REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS WITH
FEDERAL AWARDS SUPPLEMENTARY INFORMATION

# OREGON RESEARCH INSTITUTE

December 31, 2022 and 2021

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# Report of Independent Auditors

The Board of Directors
Oregon Research Institute

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Oregon Research Institute, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Oregon Research Institute as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Oregon Research Institute 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oregon Research Institute's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 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 GAAS 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 Oregon Research Institute'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 Oregon Research Institute'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 schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 June 23, 2023 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 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 Oregon Research Institute'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 Oregon Research Institute's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
June 23, 2023

## ASSETS

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 152,422 | $ 317,632 |
| Grants and contracts receivable | 641,950 | 648,099 |
| Prepaid expenses and deposits | 61,460 | 61,192 |
| Total current assets | 855,832 | 1,026,923 |
| PROPERTY AND EQUIPMENT, less accumulated depreciation and amortization | 112,267 | 201,899 |
| OPERATING LEASE RIGHT-OF-USE ASSETS, NET | 840,398 | - |
| OPERATING LEASE RIGHT-OF-USE ASSETS, NET – Millrace lease | 14,902,065 | - |
| OTHER ASSETS | | |
| Investment in OR-BIS | 159,200 | 227,687 |
| Beneficial interest in assets held by others | 408,794 | 466,500 |
| Sublessee security deposits | 182,978 | 150,083 |
| Total assets | $ 17,461,534 | $ 2,073,092 |

## LIABILITIES AND NET ASSETS

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 153,878 | $ 178,750 |
| Accrued payroll and related expenses | 456,498 | 405,947 |
| Accrued leave payable, current portion | 74,396 | 80,879 |
| Operating lease liabilities, current portion | 276,520 | - |
| Operating lease liabilities - Millrace lease, current portion | 1,591,264 | - |
| Long-term debt, current portion | 51,649 | 53,452 |
| Total current liabilities | 2,604,205 | 719,028 |
| LONG-TERM LIABILITIES | | |
| Accrued leave payable | 91,831 | 95,917 |
| Long-term debt | 10,435 | 62,092 |
| Operating lease liabilities, net of current portion | 565,984 | - |
| Operating lease liabilities, net of current portion – Millrace lease | 13,310,801 | - |
| Other long-term liabilities | - | 46,545 |
| TOTAL LIABILITIES | 16,583,256 | 923,582 |
| NET ASSETS | | |
| Net Assets without donor restrictions | 878,277 | 1,149,511 |
| Total net assets | 878,277 | 1,149,511 |
| Total liabilities and net assets | $ 17,461,534 | $ 2,073,092 |

## Oregon Research Institute
### Statements of Activities

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | Without Donor Restrictions | Without Donor Restrictions |
| REVENUES, GAINS AND OTHER SUPPORT | | |
| Grants and contracts | $ 7,006,353 | $ 6,331,203 |
| Interest income | 1,956 | 2,703 |
| Contributions and donations | 7,411 | 27,153 |
| Paycheck Protection Program (PPP) loan forgiveness | - | 929,977 |
| Other income and investment gain (loss) | (135,278) | 66,787 |
| Total revenues, gains, and other support | 6,880,442 | 7,357,824 |
| EXPENSES | | |
| Program services: | | |
| Healthy Child Development | 1,493,404 | 1,481,424 |
| Physical Health | 1,345,482 | 1,476,931 |
| Psychological Health | 1,400,033 | 861,916 |
| Prevention and Treatment | 379,263 | 552,012 |
| Total program services | 4,618,182 | 4,372,283 |
| Support services | 2,443,861 | 2,846,666 |
| Depreciation and amortization | 89,632 | 56,394 |
| Total support services | 2,533,493 | 2,903,060 |
| Total expenses | 7,151,675 | 7,275,344 |
| CHANGE IN NET ASSETS | (271,233) | 82,525 |
| NET ASSETS, beginning of year | 1,149,511 | 1,066,986 |
| NET ASSETS, end of year | $ 878,277 | $ 1,149,511 |



