line methods over the estimated lives of the related assets ranging from 3 to 11 years. Depreciation and amortization expense was \$292,620 and \$257,787 for the years ended December 31, 2010 and 2009, respectively.

Revenue recognition - The Institute recognizes revenue as qualified expenses are incurred, subject to the amount authorized in the grant agreement. Unreimbursed grant expenses due from grantor agencies are reflected in the financial statements as receivables and revenues.

Grants and Contracts Receivable - Grants and contracts receivable include amounts billed and unbilled on grants and other agreements through December 31. As of December 31, 2010 and 2009, no allowance for uncollectible receivables was deemed necessary by management, as all amounts are considered collectible.

**OREGON RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes - The Institute is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, the Institute qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The Institute adopted the provisions of FASB Accounting Standards Codification (ASC) 740-10, Income Taxes, relating to accounting for uncertain tax positions on January 1, 2009, which had no financial statement impact to the Institute. The Institute recognizes the tax benefit from uncertain tax position only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Institute recognizes interest and penalties related to income tax matters in support expenses.

Cash and cash equivalents - For purposes of the statement of cash flows, the Institute considers all highly liquid investments and debt instruments purchased with a maturity of three months or less to be cash equivalents. The balances at December 31, 2010 and 2009 are composed of two regional banks' demand deposit and money sweep accounts.

Grants and contracts - Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed costs could become a liability of the Institute. Management believes that unallowable costs, if any, would not be significant and would not have a material adverse effect on the Institute's financial position.

Concentration of credit risk - Financial instruments that potentially subject the Institute to credit risk consist of cash and receivables. The Institute's cash balances are with federally insured banks and periodically the Institute's deposits exceed insured limits. The Institute's receivables are primarily from governmental entities.

**OREGON RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support concentration - The U.S. Department of Health and Human Services funded \$18,065,318 and \$16,845,393 in the years ended December 31, 2010 and 2009 respectively. The U.S. Department of Education funded \$2,385,360 and \$1,691,868 in the years ending December 31, 2010 and 2009 respectively. This is 77.5% and 10.2% (81.4% and 8.2% for 2009), respectively, of the total revenue, gains and other support received. These grants cover project periods expiring at various dates through June 2015.

Subsequent Events - Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Institute recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Institute's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The Institute has evaluated subsequent events through March 10, 2011, which is the date the financial statements were available to be issued.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation. There was no effect on previously reported change in net assets.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of the following:

	DECEMBER 31,	
	2010	2009
U.S. Department of Education	\$ 50,911	\$ 270,700
U.S. Department of Health and Human Services	441,747	854,495
Pass through grants	438,582	459,187
	<u>\$ 931,240</u>	<u>\$ 1,584,382</u>

**OREGON RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	DECEMBER 31,	
	2010	2009
Facilities equipment	\$ 130,573	\$ 162,800
Technology equipment and software	1,264,825	1,012,834
Research equipment	189,131	152,611
	<u>1,584,529</u>	<u>1,328,245</u>
Less accumulated depreciation and amortization	<u>(742,076)</u>	<u>(482,619)</u>
	<u>\$ 842,453</u>	<u>\$ 845,626</u>

NOTE 4 - OTHER ASSETS

The Institute provides funds for the Oregon Research Institute Endowment Fund (the Fund) with the Oregon Community Foundation (OCF). OCF is the legal owner of the Fund. In accordance with a December 1999 agreement, OCF is required to make annual distributions of a portion of the value of the Fund to ORI. However, at the request of ORI, those distributions have been deferred until the fund reaches a specified level. Additionally, the agreement also grants to OCF the power to modify the restrictions and conditions of the Fund agreement to include the nature and timing of distributions as the OCF Board of Directors sees fit. This provision is considered variance power.

The value of the Fund is recorded as an asset and a liability on the financial statements of OCF and is recorded as an asset on the financial statements of the Institute.

