



*Reports of Independent Auditors and
Financial Statements with
Federal Awards Supplementary Information*

**Northern California Institute for
Research and Education, Inc.**

September 30, 2021 and 2020

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Report of Independent Auditors

To the Audit Committee
Northern California Institute for Research and Education, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Northern California Institute for Research and Education, Inc. ("NCIRE"), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and changes in net assets 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.

Auditors' 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 audits 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 NCIRE'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 NCIRE'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 Northern California Institute for Research and Education, Inc. as of September 30, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for the purpose 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 our 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 1, 2022, on our consideration of NCIRE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of NCIRE's internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering NCIRE's internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
March 1, 2022

Financial Statements

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 5,846,968	\$ 7,692,087
Receivables	9,514,537	7,378,039
Prepaid expenses and other assets	221,029	120,768
Property, plant, and equipment - net	<u>725,217</u>	<u>726,187</u>
 Total assets	 <u>\$ 16,307,751</u>	 <u>\$ 15,917,081</u>
LIABILITIES		
Accounts payable	\$ 5,302,318	\$ 3,911,563
Accrued expenses	1,930,471	2,029,849
Paycheck Protection Program loan	-	3,274,290
Unearned revenue	<u>1,022,510</u>	<u>1,572,557</u>
 Total liabilities	 <u>8,255,299</u>	 <u>10,788,259</u>
NET ASSETS		
Net assets - without donor restrictions	6,448,783	3,650,488
Net assets - with donor restrictions	<u>1,603,669</u>	<u>1,478,334</u>
 Total net assets	 <u>8,052,452</u>	 <u>5,128,822</u>
 Total liabilities and net assets	 <u>\$ 16,307,751</u>	 <u>\$ 15,917,081</u>

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Federal contracts and grants	\$ 37,137,664	\$ -	\$ 37,137,664	\$ 37,512,126	\$ -	\$ 37,512,126
Clinical research revenue	3,083,807	-	3,083,807	1,744,735	-	1,744,735
Foundation and other program revenue	4,615,029	-	4,615,029	4,426,189	-	4,426,189
Contributions	585,742	217,391	803,133	503,806	454,545	958,351
Service revenue	35,678	-	35,678	25,869	-	25,869
Interest income, net	1,279	-	1,279	21,954	-	21,954
Gain on forgiveness of Paycheck Protection Program loan	1,009,326	-	1,009,326	-	-	-
Other Income	-	-	-	618	-	618
Net assets released from restrictions	92,056	(92,056)	-	199,571	(199,571)	-
Total revenues and other support	46,560,581	125,335	46,685,916	44,434,868	254,974	44,689,842
EXPENSES						
Research program	34,850,052	-	34,850,052	36,174,624	-	36,174,624
Management and general	8,912,234	-	8,912,234	8,535,537	-	8,535,537
Total operating expenses	43,762,286	-	43,762,286	44,710,161	-	44,710,161
CHANGES IN NET ASSETS	2,798,295	125,335	2,923,630	(275,293)	254,974	(20,319)
NET ASSETS, beginning of year	3,650,488	1,478,334	5,128,822	3,925,781	1,223,360	5,149,141
NET ASSETS, end of year	\$ 6,448,783	\$ 1,603,669	\$ 8,052,452	\$ 3,650,488	\$ 1,478,334	\$ 5,128,822

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,923,630	\$ (20,319)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	230,376	226,972
Loss on equipment disposal	1,072	-
Gain on forgiveness of Paycheck Protection Loan	(1,009,326)	-
Changes in:		
Receivables	(2,136,498)	369,483
Prepaid expenses and other assets	(100,261)	135,244
Accounts payable	1,404,327	(1,701,899)
Accrued expenses	(99,378)	341,438
Unearned revenue	(550,047)	(764,263)
	<u>663,895</u>	<u>(1,413,344)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	<u>(244,050)</u>	<u>(171,712)</u>
Net cash used in investing activities	<u>(244,050)</u>	<u>(171,712)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	3,274,290
Repayment of Paycheck Protection Program loan	<u>(2,264,964)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(2,264,964)</u>	<u>3,274,290</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,845,119)	1,689,234
CASH AND CASH EQUIVALENTS, beginning of year	<u>7,692,087</u>	<u>6,002,853</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,846,968</u>	<u>\$ 7,692,087</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Accrued purchases of property, plant, and equipment	<u>\$ 13,572</u>	<u>\$ 31,543</u>

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Northern California Institute for Research and Education, Inc. (“NCIRE”) is located at the San Francisco Veterans Affairs Health Care System (“SFVAHCS”) facility in San Francisco, California. NCIRE is the largest of the 80 active U.S. Department of Veterans Affairs (“VA”) Non-Profit Corporations established by Congress in 1988, now codified at 38 U.S.C. §§ 7361-66, which permitted the Secretary of the VA to authorize the establishment of Nonprofit Research and Education Corporations (“NPC”) at VA medical centers (“VAMC”). The Director, Chief of Staff, Deputy Chief of Staff, and Associate Chief of Staff for Research and Development, of the SFVAHCS also serve on the Board for NCIRE. The mission of NCIRE is to improve the health and well-being of Veterans and the general public by supporting a world-class biomedical research program conducted by the University of California, San Francisco (“UCSF”) faculty at the San Francisco VA Medical Center.