See accompanying notes.

| | 2022 Program Services | | | | | 2022 | 2022 |
|---|---|---|---|---|---|---|---|
| | Healthy Child Development | Physical Health | Psychological Health | Prevention and Treatment | Total | Support Services | Total Expenses |
| Personnel | $ 1,099,017 | $ 893,007 | $ 1,173,786 | $ 367,485 | $ 3,533,294 | $ 1,058,111 | $ 4,591,406 |
| Subcontracts/Consultants | 345,336 | 369,556 | 203,595 | 145 | 918,632 | 236,476 | 1,155,108 |
| Participant fees and similar incentives | 8,517 | 10,032 | 12,270 | 1,130 | 31,949 | 535 | 32,484 |
| Meetings, travel, and training | 15,364 | 14,677 | 2,573 | 5,708 | 38,322 | 8,566 | 46,888 |
| Occupancy | 22,030 | 55,753 | 4,885 | 613 | 83,280 | 848,733 | 932,013 |
| Financing and investment costs | - | - | - | - | - | 3,094 | 3,094 |
| Equipment, below $5,000 | 3,141 | 2,457 | 2,924 | 4,182 | 12,704 | 288,346 | 301,050 |
| Depreciation and amortization | - | - | - | - | - | 89,632 | 89,632 |
| Total expenses | $ 1,493,404 | $ 1,345,482 | $ 1,400,033 | $ 379,263 | $ 4,618,182 | $ 2,533,493 | $ 7,151,675 |

| | 2021 Program Services | | | | | 2021 | 2021 |
|---|---|---|---|---|---|---|---|
| | Healthy Child Development | Physical Health | Psychological Health | Prevention and Treatment | Total | Support Services | Total Expenses |
| Personnel | $ 1,044,430 | $ 687,840 | $ 746,447 | $ 516,330 | $ 2,995,047 | $ 1,551,654 | $ 4,546,701 |
| Subcontracts/Consultants | 409,480 | 689,918 | 75,059 | - | 1,174,457 | 85,134 | 1,259,590 |
| Participant fees and similar incentives | 3,760 | 21,524 | 23,069 | 29,540 | 77,892 | 920 | 78,812 |
| Meetings, travel, and training | 7,034 | 7,158 | 147 | 1,142 | 15,482 | 9,448 | 24,930 |
| Occupancy | 15,148 | 62,798 | 11,415 | 680 | 90,041 | 918,247 | 1,008,288 |
| Financing and investment costs | - | - | - | - | - | 4,273 | 4,273 |
| Equipment, below $5,000 | 1,572 | 7,693 | 5,779 | 4,321 | 19,366 | 276,990 | 296,355 |
| Depreciation and amortization | - | - | - | - | - | 56,394 | 56,394 |
| Total expenses | $ 1,481,424 | $ 1,476,931 | $ 861,916 | $ 552,013 | $ 4,372,284 | $ 2,903,060 | $ 7,275,344 |

# Oregon Research Institute
## Statements of Cash Flows

| | Years Ended December 31, 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ (271,233) | $ 82,525 |
| Adjustments to reconcile excess of revenues over expenses to net cash from operating activities: | | |
| Depreciation and amortization | 89,632 | 56,394 |
| Loss (gain) on investments | 133,604 | (53,576) |
| Paycheck Protection Program (PPP) loan forgiveness | - | (929,977) |
| Rent expense ASC 842 | 2,105 | - |
| Changes in assets and liabilities: | | |
| Grants and contracts receivable | 6,149 | 69,654 |
| Prepaid expenses and deposits | (33,163) | 5,441 |
| Accounts payable | (24,872) | (4,293) |
| Accrued payroll and related expenses | 50,551 | (51,936) |
| Accrued leave payable | (10,569) | (15,627) |
| Other long-term liabilities | (46,545) | - |
| Net cash used in operating activities | (104,341) | (841,395) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to beneficial interest in assets held by others | (7,411) | (27,153) |
| Additions to property and equipment | - | (40,061) |
| Net cash used in investing activities | (7,411) | (67,214) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings on the Paycheck Protection Program (PPP) loan | - | 929,977 |
| Payments on line of credit and long-term debt | (53,460) | (53,230) |
| Net cash from (used in) financing activities | (53,460) | 876,747 |
| NET DECREASE IN CASH | (165,212) | (31,861) |
| CASH AND CASH EQUIVALENTS, beginning of year | 317,632 | 349,494 |
| CASH AND CASH EQUIVALENTS, end of year | $ 152,422 | $ 317,632 |
| SUPPLEMENTAL DISCLOSURE | | |
| Cash paid for interest | $ 3,094 | $ 4,273 |