**OREGON RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - OTHER ASSETS (Continued)

As of December 31, 2010, \$183,589 has been recognized in the Statement of Financial Position of the Institute, and is considered a beneficial interest in assets held by others (\$162,209 as of December 31, 2009). The beneficial interest is invested in the Boston Common Asset Management Fund, in a mix of United States equities, international equities, and fixed income instruments; all of which are traded in public markets. The fair value of the beneficial interest is recorded at current market value.

The interest is summarized as follows:

Cost	Fair Value	Unrealized Gain
\$ 165,377	\$ 183,589	\$ 18,212

The following schedule summarizes the Fund earnings and fees:

	YEAR ENDED DECEMBER 31,	
	2010	2009
Interest	\$ 3,068	\$ 2,768
Net realized and unrealized gains	5,937	31,111
Total investment return	9,005	33,879
Investment fees	(2,089)	(1,564)
	\$ 6,916	\$ 32,315

NOTE 5 - SHORT TERM DEBT

The Organization maintains a line of credit for \$200,000 with a variable interest rate of 1.0 percentage point over the prime lending rate. However, under no circumstances will the interest rate on the line of credit be less than 6.5% per annum. The interest rate was 6.5% as of December 31, 2010 and 2009. The balance on the line of credit as of December 31, 2010 and 2009 was zero, and the line of credit expires in July of 2011. The line of credit is collateralized with property and equipment.

**OREGON RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG TERM DEBT

	DECEMBER 31,	
	2010	2009
<p>On June 30, 2008 the Institute initiated a \$270,000, non-revolving line of credit agreement with Pacific Continental Bank to finance the purchase of equipment. The note is payable in monthly installments of \$5,588 with an annual interest rate of 6.95%. The note is secured by equipment and accounts receivable and matures in July 2014.</p>	\$ 205,964	\$ 260,491
<p>On December 8, 2006 the Institute initiated a note with a line of credit totaling \$315,000. The note is secured by equipment and accounts receivable and payable to Pacific Continental Bank in monthly installments of \$6,600 at an annual interest rate of 9.25%. Subsequent to year end, the interest rate was reduced to 6.95%. The note matures in July 2012.</p>	<u>97,112</u> 303,076	<u>163,767</u> 424,258
<p>Less current portion</p>	<u>(127,000)</u>	<u>(116,900)</u>
	<u>\$ 176,076</u>	<u>\$ 307,358</u>

Principal maturity by year is as follows:

YEAR ENDING DECEMBER 31,	
2011	\$ 127,000
2012	79,200
2013	59,400
2014	37,476
	\$ 303,076

**OREGON RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Operating leases - The Institute is obligated under non-cancelable operating leases for office space and equipment. The leases generally provide for renewals on substantially the same terms and conditions as those in effect during the initial term. The total annual rent expense under all agreements was \$1,185,119 and \$1,175,386 for 2010 and 2009, respectively. Approximate minimum annual rental commitments are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	
2011	\$ 1,368,100
2012	1,643,300
2013	1,615,900
2014	1,593,400
2015	1,507,200
Thereafter	<u>21,535,345</u>
	<u><u>\$ 29,263,245</u></u>

In July 2009, the Institute entered into a fifteen-year operating lease with a third party for administrative office and science research laboratory space which is pending construction. Under terms of the agreement, \$113,577 has been prepaid and included with prepaid expenses. The operating lease calls for monthly, escalating rent payments ranging from \$113,577 per month to \$198,659 per month over the life of the agreement. The agreement also requires additional rents covering reimbursement for certain property operating expenses, taxes, insurance and common area expenses. Future minimum rental commitments are included in the schedule above.

NOTE 8 - RETIREMENT PLAN

The Institute makes contributions to tax sheltered annuities for all salaried employees who are one-half the full time equivalent or more. The annuities are established under Internal Revenue Code Section 403(b) which is available to certain tax exempt organizations. The Institute's contribution rate is 8% of the employee's salary. In addition, effective October 1, 1993, for eligible employees who elect salary deferred contributions of at least 1% of their compensation, the Institute increases by 2% its contributions made on their behalf. Contributions to the plan were \$1,000,709 and \$957,390 in 2010 and 2009, respectively.