Basis of accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

NCIRE reports information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. These net assets may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties. As of September 30, 2021 and 2020, there were no board-designated net assets.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions can be fulfilled either by actions of NCIRE pursuant to those restrictions and/or expire with the passage of time. Other donor-imposed restrictions are required to be retained in perpetuity by NCIRE.

During the reporting periods, NCIRE had both net assets with donor restrictions and net assets without donor restrictions. Net assets with donor restrictions at September 30, 2021 and 2020, related primarily to contributions for which the research funds had not yet been spent for the purpose designated by the donor.

Revenue recognition – NCIRE administers several different types of research agreements, including those that are reciprocal and nonreciprocal (charitable) in nature.

Reciprocal agreements are on a per-patient payment schedule. Revenues under such agreements are recognized as the services are conducted, using the percentage-of-completion method, measured by per-patient studies. Grant revenue is recognized when earned, generally in proportion to the expenses incurred. Advance payments and signed agreements from sponsors are classified as unearned revenue and recognized as revenue upon the expenditure of allowable costs or completion of the various stages of the studies.

Nonreciprocal revenues or contributions are reported as increases in net assets without donor restrictions, unless their use is limited by donor-imposed restrictions or conditions. Expirations of donor-imposed restrictions (i.e., the donor-stipulated purpose or time restriction has been satisfied) are reported as net assets released from restrictions.

NCIRE’s policy is that if a restriction is fulfilled in the same fiscal year in which the contribution is received, NCIRE records it as revenue with donor restrictions and as net assets released from restrictions.

Northern California Institute for Research and Education, Inc.
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Notes to Financial Statements

Foundation and other grants are not included as support until all conditions are substantially met. At September 30, 2021 and 2020, NCIRE had received in advance conditional contributions of \$486,944 and \$11,554, which are reported in unearned revenue in the statements of financial position. At September 30, 2021 and 2020, NCIRE had received notification of \$68,738 and \$232,154 of conditional commitments from foundations to fund research. These amounts will not be recorded by NCIRE until the donor-imposed conditions (incurring allowable costs to be reimbursed) are met or an advance is received.

Program income – No program income was earned from fees related to services provided on a grant-sponsored activity for the years ended September 30, 2021 and 2020.

Cash and cash equivalents – Cash and cash equivalents consist of cash held in checking, money market accounts, and investments in a publicly traded money market fund.

Receivables – Receivables consist primarily of amounts due under federal grants and other contracts. NCIRE has evaluated the collectability of the receivables, based upon estimated losses related to specific accounts, and determined that no allowance for doubtful accounts was required at September 30, 2021 and 2020. All receivables as of September 30, 2021 and 2020, are expected to be collected within one year.

Fair value measurements – In accordance with GAAP, NCIRE classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market, but for which observable market inputs are readily available; Level 3, which refers to securities valued based on significant unobservable inputs; and net asset value per share (“NAV”), which are based on fair value using NAV or its equivalent. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

NCIRE's investment in a government securities-backed money market fund, included in cash and cash equivalents, is valued at the actively traded NAV of the fund. This instrument is classified as a Level 1 and amounted to \$3,251,989 and \$3,251,609 at September 30, 2021 and 2020, respectively. NCIRE had no other investments.

There were no unfunded commitments, normal course of business redemption restrictions, including redemption periods, or other redemption restrictions at September 30, 2021 and 2020.

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments, approximate their carrying value.

Property, plant, and equipment – Property, plant, and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of assets, which range from 3 to 30 years.

NCIRE evaluates prominent events or changes in circumstances affecting property, plant, and equipment to determine whether impairment of property, plant, and equipment has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the property, plant, and equipment. There was no impairment of property, plant, and equipment at September 30, 2021 and 2020.

Northern California Institute for Research and Education, Inc.
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Notes to Financial Statements

Functional expense allocations – The costs of providing NCIRE’s various programs and supporting services have been summarized on a functional basis in the schedule of functional expenses (see Note 9). Depreciation expense is allocated based on the allocation of the original acquisition cost. All other expenses are directly identified with a specific function and are allocated directly to that function.