See accompanying notes.

## 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 Springfield, Oregon, with a branch office in 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

*Promoting healthy child development* – Researchers in this area examine the role that families, schools, friends, neighborhoods, and communities play in promoting the positive development of children, teens, and young adults. The research teams study what leads to social and academic success as well as what leads to problem behaviors, such as substance use and school failure. ORI scientists work with schools and parents to refine and adapt evidence-based programs such as literacy strengthening, social skills programs, and parent training programs.

*Promoting physical health* – ORI researchers are studying ways to keep people of all ages physically healthy. ORI's work in chronic illness prevention began in the 1980s with research to find ways to help people with diabetes manage their illness. The study and promotion of physical activity began in the 1990s with important longitudinal research on the factors which influence children and youth to become and remain physically active and with important clinical trials of the benefits of Tai Chi exercise for the elderly.

*Promoting psychological health* – ORI scientists study emotional and behavioral disorders as well as normative development and personality, in order to better understand factors that make people vulnerable to serious mental health disorders as well as factors that increase resilience, that is, that help people cope with daily challenges. An important component of research in this area is developing and evaluating interventions for the prevention and treatment of disorders.

*Treating tobacco, alcohol and illegal drug use* – ORI's work in this area dates from research funding obtained in the late 1970's to study tobacco use in young people. Since then, research interests have broadened to include research on the prevention of alcohol and other drug use among youth. Two important ORI longitudinal studies – one on peer and family influences on youth drug use, and the other on young children's knowledge of and intent to use alcohol and drugs – have provided valuable guidance in the development of substance abuse prevention programs.

#### Support services

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

**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.

**Basis of presentation**
The Institute, as a not-for-profit organization, follows the accounting guidance prescribed by the Financial Accounting Standards Board (FASB) for not-for-profit organizations.

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, 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:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions.

The Institute does not have net assets with donor restrictions.

**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 2 to 15 years. Depreciation and amortization expense was $89,632 and $56,394 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, no allowance for uncollectible receivables was deemed necessary by management, as all amounts are considered collectible.

### 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 follows the provisions of FASB Accounting Standards Codification (ASC) 740-10, *Income Taxes*, relating to accounting for uncertain tax positions and there is 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. The Institute had no uncertain tax positions at December 31, 2022.

### 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, 2022 and 2021 are composed of three 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.

### Leases

Under Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), the Institute determines if an arrangement contains a lease at the inception date. An arrangement contains a lease if it implicitly or explicitly identifies an asset to be used and conveys the right to control the use of the identified asset in exchange for consideration. Leases are to be classified as finance or operating at the lease commencement date, which affects the classification of expense recognition in the income statement. Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent obligation to make lease payments, as agreed to in the lease.

Operating lease liabilities and the corresponding ROU assets are recognized based on the present value of the future minimum lease payments over the expected remaining lease term. For this purpose, the Institute considers only payments that are fixed and determinable at the time of commencement. Operating ROU asset is measured as the amount of the initial measurement of the lease liability, adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentive received, unamortized initial direct costs, and any impairment of the ROU asset.

