



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

**OREGON RESEARCH INSTITUTE**

December 31, 2020 and 2019

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## **Report of Independent Auditors**

The Board of Directors  
Oregon Research Institute

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Oregon Research Institute, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon Research Institute as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2021, 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*

Eugene, Oregon  
April 29, 2021

**Oregon Research Institute**  
**Statements of Financial Position**

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**ASSETS**

	December 31,	
	2020	2019
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 349,494	\$ 417,630
Grants and contracts receivable	717,753	634,164
Prepaid expenses and deposits	150,083	253,735
Total current assets	1,217,330	1,305,529
<b>PROPERTY AND EQUIPMENT, less</b>		
accumulated depreciation and amortization	218,232	152,211
<b>OTHER ASSETS</b>		
Investment in OR-BIS	229,761	165,124
Beneficial interest in assets held by others	383,697	318,275
Total assets	\$ 2,049,020	\$ 1,941,140

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 183,043	\$ 254,254
Accrued payroll and related expenses	457,883	444,280
Accrued leave payable, current portion	95,732	123,887
Line of credit payable	50,000	-
Long-term debt, current portion	40,252	15,642
Total current liabilities	826,911	838,062
<b>LONG-TERM LIABILITIES</b>		
Accrued leave payable	96,689	72,483
Long-term debt	78,522	1,288
Other long-term liabilities	(20,087)	77,626
<b>TOTAL LIABILITIES</b>	982,035	989,460
<b>NET ASSETS</b>		
Net Assets without donor restrictions	1,066,986	951,680
Total net assets	1,066,986	951,680
Total liabilities and net assets	\$ 2,049,020	\$ 1,941,140

## Oregon Research Institute

### Statements of Activities

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	Year Ended December 31,	
	2020	2019
	Without Donor Restrictions	Without Donor Restrictions
<b>REVENUES, GAINS AND OTHER SUPPORT</b>		
Grants and contracts	\$ 7,229,434	\$ 10,190,876
Interest income	1,609	3,069
Contributions and donations	16,535	2,265
Paycheck Protection Program (PPP) loan forgiveness	953,400	-
Other income	116,186	114,615
	<u>8,317,164</u>	<u>10,310,825</u>
<b>EXPENSES</b>		
Program services:		
Healthy Child Development	1,914,135	2,029,949
Physical Health	1,787,606	1,635,780
Psychological Health	1,044,911	2,344,889
Prevention and Treatment	862,771	1,099,035
	<u>5,609,422</u>	<u>7,109,653</u>
Total program services	5,609,422	7,109,653
Support services	2,538,463	3,008,659
Depreciation and amortization	53,974	96,077
	<u>2,592,436</u>	<u>3,104,736</u>
Total support services	2,592,436	3,104,736
Total expenses	<u>8,201,859</u>	<u>10,214,389</u>
CHANGE IN NET ASSETS	115,305	96,436
NET ASSETS, beginning of year	<u>951,680</u>	<u>855,244</u>
NET ASSETS, end of year	<u>\$ 1,066,986</u>	<u>\$ 951,680</u>