Income taxes – NCIRE is a nonprofit corporation exempt from federal income tax under Internal Revenue Code (“IRC”) section 501(c)(3) and state income tax under California Revenue and Taxation Code section 23701d. However, income from certain activities not directly related to NCIRE’s tax-exempt purpose may be subject to taxation as unrelated business income. NCIRE qualifies for the charitable contribution deduction under IRC section 170(b)(1)(A)(iii) and has been classified as an organization that is not a private foundation under section 509(a)(1). As of September 30, 2021 and 2020, NCIRE had no unrecognized tax benefits or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the financial statements.

Concentrations of risk – NCIRE maintains cash balances at various financial institutions which, at times, may exceed federally insured limits.

NCIRE is funded primarily by government agencies. During the years ended September 30, 2021 and 2020, the U.S. Department of Health and Human Services (“HHS”) accounted for 76% and 80%, respectively, of federal contract and grant revenue.

Use of estimates – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. This guidance increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on statement of financial position and disclosing key information about leasing arrangements. The effective date of ASU No. 2016-02 was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, to annual reporting periods beginning after December 15, 2021. Management is currently evaluating the impact ASU No. 2016-02 will have on NCIRE’s future financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance requires that a not-for-profit present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and clarifies disclosures of contributed nonfinancial assets. The amendments in this update are effective for annual periods beginning after June 15, 2021. Management is currently evaluating the impact ASU No. 2020-07 will have on NCIRE’s future financial statements.

Northern California Institute for Research and Education, Inc.
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Notes to Financial Statements

NOTE 2 – RECEIVABLES

Receivables at September 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Federal grants and contracts	\$ 8,110,282	\$ 5,440,023
Clinical research	504,115	959,034
Private foundations	28,250	59,227
Due from VA	745,697	798,957
Miscellaneous	<u>126,193</u>	<u>120,798</u>
Total receivables	<u>\$ 9,514,537</u>	<u>\$ 7,378,039</u>

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT – NET

Property, plant, and equipment – net at September 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Building	\$ 999,680	\$ 999,680
Furniture and office equipment	1,611,287	1,641,172
Medical and research equipment	<u>2,354,395</u>	<u>2,260,257</u>
Total	4,965,362	4,901,109
Less accumulated depreciation	<u>(4,240,145)</u>	<u>(4,174,922)</u>
Property, plant, and equipment - net	<u>\$ 725,217</u>	<u>\$ 726,187</u>

Effective October 1, 2015, NCIRE accelerated depreciation of Building 14 (NCIRE's administrative headquarters) in anticipation of the demolition of the building by the SFVAHCS as part of the plan for development of a research building on the site. Building 14 was originally constructed on land owned by the SFVAHCS. For the years ended September 30, 2021 and 2020, NCIRE recognized \$26,023 and \$26,023, respectively, in depreciation expense in anticipation of the demolition of the building by the end of fiscal year 2023.

NOTE 4 – RETIREMENT PLANS

403(b) savings plan – NCIRE's employees participate in a 403(b) savings plan (the "Plan"). The Plan is open to all employees beginning at the date of hire. The Plan allows contributions by participants of amounts ranging from 0% to 15% of compensation based on limits defined by the IRC. Starting on January 1, 2020, NCIRE offered up to 5% employer matching for the Plan to all employees. NCIRE contributed \$645,605 and \$492,469 to the 403(b) matching for the Plan for the years ended September 30, 2021 and 2020, respectively.

Northern California Institute for Research and Education, Inc.
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Notes to Financial Statements

Defined contribution plan – NCIRE’s employees participate in a 401(a) defined contribution plan (the "401(a) Plan"). The 401(a) Plan is open to employees that meet certain eligibility requirements. Starting on January 1, 2020, NCIRE reduced its 401(a) annual contributions from 10% to 5% of eligible employee compensation. NCIRE contributed \$446,255 and \$527,637 to the 401(a) Plan for the years ended September 30, 2021 and 2020, respectively.

NOTE 5 – RELATED-PARTY TRANSACTIONS

The majority of NCIRE’s Board of Directors are employed or affiliated with the VA and/or the University of California, San Francisco. All of the principal investigators hold academic positions at UCSF. NCIRE pays the VA for various research-related services, including pharmacy, animal care, and other services, as well as certain personnel costs, in which the employee performs services for both entities. NCIRE, the VA, and UCSF reimburse one another for costs associated with these activities.