The initial measurement of lease liabilities and right-to-use assets of finance leases is the same as for operating leases. As most of the Institute's leases do not provide an implicit interest rate, the Institute utilizes the nonpublic business entity alternative to use the risk-free rate over a similar term of the lease payments at commencement date to determine the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as part of operating expenses. Leases with a lease term of 12 months or less are not capitalized. The Institute evaluates the carrying value of ROU assets for indicators of impairment and performs an analysis of the recoverability of the related asset group. If the carrying value of the asset group is determined to be in excess of the estimated fair value, the Institute will record an impairment loss in the statements of income and retained earnings. Additionally, the Institute reviews the carrying value of the ROU assets for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable, require reassessment of the leases, and remeasurement if needed.

**Fair value of financial instruments**

The Institute has adopted FASB authoritative guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

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

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

Finance staff determine fair value measurement policies and procedures under the supervision of the Director of Finance and Administration and Finance Committee. These policies and procedures are reassessed annually to determine if current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies. Methodologies are consistent with the market, income and cost approaches. Unobservable inputs used in fair value measurements are evaluated and adjusted on an annual basis, or as necessary based on current market conditions and other third party information.

The fair values of the Institute's financial instruments have generally been determined to fall within Level 1 of the valuation hierarchy, with the exception of funds held by The Oregon Community Foundation and the Investment in OR-BIS which are considered Level 3 investments. See Note 5 – Other Assets.

**Support concentration**
The U.S. Department of Health and Human Services funded $3,543,265 and $2,779,517 in the years ended December 31, 2022 and 2021, respectively which was 51.5% and 37.8% of the total revenue received. The U.S. Department of Education funded $1,561,281 and $1,418,438 in the years ended December 31, 2022 and 2021 respectively which was 22.7% and 19.3% of the total revenue received. These grants cover project periods expiring at various dates through March 2028.

**Advertising costs**
The Institute expenses advertising costs as incurred. Advertising expense was $2,750 and $5,343 for the years ended December 31, 2022 and 2021, respectively.

**Accounting standards update**
In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The most significant change resulting from the ASU and subsequent amendments is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet for all in-scope leases with a term of greater than 12 months and require disclosure of certain quantitative and qualitative information pertaining to an entity's leasing arrangements. The ROU asset will represent the lessee's right to use or control the use of a specified asset for a lease term and the lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis.

The new guidance in Topic 842 was effective beginning on January 1, 2022, and the Institute adopted it accordingly using the modified retrospective method of transition. The Institute elected to apply the package of practical expedients permitted under the transaction guidance within the new standard, which, among other things, allowed the Institute to carry forward the historical lease classification. In addition, the Institute elected to apply the hindsight practical expedient, which allows entities to use hindsight in determining the lease term and in assessing impairment.

Adoption resulted in the recognition of operating ROU assets, offset by operating lease liabilities of approximately $17,278,000 as of January 1, 2022. There was no cumulative effect adjustment upon adoption.

**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 statement of financial position, 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 statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Institute has evaluated subsequent events through June 23, 2023, which is the date the financial statements were available to be issued.

### Note 2 – Grants and Contracts Receivable

Grants and contracts receivable consist of the following:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| U.S. Department of Education | $ 129,301 | $ 53,020 |
| U.S. Department of Health and Human Services | 133,840 | 113,543 |
| Pass through grants | 378,810 | 481,536 |
| | $ 641,950 | $ 648,099 |

### Note 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 date, comprise the following:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash and cash equivalents | $ 152,422 | $ 317,632 |
| Grants and contracts receivable | 641,950 | 648,099 |
| | $ 794,372 | $ 965,731 |

ORI's cash flows follow the cycle of monthly reimbursement from Federal Funders for expenses incurred on research grants. The Organization maintains a $500,000 line of credit with a bank that can be drawn upon as needed during the year to manage cash flows.