**Oregon Research Institute**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2020 and 2019**

	2020 Program Services				2020 Support Services	2020 Total Expenses	
	Healthy Child Development	Physical Health	Psychological Health	Prevention and Treatment			Total
Personnel	\$ 1,334,269	\$ 672,898	\$ 736,938	\$ 677,264	\$ 3,421,369	\$ 1,081,076	\$ 4,502,445
Paycheck Protection Program (PPP) Personnel	234,431	118,228	129,480	118,995	601,135	136,544	737,679
Subcontracts/Consultants	305,195	893,695	136,772	820	1,336,483	67,955	1,404,437
Participant fees and similar incentives	8,305	18,298	30,334	60,146	117,084	1,664	118,748
Meetings, travel, and training	10,066	7,985	1,366	2,067	21,485	14,704	36,189
Occupancy	14,749	54,821	10,020	3,477	83,067	792,577	875,645
Paycheck Protection Program (PPP) Occupancy	-	-	-	-	-	215,721	215,721
Financing and investment costs	-	-	-	-	-	9,710	9,710
Equipment, below \$5,000	7,120	21,680	-	-	28,800	218,510	247,311
Depreciation and amortization	-	-	-	-	-	53,974	53,974
Total expenses	<u>\$ 1,914,135</u>	<u>\$ 1,787,606</u>	<u>\$ 1,044,911</u>	<u>\$ 862,771</u>	<u>\$ 5,609,422</u>	<u>\$ 2,592,436</u>	<u>\$ 8,201,859</u>
	2019 Program Services				2019	2019	
	Healthy Child Development	Physical Health	Psychological Health	Prevention and Treatment	Total	Support Services	Total Expenses
Personnel	\$ 1,530,894	\$ 688,467	\$ 1,387,329	\$ 921,098	\$ 4,527,788	\$ 1,543,809	\$ 6,071,597
Subcontracts/Consultants	411,783	830,830	802,429	131,168	2,176,210	66,620	2,242,830
Participant fees and similar incentives	20,623	38,498	53,376	18,028	130,525	411	130,936
Meetings, travel, and training	43,054	28,670	48,181	20,183	140,088	24,526	164,614
Occupancy	21,443	43,299	43,942	4,806	113,490	1,075,745	1,189,235
Financing and investment costs	-	-	-	-	-	1,203	1,203
Equipment, below \$5,000	2,153	6,015	9,631	3,753	21,552	296,345	317,897
Depreciation and amortization	-	-	-	-	-	96,077	96,077
Total expenses	<u>\$ 2,029,950</u>	<u>\$ 1,635,779</u>	<u>\$ 2,344,888</u>	<u>\$ 1,099,036</u>	<u>\$ 7,109,653</u>	<u>\$ 3,104,736</u>	<u>\$ 10,214,389</u>

See accompanying notes.

# Oregon Research Institute

## Statements of Cash Flows

	Years Ended December 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 115,305	\$ 96,436
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities:		
Depreciation and amortization	53,974	96,077
Gain on investments	(113,524)	(108,635)
Paycheck Protection Program (PPP) loan forgiveness	(953,400)	-
Changes in assets and liabilities:		
Grants and contracts receivable	(83,589)	95,878
Prepaid expenses and deposits	103,652	(134,362)
Accounts payable	(71,210)	(15,477)
Accrued payroll and related expenses	13,603	(28,167)
Accrued leave payable	(3,949)	(51,879)
Other long-term liabilities	(97,713)	67,240
Net cash from operating activities	<u>(1,036,851)</u>	<u>17,111</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to beneficial interest in assets held by others	(16,535)	(2,265)
Additions to property and equipment	(119,995)	-
Net cash used by investing activities	<u>(136,530)</u>	<u>(2,265)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on the Paycheck Protection Program (PPP) loan	953,400	-
Borrowings on line of credit and long-term debt	432,745	-
Payments on line of credit and long-term debt	(280,901)	(14,981)
Net cash used by financing activities	<u>1,105,244</u>	<u>(14,981)</u>
NET DECREASE IN CASH	(68,136)	(135)
CASH AND CASH EQUIVALENTS, beginning of year	<u>417,630</u>	<u>417,765</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 349,494</u>	<u>\$ 417,630</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	<u>\$ 9,710</u>	<u>\$ 1,203</u>



**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**

*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.

# Oregon Research Institute

## Notes to Financial Statements

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### Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

#### **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 \$53,974 and \$96,077 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, no allowance for uncollectible receivables was deemed necessary by management, as all amounts are considered collectible.

**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 follows the provisions of Financial Accounting Standards Board (“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, 2020.

**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, 2020 and 2019 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

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### Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

#### 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 \$2,712,369 and \$6,131,644 in the years ended December 31, 2020 and 2019, respectively which was 32.6% and 59.5% of the total revenue received. The U.S. Department of Education funded \$1,593,710 and \$1,850,457 in the years ended December 31, 2020 and 2019 respectively which was 19.2% and 17.9% of the total revenue received. These grants cover project periods expiring at various dates through June 2024.

#### Advertising costs

The Institute expenses advertising costs as incurred. Advertising expense was \$5,125 and \$12,185 for the years ended December 31, 2020 and 2019, respectively.