NCIRE bills the VA for some personnel costs via the Intergovernmental Personnel Act (“IPA”) of 1970. Costs expended include salaries and wages, as well as payroll taxes and other benefit costs. Reimbursements for these costs were \$3,728,468 and \$3,677,046 for the years ended September 30, 2021 and 2020, respectively. These costs were included in research program expenses on the statements of activities and changes in net assets. At September 30, 2021 and 2020, NCIRE had payables due to the VA and/or UCSF in the amount of \$748,491 and \$524,597 for these services, respectively. These amounts are reported within accounts payable and accrued expenses. At September 30, 2021 and 2020, NCIRE had receivables due from the VA and/or UCSF in the amount of \$750,034 and \$801,789, respectively. These amounts are reported within receivables.

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, NCIRE was granted a loan under the Paycheck Protection Program (“PPP”) offered by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), section 7(a)(36) of the Small Business Act. The note was issued through Bank of America in the amount of \$3,274,290. The two-year loan bears interest at 1% and matures in May 2022. This loan is subject to partial or full forgiveness if NCIRE uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the various rules, regulations, and guidance. It is NCIRE’s policy to account for this loan in accordance with FASB Accounting Standards Codification 470, *Debt*, with interest accrued and expenses over the term of the loan or until forgiveness is granted, releasing NCIRE from being the primary obligor. In March 2021, NCIRE paid off an amount of \$2,264,964 of the unspent PPP loan to Bank of America after submitting a forgiveness application for the remaining \$1,009,326. On June 28, 2021, the SBA granted NCIRE full forgiveness of the remaining \$1,009,326 loan outstanding and is recorded as a gain on forgiveness of the PPP loan on the statement of activities and changes in net assets. Total interest expense incurred on the PPP loan was \$18,738.

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Research agreements – Certain research agreements require fulfillment of various procedures. Failure to fulfill those procedures could result in the return of funds to the sponsor(s). In addition, all federal awards are subject to audit under Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and by various federal agencies. As of September 30, 2021, there have not been any significant adjustments related to research agreements.

Indirect costs – NCIRE negotiates its indirect cost agreement with the HHS. The negotiations resulted in a provisional rate of 53.3% for fiscal years 2023, 2022, and 2021. The rates were determined using estimated indirect costs as a function of estimated direct costs. If actual costs are lower than these estimates, NCIRE will make a downward adjustment to its draw of federal funds in order to appropriately reflect actual indirect costs for the period.

Litigation – From time to time, NCIRE is a party to legal actions that arise in the normal course of business. In the opinion of management of NCIRE, such matters are not expected to have a material effect on NCIRE's financial position and no provision has been made in the financial statements.

Risk and uncertainty – In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. Public health crises, pandemics and epidemics, such as those caused by COVID-19, could have a material adverse effect on global, national, and local economics, as well as on NCIRE's business by disrupting supply chains and delaying transactional activities. Any spread of an infectious illness, public health threat, or similar issue could reduce consumer demand or economic output, result in market closures, cause travel restrictions or quarantines, and generally have a significant impact on the economy. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations, including NCIRE's. The potential impact of a pandemic, epidemic, or outbreak of a contagious disease on NCIRE's operations is difficult to predict, and they could have a material adverse effect on NCIRE's results of operations and financial condition. NCIRE will continue to monitor the situation closely, but given the uncertainty and volatility about the situation, an estimate of the impact to the financial statements cannot be made at this time.

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following table reflects NCIRE’s financial assets as of September 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year:

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 5,846,968	\$ 7,692,087
Receivables	9,514,537	7,378,039
 Total financial assets at September 30	 \$ 15,361,505	 \$ 15,070,126
 Total financial assets available to meet cash needs for general expenditure within one year	 \$ 15,361,505	 \$ 15,070,126

Financial assets are considered unavailable when illiquid or not convertible to cash and cash equivalents within one year. NCIRE has established an operating reserve and reviews its funding level on an ongoing basis to ensure it is adequate to meet current obligations. In addition to financial assets available to meet general expenditures over the next 12 months, NCIRE operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Cash in excess of daily requirements is typically invested in short-term, liquid securities.

NCIRE also has available for general expenditures a \$750,000 line of credit agreement with Bank of America. The interest rate is a rate per year equal to the bank’s prime rate plus 1.25 percentage points. The line of credit has an expiration date of July 1, 2022, and is expected to be renewed. There was no principal amount outstanding at September 30, 2021 and 2020, and total interest expense for the years ended September 30, 2021 and 2020, was \$0 and \$833, respectively.