### Note 4 – Property and Equipment

Property and equipment consist of the following:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Facilities equipment | $ 213,790 | $ 412,455 |
| Technology equipment and software | 546,321 | 623,588 |
| Research equipment | 102,175 | 166,258 |
| | 862,285 | 1,202,300 |
| Less accumulated depreciation and amortization | (750,018) | (1,000,401) |
| | $ 112,267 | $ 201,899 |

**Note 5 – Other Assets**

**Investment in OR-BIS (DBA Influents Innovations)**
On January 19, 2016, Oregon Research Behavioral Intervention Strategies, Inc. (OR-BIS) was incorporated in the State of Oregon as a C-Corporation. OR-BIS applies behavioral sciences to the improvement of human well-being through the development and commercialization of evidence-based products and programs directed at health care and education. ORI purchased one hundred shares of ordinary stock at no par value for $2,500, resulting in 48% ownership in OR-BIS. ORI recognizes an investment in OR-BIS on the statement of financial position under the equity method. An unrealized loss of $68,487 and $2,073 were recognized for the years ended December 31, 2022 and 2021, respectively and is included in other income (loss) on the Statements of Activities.

**Beneficial interest in assets held by others**
The Institute provides funds for the Oregon Research Institute 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.

As of December 31, 2022, $ $408,794 has been recognized in the Statement of Financial Position of the Institute, and is considered a beneficial interest in assets held by others ($466,500 as of December 31, 2021). 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 fair value.

The following schedule summarizes the activity in the Fund, stated at fair value, for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Beginning balance | $ 466,500 | $ 383,697 |
| Increases: | | |
| Transfers to OCF | 7,411 | 27,153 |
| Interest and dividend income on investments | 1,924 | 2,567 |
| Realized gain (loss) on investment | 1,758 | 6,415 |
| Unrealized gain (loss) on investment | (65,574) | 50,137 |
| Decreases: | | |
| OCF fees | (3,225) | (3,469) |
| | $ 408,794 | $ 466,500 |

### Note 6 – Line of Credit

The Organization maintains a line of credit for $500,000 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 4.25% per annum. The interest rate was 8.75% as of December 31, 2022 and 4.25% as of December 31, 2021. The balance on the line of credit was zero as of December 31, 2022 and December 31, 2021. The line of credit expires in July of 2023. The line of credit is collateralized with property and equipment.

### Note 7 – Long-Term Debt

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| On November 11, 2020 the Institute initiated a $120,745 note payable for purchasing a new computer file storage array. The note is secured by equipment, deposit accounts, and accounts receivable, and payable to Oregon Pacific Bank in monthly installments of $3,535 at an annual interest rate of 3.35%. The note matures in November 2023. | 38,134 | 78,514 |
| On September 29, 2021 the Institute initiated a $40,250 note payable for purchasing a new Cisco network firewall The note is secured by equipment, deposit accounts, and accounts receivable, and payable to Oregon Pacific Bank in monthly installments of $1,178 at an annual interest rate of 3.35%. The note matures in September 2024. | 23,950 | 37,030 |
| | 62,084 | 115,544 |
| Less current portion | (51,649) | (53,452) |
| | $ 10,435 | $ 62,092 |

Principal maturity by year is as follows:

| | |
|---|---|
| Year ended December 31, 2023 | $ 51,649 |
| 2024 | 10,435 |
| | $ 62,084 |

**Note 8 – Leases**

The Institute leases its office facilities under operating leases under noncancelable agreements expiring at various dates through 2030. The leases provide for monthly minimum rent payments, and some include an option to renew.

For the year ended December 31, 2022, the operating lease expense is $2,050,649.

For the year ended December 31, 2022, supplemental cash flow information and other information related to leases are as follows:

| | |
|---|---|
| Other information for the year ended December 31, 2022: | |
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flows from operating leases | $1,771,766 |
| ROU assets obtained in exchange for new operating lease liabilities in 2022 | $17,277,525 |
| Weighted-average remaining lease term in years for operating leases | 7.65 |
| Weighted-average discount rate for operating leases | 1.56% |

For maturities of lease payments under operating leases for the year ending December 31, 2022, are as follows:

| | |
|---|---|
| 2023 | $ 2,096,484 |
| 2024 | 2,153,733 |
| 2025 | 2,146,341 |
| 2026 | 1,996,478 |
| 2027 | 2,043,278 |
| Thereafter | 6,266,086 |
| Total | 16,702,400 |
| Less present value discount | (957,831) |
| Total lease liabilities | 15,744,569 |
| Less current portion | 1,867,784 |
| Long-term portion | $ 13,876,785 |

Total minimum annual rental payments have not been reduced by minimum sublease rentals in the future under non-cancelable subleases, as of December 31, 2022.