## Oregon Research Institute Notes to Financial Statements

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### Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

#### 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 April 29, 2021, 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,	
	2020	2019
U.S. Department of Education	\$ 56,586	\$ 41,654
U.S. Department of Health and Human Services	110,709	141,716
Pass through grants	550,458	450,794
	<u>\$ 717,753</u>	<u>\$ 634,164</u>

### 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 balance sheet date, comprise the following:

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 349,494	\$ 417,630
Grants and contracts receivable	717,753	634,164
	<u>\$ 1,067,247</u>	<u>\$ 1,051,795</u>

# Oregon Research Institute

## Notes to Financial Statements

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### Note 3 – Liquidity and Availability (continued)

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. The line of credit limit was raised temporarily to \$1,000,000 between March 26 and July 25, 2020 in case needed for delayed subcontracts receivable related to the transfer of four prime awards to another institution which made subcontracts back to the Organization. After July 25, 2020, the line of credit limit reverted to \$500,000.

### Note 4 – Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2020	2019
Facilities equipment	\$ 412,455	\$ 412,455
Technology equipment and software	583,526	463,531
Research equipment	166,258	166,258
	1,162,239	1,042,244
Less accumulated depreciation and amortization	(944,007)	(890,033)
	<u>\$ 218,232</u>	<u>\$ 152,211</u>

### Note 5 – Other Assets

#### Investment in OR-BIS (DBA Influent 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 the Corporation. ORI recognizes an investment in OR-BIS on the statement of financial position under the equity method. An unrealized gain of \$64,636 and \$71,853 was recognized for the years ended December 31, 2020 and 2019, respectively and is included in other income on the Statements of Activities.

**Note 5 – Other Assets (continued)**

**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, 2020, \$383,697 has been recognized in the Statement of Financial Position of the Institute, and is considered a beneficial interest in assets held by others (\$318,275 as of December 31, 2019). 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:

	2020	2019
Beginning balance	\$ 318,275	\$ 279,227
Increases:		
Transfers to OCF	16,535	2,265
Interest and dividend income on investments	1,499	2,014
Realized gain on investment	4,575	5,419
Unrealized gain on investment	45,373	31,773
Decreases:		
OCF fees	(2,559)	(2,422)
	\$ 383,697	\$ 318,275

**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 4.75% per annum. The interest rate was 4.85% and 5.75% as of December 31, 2020 and 2019, respectively. The balance on the line of credit as of December 31, 2020 was \$50,000 and as of December 31, 2019 was zero. The line of credit expires in July of 2021. The line of credit is collateralized with property and equipment. The line of credit limit was raised temporarily to \$1,000,000 between March 26 and July 25, 2020 in case needed for delayed subcontracts receivable related to the transfer of four prime awards to another institution which made subcontracts back to the Organization. After July 25, 2020, the line of credit limit reverted to \$500,000.

# Oregon Research Institute

## Notes to Financial Statements

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### Note 7 – Long-Term Debt

	December 31,	
	<u>2020</u>	<u>2019</u>
On January 18, 2018 the Institute initiated an \$45,000 note payable. The note is secured by equipment and accounts receivable and payable to Columbia Bank in monthly installments of \$1,349 at an annual interest rate of 4.75%. The note matures in February 2021.	\$ 1,216	\$ 16,930
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.	<u>117,558</u>	<u>-</u>
Less current portion	<u>118,774</u> <u>(40,252)</u>	<u>16,930</u> <u>(15,642)</u>
	<u>\$ 78,522</u>	<u>\$ 1,288</u>

Principal maturity by year is as follows:

Years ended December 31:

2021	\$ 40,252
2022	40,382
2023	<u>38,129</u>
	<u>\$ 118,774</u>



## Oregon Research Institute Notes to Financial Statements

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### Note 8 – Leases

#### 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 \$1,444,146 and \$1,511,384 for 2020 and 2019, respectively. Approximate minimum annual rental commitments are as follows:

	<u>Rounded</u>	<u>Total</u>
Years ended December 31, 2021	\$ 1,710,000	\$ 1,710,113
2022	1,750,000	1,750,149
2023	1,733,000	1,733,265
2024	1,785,000	1,785,263
2025	1,839,000	1,838,821
Thereafter	<u>10,357,000</u>	<u>10,357,088</u>
Total	<u>\$ 19,174,000</u>	<u>\$ 19,174,700</u>

Total minimum annual rental payments have not been reduced by minimum sublease rentals in the future under non-cancelable subleases, as of December 31, 2020.