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements

NOTE 9 – FUNCTIONAL CLASSIFICATION OF EXPENSES

The allocation of functional expenses for the years ended September 30, 2021 and 2020, were as follows:

	2021			2020		
	Research program	Management and general	Total	Research program	Management and general	Total
Employee compensation and benefits	\$ 17,377,252	\$ 7,099,952	\$ 24,477,204	\$ 16,742,501	\$ 6,796,696	\$ 23,539,197
Animals	30,348	29,229	59,577	34,586	6,360	40,946
Subject costs	446,243	5,475	451,718	196,992	4,995	201,987
Dues	12,904	98,150	111,054	3,948	60,536	64,484
Outside research	1,157,273	151,762	1,309,035	960,547	224,859	1,185,406
Supplies	731,500	449,896	1,181,396	740,151	357,891	1,098,042
Depreciation	126,280	104,096	230,376	133,391	93,581	226,972
Professional fees	116,146	236,540	352,686	86,745	168,604	255,349
Employee recruiting	10,530	21,650	32,180	10,360	50,458	60,818
Meetings and conferences	498	25,169	25,667	12,072	32,183	44,255
Printing and publications	38,937	51,537	90,474	33,860	34,877	68,737
Insurance	-	96,011	96,011	-	77,949	77,949
Travel	16,200	4,561	20,761	76,953	89,398	166,351
Registration fees	5,787	62,923	68,710	13,033	61,030	74,063
Office expenses	43,961	357,853	401,814	101,577	398,636	500,213
Other	11,301	117,430	128,731	31,797	77,484	109,281
Subcontracts	14,724,892	-	14,724,892	16,996,111	-	16,996,111
	<u>\$ 34,850,052</u>	<u>\$ 8,912,234</u>	<u>\$ 43,762,286</u>	<u>\$ 36,174,624</u>	<u>\$ 8,535,537</u>	<u>\$ 44,710,161</u>

NOTE 10 – 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. NCIRE 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. NCIRE'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.

NCIRE has evaluated subsequent events through March 1, 2022, which is the date the financial statements were available to be issued.

Supplementary Information

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER				
U.S. Department of Defense:				
Direct Awards:				
Military Medical Research and Development	12.420		\$ 594,930	\$ 3,169,424
Military Medical Research and Development (Contract)	N/A		11,363	365,014
Total Direct Awards			606,293	3,534,438
Pass-Through Awards:				
Boston University -				
Military Medical Research and Development	12.420	W81XWH-17-1-0685	-	2,133
University of San Francisco				
Military Medical Research and Development	12.420	W81XWH-12-2-0048	-	(745)
San Francisco Veteran Affairs Medical Center				
Military Medical Research and Development	12.420	20-1227-IAA	-	57,612
Virginia Commonwealth University -				
Military Medical Research and Development	12.420	W81XWH-19-2-0067	-	287,318
Trustees Boston University -				
Military Medical Research and Development	12.420	W81XWH-18-1-0549	-	81,604
Total Pass-Through Awards			-	427,922
Total U.S. Department of Defense			606,293	3,962,360
U.S. Department of Health and Human Services:				
Direct Awards:				
Oral Diseases and Disorders Research	93.121		-	105,845
Research and Training in Complementary and Integrative Health	93.213		378,588	1,205,201
Mental Health Research Grants	93.242		664,013	2,585,397
Drug Abuse and Addiction Research Programs	93.279		-	391,237
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		278,309	341,725
Minority Health and Health Disparities Research	93.307		376,780	565,590
Cancer Cause and Prevention Research	93.393		-	132,361
Cancer Biology Research	93.396		273,754	781,140
Cardiovascular Diseases Research	93.837		1,183,521	2,355,130
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846		-	845,751
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		1,175,276	3,301,738
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		283,717	1,353,935
Allergy and Infectious Diseases Research	93.855		-	348,778
Biomedical Research and Research Training	93.859		298,529	617,819
Aging Research	93.866		9,181,725	13,088,421
International Research and Research Training	93.989		8,300	13,585
Total Direct Awards			14,102,512	28,033,653
Pass-Through Awards:				
Advanced MRI Technologies LLC -				
Mental Health Research Grants	93.242	MH112210	-	31,616
Beth Israel Deaconess Medical Center, Inc. -				
Aging Research	93.866	R03AG064373	-	16,494
Board of Regents of the University of Oklahoma -				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	1R01DK121656-01	-	259,383
Brown University -				
Aging Research	93.866	U54AG06346	-	28,526
Brigham and Women's Hospital -				
Mental Health Research Grants	93.242	1U24MH124629	-	57,486
Allergy and Infectious Diseases Research	93.855	R01AI150396	-	15,154
Aging Research	93.866	R01AG053325	-	(22,209)
Center of Disease Control -				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	R01NS107900	-	44,890
College of Med, University of Ibadan -				
COVID-19 Occupational Safety and Health Program	93.262	R21OH012201	-	2,575
Institute of Clinical Research, Inc. -				
Allergy and Infectious Diseases Research	93.855	ACTIV3 TICO	-	125,589
Jan Biotech, Inc.				
Allergy and Infectious Diseases Research	93.855	R44AI155075	-	12,904
Joan & Sanford I. Weill Medical College of Cornell University -				
Cardiovascular Diseases Research	93.837	HL128278	-	33,179
Johns Hopkins University -				
Aging Research	93.866	AG050745	-	30,775