The Institute subleases office space under non-cancelable operating leases. Total annual rent and common area maintenance income under the agreement was $591,284 and $899,280 for 2022 and 2021, respectively. Sublease income has offset occupancy expense in the Statements of Functional Expenses. All subleases were assigned to the Institute's former landlord when the Institute moved to a new building September 1, 2022. There are no sublease income commitments to the Institute after August 31, 2022.

## Note 9 – Related Party Transactions

### Service agreements

The Institute provides office space and certain administrative services for three companies, two of which are affiliated with ORI. All three companies are separately controlled companies, however, some employees of the companies are also employees of the Institute. For the years ended December 31, 2022 and 2021, service reimbursements under these agreements totaled $277,701 and $325,027, respectively.

## Note 10 – 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 was 8.00% and 7.25% of the employee's salary in 2022 and 2021, respectively. For eligible employees who elect salary deferred contributions of at least 2% of their compensation, the Institute increases by 2% its contributions made on their behalf. Contributions to the plan were $315,658 and $301,895 in 2022 and 2021, respectively.

## Note 11 – Contingencies

### Grants

The Institute has grants with various organizations and government agencies which are subject to audit. Management believes that any liability which may result from these audits would not be material.

### Legal

The Institute is a party to certain legal actions arising in the ordinary course of business. In the opinion of management, additional liabilities, if any, under these actions will not result in material charges against net assets.

## Note 12 – Indirect Administrative Expenses

Indirect administrative expenses have been allocated to the various programs. For the years ended December 31, 2022 and 2021, the indirect rate to on-site programs was 58.6% (final for 2021 and provisional for 2022).

## Note 13 – Chapter 11 Bankruptcy

The Institute filed a Chapter 11, Subchapter V reorganization case in U.S. Bankruptcy Court on July 27, 2022 to address issues related to its former building lease. On May 16, 2023, the Court issued an order confirming the consensual settlement plan between the Institute and its creditors. The settlement releases the Institute from the obligation of its former lease. We anticipate that by the end of July 2023, the Court will issue orders granting the discharge of the Institute's debt and the closure of the Chapter 11 case.

# Supplementary Information

| Federal Grantor/ Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| ***RESEARCH AND DEVELOPMENT CLUSTER*** | | | | |
| **DEPARTMENT OF EDUCATION** | | | | |
| Direct Programs | | | | |
| Education Research, Development and Dissemination | 84.305 | | $ 478,642 | $ 111,836 |
| Research in Special Education | 84.324 | | 818,001 | 114,571 |
| Education Innovation and Research | 84.411 | | 264,637 | - |
| **TOTAL DEPARTMENT OF EDUCATION DIRECT PROGRAMS** | | | 1,561,281 | 226,407 |
| Pass-Through Program From: | | | | |
| Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education Research, Development and Dissemination | 84.305 | R305A170044 | 19,615 | - |
| Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education Research, Development and Dissemination | 84.305 | R305A170603 | 28,682 | - |
| Southern Methodist University - Research in Special Education | 84.324 | R324A200151 | 31,868 | - |
| University of Louisville - Research in Special Education | 84.324 | R324A190173 | 95,608 | - |
| Oregon State Board of Higher Education for and on Behalf of the University of Oregon - Research in Special Education | 84.324 | R324A160125 | 1,111 | - |
| Oregon State Board of Higher Education for and on Behalf of the University of Oregon - Research in Special Education | 84.324 | R324A150138 | 69,781 | - |
| Oregon State Board of Higher Education for and on Behalf of the University of Oregon - Research in Special Education | 84.324 | R324R200005 | 72,578 | - |
| University of Iowa - Research in Special Education | 84.324 | R324A210146 | 4,638 | - |
| Trustees of Boston University - Research in Special Education | 84.324 | R324A210296 | 1,982 | - |
| University of North Carolina at Charlotte - Research in Special Education | 84.324 | R324A220161 | 24,869 | - |
| University of Maryland - Research in Special Education | 84.324 | R324A220267 | 32,976 | - |
| **TOTAL DEPARTMENT OF EDUCATION SUBRECIPIENT PROGRAMS** | | | 383,708 | - |
| **TOTAL DEPARTMENT OF EDUCATION ALL PROGRAMS** | | | 1,944,988 | 226,407 |
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)** | | | | |
| Direct Programs | | | | |
| Mental Health Research Grants | 93.242 | | 1,310,649 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | | 339,972 | - |
| Aging Research | 93.866 | | 1,892,644 | 300,667 |
| **TOTAL DHHS DIRECT PROGRAMS** | | | $ 3,543,265 | $ 300,667 |

