



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

OREGON RESEARCH INSTITUTE

December 31, 2021 and 2020

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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, 2021 and 2020, 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 December 31, 2021 and 2020, 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 March 14, 2022 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

March 14, 2022

Oregon Research Institute
Statements of Financial Position

ASSETS

	December 31,	
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 317,632	\$ 349,494
Grants and contracts receivable	648,099	717,753
Prepaid expenses and deposits	61,192	66,633
Total current assets	1,026,924	1,133,880
PROPERTY AND EQUIPMENT, less		
accumulated depreciation and amortization	201,899	218,232
OTHER ASSETS		
Investment in OR-BIS	227,687	229,761
Beneficial interest in assets held by others	466,500	383,697
Sublessee security deposits	150,083	150,083
Total assets	\$ 2,073,093	\$ 2,115,652

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 178,750	\$ 183,043
Accrued payroll and related expenses	405,947	457,883
Accrued leave payable, current portion	80,879	95,732
Line of credit payable	-	50,000
Long-term debt, current portion	53,452	40,252
Total current liabilities	719,029	826,910
LONG-TERM LIABILITIES		
Accrued leave payable	95,917	96,689
Long-term debt	62,092	78,522
Other long-term liabilities	46,545	46,545
TOTAL LIABILITIES	923,583	1,048,666
NET ASSETS		
Net Assets without donor restrictions	1,149,511	1,066,986
Total net assets	1,149,511	1,066,986
Total liabilities and net assets	\$ 2,073,093	\$ 2,115,652

Oregon Research Institute

Statements of Activities

	Year Ended December 31,	
	2021	2020
	Without Donor Restrictions	Without Donor Restrictions
REVENUES, GAINS AND OTHER SUPPORT		
Grants and contracts	\$ 6,331,203	\$ 7,229,434
Interest income	2,703	1,609
Contributions and donations	27,153	16,535
Paycheck Protection Program (PPP) loan forgiveness	929,977	953,400
Other income	66,787	116,186
	<u>7,357,824</u>	<u>8,317,164</u>
EXPENSES		
Program services:		
Healthy Child Development	1,481,424	1,679,704
Physical Health	1,476,931	1,669,377
Psychological Health	861,916	915,430
Prevention and Treatment	552,012	743,774
	<u>4,372,283</u>	<u>5,008,287</u>
Support services	2,846,666	3,139,597
Depreciation and amortization	56,394	53,974
	<u>2,903,060</u>	<u>3,193,571</u>
Total support services	2,903,060	3,193,571
Total expenses	<u>7,275,343</u>	<u>8,201,859</u>
CHANGE IN NET ASSETS	82,525	115,305
NET ASSETS, beginning of year	<u>1,066,986</u>	<u>951,680</u>
NET ASSETS, end of year	<u>\$ 1,149,511</u>	<u>\$ 1,066,986</u>

Oregon Research Institute
Statements of Functional Expenses
For the Years Ended December 31, 2021 and 2020

	2021 Program Services				Total	2021	2021
	Healthy Child Development	Physical Health	Psychological Health	Prevention and Treatment		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	4,320	19,365	276,990	296,354
Depreciation and amortization	-	-	-	-	-	56,394	56,394
Total expenses	\$ 1,481,424	\$ 1,476,931	\$ 861,916	\$ 552,012	\$ 4,372,283	\$ 2,903,060	\$ 7,275,343

	2020 Program Services				Total	2020	2020
	Healthy Child Development	Physical Health	Psychological Health	Prevention and Treatment		Support Services	Total Expenses
Personnel	\$ 1,334,269	\$ 672,898	\$ 736,938	\$ 677,264	\$ 3,421,369	\$ 1,818,756	\$ 5,240,125
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	1,008,298	1,091,365
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	\$ 1,679,704	\$ 1,669,377	\$ 915,430	\$ 743,774	\$ 5,008,287	\$ 3,193,571	\$ 8,201,859

See accompanying notes.

Oregon Research Institute

Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 82,525	\$ 115,305
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities:		
Depreciation and amortization	56,394	53,974
Gain on investments	(53,576)	(113,524)
Paycheck Protection Program (PPP) loan forgiveness	(929,977)	(953,400)
Changes in assets and liabilities:		
Grants and contracts receivable	69,654	(83,589)
Prepaid expenses and deposits	5,441	103,652
Accounts payable	(4,293)	(71,210)
Accrued payroll and related expenses	(51,936)	13,603
Accrued leave payable	(15,627)	(3,949)
Other long-term liabilities	-	(97,713)
Net cash used in operating activities	<u>(841,395)</u>	<u>(1,036,851)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to beneficial interest in assets held by others	(27,153)	(16,535)
Additions to property and equipment	<u>(40,061)</u>	<u>(119,995)</u>
Net cash used in investing activities	<u>(67,214)</u>	<u>(136,530)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on the Paycheck Protection Program (PPP) loan	929,977	953,400
Borrowings on line of credit and long-term debt	-	432,745
Payments on line of credit and long-term debt	<u>(53,230)</u>	<u>(280,901)</u>
Net cash from financing activities	<u>876,747</u>	<u>1,105,244</u>
NET DECREASE IN CASH	(31,861)	(68,136)
CASH AND CASH EQUIVALENTS, beginning of year	<u>349,494</u>	<u>417,630</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 317,632</u>	<u>\$ 349,494</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 4,273</u>	<u>\$ 9,710</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 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.