(continued)

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (continued)				
U.S. Department of Health and Human Services (continued)				
Kaiser Foundation Research Institute -				
Aging Research	93.866	R01AG068133	-	136,080
Kaiser Foundation Washington Research Institute -				
Aging Research	93.866	R01AG067427	-	83,508
Mount Sinal School of Medicine -				
Aging Research	93.866	P01AG066605	-	550,258
New York University -				
International Research and Research Training	93.989	D43TW009140	-	3,479
Northwestern University -				
Aging Research	93.866	1U2CAG060426-01	-	92,287
Stanford University -				
Aging Research	93.866	1RF1AG0625868-01	-	232,200
Stutter Bay Hospital CPMC -				
Aging Research	93.866	R01AG052964	-	34,011
The Board of Trustees of the University of Alabama -				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	3P30DK079337	-	121,966
The University of Memphis -				
Alcohol Research Programs	93.273	1R01AA029031	-	2,126
The Rector and Visitors of the University of Virginia -				
Allergy and Infectious Diseases Research	93.855	R01AI097312	-	49,242
The Trustees of Columbia University -				
Aging Research	93.866	1R01AG069120	-	9,158
The Trustees of the University of Pennsylvania -				
Extramural Research Programs in the Neurosciences and Neurosciences and Neurological Disorders	93.853	R01NS102324	-	(2,386)
The University of Texas Health Science -				
Cardiovascular Diseases Research	93.837	R01HL141824	-	(1,294)
Aging Research	93.866	R01AG062531	-	19,001
TheraNova, LLC -				
Drug Abuse and Addiction Research Programs	93.279	R43DA049623	-	35,822
Together Senior Health, Inc. -				
Aging Research	93.866	R43AG059520	-	234,531
Trustees Boston University -				
Extramural Research Programs in the Neurosciences and Neurosciences and Neurological Disorders	93.853	R01NS119651	-	33,513
Tufts Medical Center -				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	U01DK102730	-	66,110
University of Buffalo -				
Trans-NIH Research Support	93.310	1U01CA221244	-	(5,533)
University of California Berkeley -				
Mental Health Research Grants	93.242	MH111444	-	(18,190)
Discovery and Applied Research for Technological Innovations to Improve Human Health				
Aging Research	93.286	U01EB025162	-	111,663
University of California Irvine -				
Cardiovascular Diseases Research	93.837	R01HL154624	-	202,958
University of California San Diego -				
Trans-NIH Research Support	93.310	UG3CA241687	-	25,786
University of California, San Francisco -				
Mental Health Research Grants	93.242	R01MH083784	-	(1,243)
Mental Health Research Grants	93.242	MH101472	-	37,698
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846	UH2AR076724	-	31,183
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846	1U19AR076737	-	471,817
Aging Research	93.866	R33AG62867	-	168,123
University of Ibadan -				
Extramural Research Programs in the Neurosciences and Neurosciences and Neurological Disorders	93.853	R01NS115944	-	14,712
University of Melbourne -				
Aging Research	93.866	1R01AG058676-01A1	-	328,546
University of North Carolina -				
Mental Health Research Grants	93.242	MH110925	-	32,562
University of North Texas Health Science Center -				
Aging Research	93.866	R01AG058537	-	98,033
University of Southern California -				
Aging Research	93.866	AG053798	-	196,717
Aging Research	93.866	1U24AG057437	-	55,209
Aging Research	93.866	U01AG068057	-	180,511
Alcohol Research Programs	93.273	R01AA027225	-	249,447
Alcohol Research Programs	93.273	R34AA027845	-	2,126

(continued)

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (continued)				
U.S. Department of Health and Human Services (continued)				
University of Wisconsin - Madison - Cardiovascular Diseases Research	93.837	R01HL54624	-	34,070
Vanderbilt University - Biomedical Research and Research Training	93.859	R01GM137458	-	101,647
Veterans Medical Research Foundation - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	R01DK098234-01A	-	222,358
Washington State University - Alcohol Research Programs	93.273	R01AA027209	-	27,845
Yale University - Child Health and Human Development Extramural Research	93.865	1R01HD100468	-	46,564
Mental Health Research Grants	93.242	U01MH124639	-	191,068
Total Pass-Through Awards			-	5,141,651
Total U.S. Department of Health and Human Services			14,102,512	33,175,304
TOTAL RESEARCH AND DEVELOPMENT CLUSTER AND AND EXPENDITURES OF FEDERAL AWARDS			<u>\$ 14,708,805</u>	<u>\$ 37,137,664</u>