# Oregon Research Institute
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2022

| Federal Grantor/ Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS) (continued)** | | | | |
| Pass-Through Program From: | | | | |
| Oregon Research Behavioral Intervention Strategies, Inc. - Chronic Diseases: Research, Control, and Prevention | 93.068 | 1 R43CE003534-01-00 | 18,466 | - |
| University of Southern California - Family Smoking Prevention and Tobacco Control Act Regulatory Research | 93.077 | 5U54CA180905 | 23,527 | - |
| Saavsus, Inc. - Food and Drug Administration Research | 93.103 | 1 R43DP006743-01-00 | 11,228 | - |
| Oregon Research Behavioral Intervention Strategies, Inc. - Oral Diseases and Disorders Research | 93.121 | 2R44DE027001 | 44,253 | - |
| Oregon Research Behavioral Intervention Strategies, Inc. - Oral Diseases and Disorders Research | 93.121 | 1R43DE030019 | 16,888 | - |
| Northwestern University - Research on Healthcare Costs, Quality and Outcome | 93.226 | 1R18HS027088 | 15,729 | - |
| Stanford University - Mental Health Research Grants | 93.242 | 5R33MH111782 | 270,999 | - |
| Case Western Reserve University - Mental Health Research Grants | 93.242 | 1R01MH122213 | 26,801 | - |
| Stanford University - Mental Health Research Grants | 93.242 | 5R01MH112743 | 261,464 | - |
| University of Pittsburg - Mental Health Research Grants | 93.242 | 2R01MH096951 | 15,364 | - |
| Oregon Research Behavioral Intervention Strategies, Inc. - Mental Health Research Grants | 93.242 | 1R43MH124577 | 25,616 | - |
| Oregon State Board of Higher Education for and on Behalf of the University of Oregon - Mental Health Research Grants | 93.242 | R01MH126109 | 15,640 | - |
| University of Pittsburgh - Drug Abuse and Addiction Research Programs | 93.279 | 5R01DA036832 | 143,260 | - |
| University of Pittsburgh - Drug Abuse and Addiction Research Programs | 93.279 | 3R01DA036832 | 15,804 | - |
| Arizona Board of Regents for and on behalf of Arizona State University - Drug Abuse and Addiction Research Programs | 93.279 | 1R01DA053740-01A1 | 14,548 | - |
| Oregon Research Behavioral Intervention Strategies, Inc. - Minority Health and Health Disparities Research | 93.307 | 1R43MD015947 | 12,825 | - |
| Texas A&M University - Cancer Cause and Prevention Research | 93.393 | 7R01CA214587 | 30,204 | - |
| Oregon Health and Science University - Cancer Detection and Diagnosis Rese | 93.394 | 5R01CA222605 | 79,750 | - |
| Stanford University - Diabetes, Digestive, and Kidney Diseases Extramural Re | 93.847 | 5R01DK112762 | 136,851 | - |
| The Board of Regents of the University System of Georgia by and on behalf of Georgia State University - Child Health and Human Development Extramural Research | 93.865 | 5R01HD086894 | 48,093 | - |
| Stanford University - Child Health and Human Development Extramural Resea | 93.865 | 5R01HD093598 | 182,683 | - |
| Oregon Research Behavioral Intervention Strategies, Inc. - Minority Health and Human Development Extramural Research | 93.865 | 1R43HD101190 | 9,290 | - |
| **TOTAL DHHS SUBRECIPIENT PROGRAMS** | | | 1,419,285 | - |
| **TOTAL DHHS ALL PROGRAMS** | | | 4,962,550 | 300,667 |
| **National Science Foundation (NSF)** | | | | |
| Pass-Through Program From: | | | | |
| University of Texas at Austin - STEM Education | 47.076 | 2010550 | 66,586 | - |
| Oregon State Board of Higher Education for and on behalf of the University of Oregon - STEM Education | 47.076 | 2101308 | 32,229 | - |
| **TOTAL NSF SUBRECIPIENT PROGRAMS** | | | 98,815 | - |
| **TOTAL RESEARCH AND DEVELOPMENT CLUSTER** | | | 7,006,353 | 527,075 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | $ 7,006,353 | $ 527,075 |