Oregon Research Institute

Notes to Financial Statements

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

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 \$56,394 and \$53,974 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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 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, 2021.

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, 2021 and 2020 are composed of two regional banks' demand deposit and money sweep accounts.

Grants and contracts

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

Concentration of credit risk

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

Oregon Research Institute

Notes to Financial Statements

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

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 \$2,779,517 and \$2,712,369 in the years ended December 31, 2021 and 2020, respectively which was 37.8% and 32.6% of the total revenue received. The U.S. Department of Education funded \$1,418,438 and \$1,593,710 in the years ended December 31, 2021 and 2020 respectively which was 19.3% and 19.2% of the total revenue received. These grants cover project periods expiring at various dates through March 2026.

Advertising costs

The Institute expenses advertising costs as incurred. Advertising expense was \$5,343 and \$5,125 for the years ended December 31, 2021 and 2020, respectively.

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 March 14, 2022, which is the date the financial statements were available to be issued.

Reclassifications

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

Note 2 – Grants and Contracts Receivable

Grants and contracts receivable consist of the following:

	December 31,	
	2021	2020
U.S. Department of Education	\$ 53,020	\$ 56,586
U.S. Department of Health and Human Services	113,543	110,709
Pass through grants	481,536	550,458
	\$ 648,099	\$ 717,753

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,	
	2021	2020
Cash and cash equivalents	\$ 317,632	\$ 349,494
Grants and contracts receivable	648,099	717,753
	\$ 965,731	\$ 1,067,247

Oregon Research Institute

Notes to Financial Statements

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.

Note 4 – Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2021	2020
Facilities equipment	\$ 412,455	\$ 412,455
Technology equipment and software	623,588	583,526
Research equipment	166,258	166,258
	1,202,300	1,162,239
Less accumulated depreciation and amortization	(1,000,401)	(944,007)
	<u>\$ 201,899</u>	<u>\$ 218,232</u>

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 \$2,073 and an unrealized gain of \$64,636 were recognized for the years ended December 31, 2021 and 2020, 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, 2021, \$466,500 has been recognized in the Statement of Financial Position of the Institute, and is considered a beneficial interest in assets held by others (\$383,697 as of December 31, 2020). 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:

	2021	2020
Beginning balance	\$ 383,697	\$ 318,276
Increases:		
Transfers to OCF	27,153	16,535
Interest and dividend income on investments	2,567	1,499
Realized gain on investment	6,415	4,575
Unrealized gain on investment	50,137	45,373
Decreases:		
OCF fees	(3,469)	(2,560)
	\$ 466,500	\$ 383,697

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 4.25% and 4.85% as of December 31, 2021 and 2020, respectively. The balance on the line of credit as of December 31, 2021 was zero and was \$50,000 as of December 31, 2020. The line of credit expires in July of 2022. The line of credit is collateralized with property and equipment.

Oregon Research Institute

Notes to Financial Statements

Note 7 – Long-Term Debt

	December 31,	
	<u>2021</u>	<u>2020</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 matured in February 2021.	\$ -	\$ 1,216
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.	78,514	117,558
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.	<u>37,030</u>	<u>-</u>
Less current portion	<u>115,544</u> <u>(53,452)</u>	<u>118,774</u> <u>(40,252)</u>
	<u>\$ 62,092</u>	<u>\$ 78,522</u>
Principal maturity by year is as follows:		
Year ended December 31, 2022	\$ 53,452	
2023	51,649	
2024	<u>10,443</u>	
	<u>\$ 115,544</u>	

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 \$1,397,814 and \$1,444,146 for 2021 and 2020, respectively. Approximate minimum annual rental commitments are as follows:

Years ended December 31, 2022	\$ 1,824,000
2023	1,879,000
2024	1,881,000
2025	1,910,000
2026	1,967,000
Thereafter	<u>8,477,000</u>
Total	<u>\$ 17,938,000</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, 2021.

The Institute subleases office space under non-cancelable operating leases. Total annual rent and common area maintenance income under the agreement was \$899,280 and \$851,763 for 2021 and 2020, respectively. Sublease income has offset occupancy expense in the Statements of Functional Expenses. Approximate minimum sublease income commitments are as follows:

Years ended December 31, 2022	\$ 620,000
2023	474,000
2024	<u>488,000</u>
Total	<u>\$ 1,582,000</u>

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, 2021 and 2020, service reimbursements under these agreements totaled \$325,027 and \$232,515, respectively.

Oregon Research Institute

Notes to Financial Statements

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 7.25% of the employee's salary in 2021 and 2020, 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 \$301,895 and 341,322 in 2021 and 2020, 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, 2021 and 2020, the indirect rate to on-site programs was 58.6% (final for 2020 and provisional for 2021).