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – PURPOSE OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") is a supplementary schedule to the financial statements of the Northern California Institute for Research and Education, Inc. ("NCIRE"), and is presented for the purpose of additional analysis. Because the Schedule presents only a selected portion of the activities of NCIRE, it is not intended to, and does not, present either the financial position, changes in net assets, or cash flows of NCIRE.

NOTE 2 – BASIS OF PRESENTATION

The Schedule is presented in accordance with the 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"). Assistance Listing Numbers ("ALN") are presented for those programs for which numbers are available. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NCIRE has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – SUBRECIPIENTS

Certain funds are passed through to subrecipient organizations by NCIRE. Expenditures incurred by the subrecipients, and reimbursed by NCIRE, are included in the Schedule. NCIRE is also the subrecipient of federal funds, which are reported as expenditures and listed separately as federal pass through funds.

Of the federal awards presented in the schedule of expenditures of federal awards, NCIRE passed federal awards to subrecipients as follows:

Subrecipients	Federal Assistance Listing Number	Award No.	Amount Provided to Subrecipients
Advanced MRI Technologies	93.286	R01EB028670	\$ 203,000
Albert Einstein College	93.837	R01HL132794	73,306
	93.837	R01HL144707	240,312
	93.847	R01DK125646	31,597
Banner Alzheimer's Institute	93.866	U19AG024904	76,167
Baylor College of Medicine	12.420	W81XWH-16-1-0558	24,552
Beth Israel Deaconess Medical Ctr	93.866	R01AG027002	293,610
Biomedical Research Foundation	93.213	UG3AT009765	10,806
	93.866	R01AG027002	25,199

(continued)

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Notes to Schedule of Expenditures of Federal Awards

Subrecipients	Federal Assistance Listing Number	Award No.	Amount Provided to Subrecipients
<i>(continued)</i>			
Brigham and Women's Hospital	93.866	U19AG024904	48,966
	93.847	R01DK120387-01A1	335,665
Center for Veterans Research and Education	93.213	UG3AT009765	6,435
CPMC Research Institute	93.847	R01DK107629	16,383
	93.847	R21DK112126	19,331
	93.847	R01DK115562	57,557
	93.866	R01AG027002	41,531
Dartmouth-Hitchcock Clinic	12.420	20-1227-1AA	28,108
Duke University	12.420	W81XWH-18-1-0692	157,787
	93.866	R24AG064025	69,368
Eidgenoessische Technische Hochschule Zuerich (ETHZ)	93.396	UG3CA241703	112,485
Gladstone Institute	12.420	W81XWH-20-1-0710	222,647
Icahn School of Medicine	93.847	R01DK115562	160,682
Indiana University	12.420	W81XWH-12-2-0012	4,787
	93.866	U19AG024904	176,305
Johns Hopkins University	93.866	R01AG034853	53,147
	93.847	R01DK103574	167,356
	93.866	R01AG027002	69,358
	93.837	R01HL132794	45,289
	93.837	R01HL144707	161,668
	93.866	R24AG064025	191,589
Kaiser Foundation Research	93.866	R01AG063887	183,906
	93.866	R24AG064025	200,337
Kwame Nkrumah University of Science and Technology	93.853	R21NS103752	99,050
	93.837	R01HL152188	358,916
	93.989	R21TW010479	8,300
Mayo Clinic Rochester	93.866	U19AG024904	239,713
Medical University of South Carolina	93.307	R01MD012441	343,034
	93.853	R25NS098999	173,709
	93.853	R21NS103752	10,959
Northwestern University	93.866	R01AG063887	21,298
Oregon Health and Science University	93.213	UG3AT009765	167,005
Research St. Joseph's Hamilton	93.866	R24AG064025	10,603
San Diego State University	93.837	R01HL144707	45,017
Tampa Veterans Research and Education	93.213	UG3AT009765	16,564
	93.866	R24AG064025	13,588

(continued)

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Notes to Schedule of Expenditures of Federal Awards