 See accompanying notes to schedule of expenditures of federal awards.

**Note 1 – Summary of Significant Accounting Policies**

Expenditures reported on this Schedule of Expenditures of Federal Awards (the “Schedule”) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where applicable.

**Note 2 – Indirect Cost Rate**

Oregon Research Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance during the fiscal year ended December 31, 2022.

**Note 3 – Basis of Presentation**

The accompanying Schedule includes the federal grant activity of Oregon Research Institute under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Oregon Research Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of Oregon Research Institute.

# Report of Independent Auditors 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
Oregon Research Institute

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 Oregon Research Institute, which comprise the statement of financial position as of December 31,2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Oregon Research Institute's basic financial statements, and have issued our report thereon dated June 23, 2023.

## Report on Internal Control Over Financial Reporting

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

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

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

## Report on Compliance and Other Matters

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

## Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
June 23, 2023

# Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Oregon Research Institute

## Report on Compliance for the Major Federal Program

### *Opinion on the Major Federal Program*

We have audited Oregon Research Institute's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Oregon Research Institute's major federal program for the year ended December 31, 2022. 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.

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, 2022.

### *Basis for Opinion on the Major Federal Program*

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

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

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Oregon Research Institute's federal program.

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

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Oregon Research Institute'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 Oregon Research Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Oregon Research Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Moss Adams LLP

Portland, Oregon
June 23, 2023

## Section I – Summary of Auditor's Results

### Financial Statements

| | | | | |
|---|---|---|---|---|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified | | | |
| Internal control over financial reporting: | | | | |
| • Material weakness(es) identified? | ☐ | Yes | ☒ | No |
| • Significant deficiency(ies) identified? | ☐ | Yes | ☒ | None reported |
| Noncompliance material to financial statements noted? | ☐ | Yes | ☒ | No |

### Federal Awards

| | | | | |
|---|---|---|---|---|
| Internal control over major federal programs: | | | | |
| • Material weakness(es) identified? | ☐ | Yes | ☒ | No |
| • Significant deficiency(ies) identified? | ☐ | Yes | ☒ | None reported |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ☐ | Yes | ☒ | No |

Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance for Major Federal Programs:

| *CFDA Numbers* | *Name of Federal Program or Cluster* | *Type of Auditor's Report Issued on Compliance for Major Federal Programs* |
|---|---|---|
| Various | Research and Development Cluster | Unmodified |

| | | | | |
|---|---|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 | | | |
| Auditee qualified as low-risk auditee? | ☒ | Yes | ☐ | No |

## Section II – Financial Statement Findings

None reported

## Section III – Federal Award Findings and Questioned Costs

None reported

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