Note 13 – COVID-19 Pandemic

Paycheck Protection Program Loan Second Draw 2021

Impacts of the COVID-19 pandemic on the Institute continued in 2021. The federal government extended 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) in 2021. Under the terms of the PPP loan program, 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.

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.

Supplementary Information

**Oregon Research Institute
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

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				
<u>Direct Programs</u>				
Education Research, Development and Dissemination	84.305		\$ 619,184	\$ 214,989
Research in Special Education	84.324		799,254	170,064
TOTAL DEPARTMENT OF EDUCATION DIRECT PROGRAMS			1,418,438	385,053
<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	48,837	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education Research, Development and Dissemination	84.305	R305A170603	32,625	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Research in Special Education	84.324	R324A160046	54,203	-
Southern Methodist University - Research in Special Education	84.324	R324A200151	10,044	-
University of Louisville - Research in Special Education	84.324	R324A190173	62,450	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Research in Special Education	84.324	R324A160125	64,593	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Research in Special Education	84.324	R324A170034	25,597	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Research in Special Education	84.324	R324A150138	33,600	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Research in Special Education	84.324	R324R200005	31,651	-
University of Alabama - Supporting Effective Educator Development Program	84.423	S423A200114	26,608	-
TOTAL DEPARTMENT OF EDUCATION SUBRECIPIENT PROGRAMS			390,207	-
TOTAL DEPARTMENT OF EDUCATION ALL PROGRAMS			1,808,645	385,053
DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)				
<u>Direct Programs</u>				
Mental Health Research Grants	93.242		429,391	-
Alcohol Research Programs	93.273		91,225	-
Drug Abuse and Addiction Research Programs	93.279		309,464	-
Child Health and Human Development Extramural Research	93.865		43,589	13,851
Aging Research	93.866		1,905,848	664,831
TOTAL DHHS DIRECT PROGRAMS			\$ 2,779,517	\$ 678,682

Oregon Research Institute

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS) (continued)				
<u>Pass-Through Program From:</u>				
University of Southern California - Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	5U54CA180905	10,790	-
Oregon Research Behavioral Intervention Strategies, Inc. - Oral Diseases and Disorders Research	93.121	2R44DE027001	67,553	-
Oregon Research Behavioral Intervention Strategies, Inc. - Oral Diseases and Disorders Research	93.121	1R43DE030019	8,444	-
Northwestern University - Research on Healthcare Costs, Quality and Outcomes	93.226	1R18HS027088	12,583	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Mental Health Research Grants	93.242	5R01MH108869	8,147	-
Stanford University - Mental Health Research Grants	93.242	5R33MH111782	265,936	-
Case Western Reserve University - Mental Health Research Grants	93.242	1R01MH122213	37,182	-
Stanford University - Mental Health Research Grants	93.242	5R01MH112743	268,575	-
University of Pittsburgh - Mental Health Research Grants	93.242	2R01MH096951	20,850	-
Oregon Research Behavioral Intervention Strategies, Inc. - Mental Health Research Grants	93.242	1R43MH124577	2,620	-
DePaul University - Alcohol Research Programs	93.273	1R01AA022763	49,324	-
BioRealm, Inc. - Alcohol Research Programs	93.273	9R44AA027675	538	-
University of Pittsburgh - Drug Abuse and Addiction Research Programs	93.279	5R01DA036832	308,348	-
University of Pittsburgh - Drug Abuse and Addiction Research Programs	93.279	3R01DA036832	59,656	-
Oregon Research Behavioral Intervention Strategies, Inc. - Minority Health and Health Disparities Research	93.307	1R43MD015947	7,934	-
Texas A&M University - Cancer Cause and Prevention Research	93.393	7R01CA214587	33,564	-
Oregon Health and Science University - Cancer Detection and Diagnosis Research	93.394	5R01CA222605	61,625	-
Stanford University - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R01DK112762	89,290	-
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	157,835	-
Stanford University - Child Health and Human Development Extramural Research	93.865	5R01HD093598	195,922	-
Oregon Research Behavioral Intervention Strategies, Inc. - Minority Health and Human Development Extramural Research	93.865	1R43HD101190	29,537	-
TOTAL DHHS SUBRECIPIENT PROGRAMS			<u>1,696,252</u>	-
TOTAL DHHS ALL PROGRAMS			<u>4,475,769</u>	<u>678,682</u>
National Science Foundation (NSF)				
<u>Pass-Through Program From:</u>				
University of Texas at Austin - Education and Human Resources	47.076	2010550	18,873	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education and Human Resources	47.076	2101308	6,904	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education and Human Resources	47.076	1748954	21,012	-
TOTAL NSF SUBRECIPIENT PROGRAMS			<u>46,789</u>	-
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>6,331,203</u>	<u>1,063,735</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,331,203</u>	<u>\$ 1,063,735</u>

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

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, 2021.

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, 2021. 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, 2021, 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 March 14, 2022.

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 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
March 14, 2022

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, 2021. 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, 2021.

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
March 14, 2022

Oregon Research Institute
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

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>Assistance Listing Number</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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