**OREGON RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - INDIRECT ADMINISTRATIVE EXPENSES

Indirect administrative expenses have been allocated to the various programs. For the year ended December 31, 2010 and 2009, the indirect rate to on-site programs was 55.7%. The provisional rate granted by the Federal Government is 55.7% in 2010 and 2009.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Institute had a community volunteer member of its board for the majority of the year, who stepped down from the board in December 2010. The community volunteer was also an assistant vice president with the principal financial institution that the Institute utilizes for its banking services. These banking services also include the credit agreements discussed in Notes 5 and 6. Financial transactions with the Institute's principal financial institution were consummated on terms equivalent to those that prevail in arm's length transactions. The community volunteer did not manage the Institute's accounts with the bank.

COMPLIANCE INFORMATION

**OREGON RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass-Through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER			
DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Special Education - Research and Innovation to Improve Services and Results For Children With Disabilities	84.324		\$ 2,138,197
Special Education - Technology and Media Services For Individuals With Disabilities	84.327		247,163
TOTAL DEPARTMENT OF EDUCATION DIRECT PROGRAMS			<u>2,385,360</u>
<u>Pass-Through Program From:</u>			
Pacific Institute for Research-Education Research, Development, Dissemination	84.305	R305A080114	56,443
Pacific Institute for Research-Education Research, Development, Dissemination	84.305	R305B070005	30,597
The University of Maryland, College Park - Mental Health Research, Dissemination	84.305	R305A090107	66,652
The University of Kansas Center for Research, Inc.- Innovations in Applied Public Health Research	84.324	R324A100041	92,982
The University of Maryland, College Park - Mental Health Research, Dissemination	84.324	R324A080150	78,110
Oregon State Board of Higher Education for and on behalf of the University of Oregon-Research and Innovation to Improve Services and Results For Children With Disabilities	84.324	R324A090104	50,570
The University of Loiusville Research Foundation, Inc-Research and Innovation to Improve Services and Results For Children With Disabilities	84.324	R324A090237	277,755
SRI International-Special Education - Research and Innovation to Improve Services and Results For Children With Disabilities	84.324	R24B060003	209,848
TOTAL DEPARTMENT OF EDUCATION PROGRAMS			<u>3,248,317</u>

**OREGON RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010**

DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)

Direct Programs

Innovations in Applied Public Health Research	93.061	516,410
Biometry and Risk Estimation	93.115	296,458
Mental Health Research Grants	93.242	1,581,621
Alcohol Research Programs	93.273	181,100
Drug Abuse Research Programs	93.279	4,932,507
Cancer Cause and Prevention Research	93.393	1,855,204
Trans-NIH Recovery Act Research Support (ARRA)	93.701	2,582,214
Heart and Vascular Diseases Research	93.837	617,503
Lung Disease Research	93.838	58,131
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	1,108,582
Digestive Diseases and Nutrition	93.848	526,341
Extra Mural Research Programs in the Nuerosciences and Nuerological Disorders	93.853	506,384
Population Research	93.864	589,674
Center for Research for Mothers and Children	93.865	2,010,244
Aging Research	93.866	702,945
TOTAL DHHS DIRECT PROGRAMS		18,065,318