Subrecipients	Federal Assistance Listing Number	Award No.	Amount Provided to Subrecipients
<i>(continued)</i>			
The Translational Genomics Research Institute	93.396	UG3CA241703	74,039
The Research Foundation of State University of New York	93.837	R01HL132794	100,517
Tufts University	93.847	R01DK115562	11,638
	93.866	R01AG027002	78,332
UC Berkeley	93.242	R01MH115020	437,054
	93.866	U19AG024904	350,379
	12.420	W81XWH-14-1-0462	39,787
	93.286	R01EB028670	75,309
UC Davis	12.420	W81XWH-13-1-0259	22,187
	12.420	W81XWH-14-1-0462	9,144
	93.866	U19AG024904	208,505
UC Los Angeles	93.866	R24AG064025	37,408
UC San Diego	93.837	R01HL144707	16,915
UC San Francisco	93.242	R01MH121121	20,560
	93.847	ROIDK108349	55,118
	93.847	R01DK120387-01A1	21,843
	93.866	U19AG024904	194,428
	N/A	W81XWH-19-C-0093	11,363
University College London	93.866	U19AG024904	47,273
University of Alabama	93.866	R01AG063887	75,832
University of Calgary	93.847	R01DK125646	13,083
University of Connecticut Health Ctr	93.242	RF1MH117604	206,399
University of Illinois	93.837	R01HL144707	124,486
University of Kentucky Research Foundation	93.866	R24AG064025	11,076
University of Maryland, Baltimo	93.866	R24AG064025	33,667
University of Massachusetts Medical School	93.866	R24AG064025	39,507
University of Miami	93.837	R01HL144707	12,975
University of Michigan	93.847	R01DK125646	19,694
	93.866	U19AG024904	192,276
	12.420	W81XWH-14-1-0462	173
	93.866	R24AG064025	1,867
University of Minnesota	93.866	R01AG063887	39,964
University of North Carolina at Chapel Hill	93.837	R01HL144707	4,120
University of Pennsylvania	93.866	2U01AG024904	692,726
University of Pittsburgh	93.847	R01DK122259	116,002
	93.866	2U01AG024904	66,976
University of North Carolina	93.866	R24AG064025	48,977
University of Southern California	12.420	W81XWH-14-1-0462	85,757
	93.307	R01MD012441	33,745
	93.866	2U01AG024904	4,970,105
University of Washington	93.847	R01DK125646	25,895
	93.866	R01AG027002	32,784
	93.866	R24AG064025	55,378
Universitat Zurich	93.396	UG3CA241703	87,230
<i>(continued)</i>			

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Notes to Schedule of Expenditures of Federal Awards

Subrecipients	Federal Assistance Listing Number	Award No.	Amount Provided to Subrecipients
<i>(continued)</i>			
UT Southwestern Medical Center	93.847	R01DK125646	23,498
Vanderbilt University Medical Center	93.859	R01GM061606	298,529
	93.866	R24AG064025	70,929
Veterans Medical Research Foundation	93.847	R01DK115562	13,860
	93.213	UG3AT009765	74,709
Wake Forest University	93.847	R01DK115562	59,342
Washington University	93.866	2U01AG024904	218,206
	93.847	R01DK125646	26,731
Yale University	93.213	UG3AT009765	103,070
	93.866	R24AG064025	446
Total			\$ 14,708,805

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*

To the Audit Committee
Northern California Institute for Research and Education, Inc.

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 the Northern California Institute for Research and Education, Inc. ("NCIRE"), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NCIRE'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 NCIRE's internal control. Accordingly, we do not express an opinion on the effectiveness of NCIRE'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 NCIRE'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 NCIRE'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 statement. 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 NCIRE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCIRE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
March 1, 2022

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

To the Audit Committee
Northern California Institute for Research and Education, Inc.

Report on Compliance for the Major Federal Program

We have audited the Northern California Institute for Research and Education, Inc.'s ("NCIRE") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on NCIRE's major federal program for the year ended September 30, 2021. NCIRE'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 NCIRE'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 NCIRE'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 NCIRE's compliance.

Opinion on the Major Federal Program

In our opinion, NCIRE 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 September 30, 2021.

Report on Internal Control over Compliance

Management of NCIRE 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 NCIRE's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 NCIRE'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

San Francisco, California
March 1, 2022

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Schedule of Findings and Questioned Costs
Year Ended September 30, 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 the major federal program and type of auditor’s report issued on compliance for the major federal program:

<i>Federal Assistance Listing Numbers</i>	<i>Name of Major Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for the Major Federal Program</i>
Various	Research and Development Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$1,114,130

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

Summary Schedule of Prior Audit Findings

Name of Auditee: Northern California Institute for Research and Education, Inc.
Period Covered by the Audit: October 1, 2019 to September 30, 2020
Name of Audit Firm: Moss Adams LLP

There were no findings in the prior audit report.