The Institute subleases office space under non-cancelable operating leases. Total annual rent and common area maintenance income under the agreement was \$851,763 and \$756,757 for 2020 and 2019, respectively. Sublease income has offset occupancy expense in the Statements of Functional Expenses. Approximate minimum sublease income commitments are as follows:

	<u>Rounded</u>	<u>Total</u>
Years ended December 31, 2021	\$ 619,000	\$ 619,117
2022	492,000	492,176
2023	474,000	474,138
2024	<u>488,000</u>	<u>488,362</u>
Total	<u>\$ 2,073,000</u>	<u>\$ 2,073,793</u>

# Oregon Research Institute

## Notes to Financial Statements

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### 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, 2020 and 2019, service reimbursements under these agreements totaled \$232,515 and \$163,649, 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 9.5% and 7.5% of the employee's salary in 2020 and 2019, 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 \$341,322 and 389,328 in 2020 and 2019, 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, 2020 and 2019, the indirect rate to on-site programs was 58.6% (final for 2019 and provisional for 2020).

**Note 13 – COVID-19 Pandemic**

**Paycheck Protection Program Loan First Draw 2020**

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is disrupting supply chains and affecting employees, production, distribution, and sales across a range of industries. A variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but could continue to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the COVID-19 pandemic and resulting impact to the Institute is unknown.

During the year ended December 31, 2020, the Institute received funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration (SBA).

Under the terms of the PPP loan, the Institute received total proceeds of \$953,400 which bears interest at a rate of 1% per annum with a maturity date of April, 30, 2022. In addition, principal and interest payments are deferred for the first ten months of the loan. The loan is subject to the terms and conditions applicable to loans administered by the SBA under the CARES Act. Under the terms of the PPP, the principal may be forgiven if the loan proceeds are used for certain expenses as described in the CARES Act, such as payroll costs, benefits, rent and utilities.

The Institute used the proceeds for payroll costs and other expenses that are qualified expenses of the PPP program. Prior to year-end, the Institute applied for and received notice from the lender that the loan had been fully forgiven and is recorded in the Statements of Activities as Paycheck Protection Program loan forgiveness.

**Paycheck Protection Program Loan Second Draw 2021**

Impacts of the COVID-19 pandemic on the Institute continue in 2021. Under the terms of the PPP loan, the Institute applied for and received total proceeds of \$929,977 which bears interest at a rate of 1% per annum with a maturity date of March 16, 2026. The loan is subject to the terms and conditions applicable to loans administered by the SBA under the CARES Act. Under the terms of the PPP, the principal may be forgiven if the loan proceeds are used for certain expenses as described in the CARES Act, such as payroll costs, benefits, rent and utilities.

## **Supplementary Information**

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**Oregon Research Institute  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>				
<b>DEPARTMENT OF EDUCATION</b>				
<u>Direct Programs</u>				
Education Research, Development and Dissemination	84.305		\$ 1,069,705	\$ 159,801
Research in Special Education	84.324		524,005	119,848
<b>TOTAL DEPARTMENT OF EDUCATION DIRECT PROGRAMS</b>			<u>1,593,710</u>	<u>279,649</u>
<u>Pass-Through Program From:</u>				
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education Research, Development and Dissemination	84.305	R305A170044	54,187	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education Research, Development and Dissemination	84.305	R305A170603	36,970	-
IRIS Media - Education Research, Development and Dissemination	84.305	R305A150046	112,925	-
Lehigh University - Research in Special Education	84.324	R324A160070	2,990	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Research in Special Education	84.324	R324A160046	81,461	-
Southern Methodist University - Research in Special Education	84.324	R324A200151	2,292	-
University of Louisville - Research in Special Education	84.324	R324A190173	65,571	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Research in Special Education	84.324	R324A160125	81,416	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Research in Special Education	84.324	R324A170034	29,020	-
University of Louisville - Research in Special Education	84.324	R324A150179	94,620	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Research in Special Education	84.324	R324A150138	4,381	-
University of Alabama - Supporting Effective Educator Development Program	84.423	S423A200114	7,483	-
<b>TOTAL DEPARTMENT OF EDUCATION SUBRECIPIENT PROGRAMS</b>			<u>573,315</u>	-
<b>TOTAL DEPARTMENT OF EDUCATION ALL PROGRAMS</b>			<u>2,167,025</u>	<u>279,649</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)</b>				
<u>Direct Programs</u>				
Mental Health Research Grants	93.242		48	-
Alcohol Research Programs	93.273		156,941	-
Drug Abuse and Addiction Research Programs	93.279		214,862	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		308	-
Child Health and Human Development Extramural Research	93.865		267,106	97,838
Aging Research	93.866		2,073,104	873,217
<b>TOTAL DHHS DIRECT PROGRAMS</b>			<u>\$ 2,712,369</u>	<u>\$ 971,056</u>