OREGON RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-Through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS) (continued)			
<u>Pass-Through Program From:</u>			
The University of Kansas Center for Research, Inc.- Innovations in Applied Public Health Research	93.061	R18CE001705	226,466
Deschutes Research Institute - Mental Health Research	93.242	R42 MH070982	5,830
TFC Consultants, Inc - Mental Health Research	93.242	R42 MH075174	57,648
Oregon Center for Applied Science - Mental Health Research	93.242	R44 MH070966	25,816
Oregon Center for Applied Science - Mental Health Research	93.242	R44 MH070239	43,127
University of Pittsburgh - Mental Health Research	93.242	P50 MH080215	33,051
Research Foundation of State University of New York on behalf of University at Buffalo - Mental Health Research	93.242	RO1 MH080086	53,936
Oregon Social Learning Center - Mental Health Research	93.242	R34 MH079911	44,627
Oregon Center for Applied Science - Mental Health Research	93.242	R44 MH73280	3,100
Pacific Institute for Research and Evaluation-Alcohol Research Programs	93.273	AA014958	81,036
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Drug Abuse Research Programs	93.279	RO1 DA019037	225,366
Intervision - Drug Abuse Research Programs	93.279	R41 DA022781	578
Family Works, Inc. - Drug Abuse Research Programs	93.279	R43 DA026658	24,092
University of Miami - Drug Abuse Research Programs	93.279	U10 DA013720	39,634
Board of Regents, University of Nevada, Reno - Mental Health National Research Service Awards for Research Training	93.282	RO1 MH083740	31,040
Mayo Clinic College of Medicine - Cancer Research Programs	93.393	R01 CA121165	166,586
Regents of the University of Minnesota - Cancer Research Programs	93.393	RO1 CA135884	160,125
Regents of the University of Minnesota - Cancer Research Programs	93.393	RO1 CA141531	107,193
University of Miami - Trans-NIH Recovery Act Research Support (ARRA)	93.701	RC2 DA028864	91,520
Intervision - Heart and Vascular Diseases	93.837	R41 HL083540	149,778
Kaiser Foundation Research Institute-Kidney Diseases, Urology and Hematology Research	93.847	RO1 DA035524	166,986
Inventive Software Solutions - Research Programs in Neurosciences	93.853	R41 NS059133	65,281
IRS Media, Inc.-Center for Research for Mothers and Children	93.865	R42 HD051184	80,021
Deschutes Research Institute-Center for Research for Mothers and Children	93.865	R41 HD055718	10,415
The University of Kansas Center for Research, Inc.- Innovations in Applied Public Health Research	93.865	R21 HD062874	15,455
Oregon Center for Applied Science - Aging Research	93.866	R44 AG26895	37,389
TOTAL DHHS SUBRECIPIENT PROGRAMS			<u>1,946,096</u>
TOTAL DHHS ALL PROGRAMS			<u>20,011,414</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 23,259,731</u>

The accompanying notes are an integral part of this schedule.

OREGON RESEARCH INSTITUTE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Oregon Research Institute and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
2. All programs listed on page 16-18 are considered one major program as a cluster of programs as defined by OMB Circular A-133.
3. Of the federal expenditures presented in the schedule, Oregon Research Institute provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Special Education - Research and Innovation to Improve Services	84.324	\$ 474,903
Biometry and Risk Estimation	93.115	4,727
Mental Health Research Grants	93.242	268,216
Alcohol Research Programs	93.273	102,836
Drug Abuse Research Programs	93.279	200,713
Cancer Cause and Prevention Research	93.393	270,570
Trans-NIH Recovery Act Research Support (ARRA)	93.701	1,193,826
Heart and Vascular Diseases Research	93.837	428,678
Lung Disease Research	93.838	9,041
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	285,007
Population Research	93.864	53,286
Center for Research for Mothers and Children	93.865	409,520
Aging Research	93.866	425,550
	Total	\$ <u>4,126,873</u>

**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***

To the Board of Directors
Oregon Research Institute

We have audited the financial statements of Oregon Research Institute (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 10, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Oregon Research Institute's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oregon Research Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oregon Research Institute's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MOSS ADAMS_{LLP}Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oregon Research Institute'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*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, slightly slanted style.

Eugene, Oregon
March 10, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Report of Independent Auditors

To the Board of Directors
Oregon Research Institute

Compliance

We have audited Oregon Research Institute's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect of Oregon Research Institute's major federal program for the year ended December 31, 2010. Oregon Research Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Oregon Research Institute's management. Our responsibility is to express an opinion on Oregon Research Institute's compliance based on our audit.

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 OMB Circular A-133. Those standards and OMB Circular A-133 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 Oregon Research Institute'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. Our audit does not provide a legal determination of Oregon Research Institute's compliance with those requirements.

In our opinion, Oregon Research Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

MOSS ADAMS_{LLP}

Internal Control Over Compliance

Management of Oregon Research Institute is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oregon Research Institute's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Oregon Research Institute'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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
March 10, 2011

**OREGON RESEARCH INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified
 Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 697,792
 Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.