# Oregon Research Institute

## Schedule of Expenditures of Federal Awards

### For the Year Ended December 31, 2020

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS) (continued)</b>				
<u>Pass-Through Program From:</u>				
University of Southern California - Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	5U54CA180905	\$ 39,712	\$ -
Oregon Research Behavioral Intervention Strategies, Inc. - Oral Diseases and Disorders Research	93.121	2R44DE027001	49,314	-
Oregon Research Behavioral Intervention Strategies, Inc. - Oral Diseases and Disorders Research	93.121	1R43DE030019	6,755	-
Northwestern University - Research on Healthcare Costs, Quality and Outcomes	93.226	1R18HS027088	11,797	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Mental Health Research Grants	93.242	5R01MH108869	27,499	-
Stanford University - Mental Health Research Grants	93.242	5R33MH111782	346,414	-
Case Western Reserve University - Mental Health Research Grants	93.242	1R01MH122213	34,875	-
Stanford University - Mental Health Research Grants	93.242	5R01MH112743	277,765	-
University of Pittsburgh - Mental Health Research Grants	93.242	2R01MH096951	30,630	-
DePaul University - Alcohol Research Programs	93.273	1R01AA022763	140,581	-
BioRealm, Inc. - Alcohol Research Programs	93.273	9R44AA027675	144,136	-
University of Pittsburgh - Drug Abuse and Addiction Research Programs	93.279	2R01DA036832	163,272	-
University of Pittsburgh - Drug Abuse and Addiction Research Programs	93.279	5R01DA036832	139,706	-
University of Pittsburgh - Drug Abuse and Addiction Research Programs	93.279	3R01DA036832	63,161	-
LIFFT, Co. - Drug Abuse and Addiction Research Programs	93.279	2R44DA041102	44,967	-
LIFFT, Co. - Drug Abuse and Addiction Research Programs	93.279	1R43DA048691	34,850	-
Oregon Research Behavioral Intervention Strategies, Inc. - Minority Health and Health Disparities Research	93.307	1R43MD015947	1,429	-
Texas A&M University - Cancer Cause and Prevention Research	93.393	7R01CA214587	25,641	-
Oregon Health and Science University - Cancer Detection and Diagnosis Research	93.394	5R01CA222605	54,240	-
Stanford University - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R01DK112762	156,853	-
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	243,056	-
Stanford University - Child Health and Human Development Extramural Research	93.865	5R01HD093598	253,041	-
Oregon Research Behavioral Intervention Strategies, Inc. - Minority Health and Human Development Extramural Research	93.865	1R43HD101190	8,575	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Aging Research	93.866	5R01AG046401	3,948	-
<b>TOTAL DHHS SUBRECIPIENT PROGRAMS</b>			<u>2,302,220</u>	<u>-</u>
<b>TOTAL DHHS ALL PROGRAMS</b>			<u>5,014,589</u>	<u>971,056</u>
<b>National Science Foundation (NSF)</b>				
<u>Pass-Through Program From:</u>				
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education and Human Resources	47.076	1503161	21,962	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education and Human Resources	47.076	1748954	25,857	-
<b>TOTAL NSF SUBRECIPIENT PROGRAMS</b>			<u>47,819</u>	<u>-</u>
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>			<u>7,229,434</u>	<u>1,250,705</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 7,229,434</u>	<u>\$ 1,250,705</u>

**Oregon Research Institute**  
**Notes to Schedule of Expenditures Of Federal Awards**  
**For the Year Ended December 31, 2020**

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**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, 2020.

**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, 2020. 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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2021.

### **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 opinion 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 may exist that have not been identified.



### **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*

Eugene, Oregon  
April 29, 2021

## **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**

We have audited Oregon Research Institute's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect Oregon Research Institute's major federal program for the year ended December 31, 2020. 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.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Oregon Research Institute's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Oregon Research Institute's compliance.

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

In our opinion, Oregon Research Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

## **Report on Internal Control Over Compliance**

Management of Oregon Research Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oregon Research Institute's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Moss Adams LLP*

Eugene, Oregon

April 29, 2021

**Oregon Research Institute**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2020**

**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:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
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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