



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

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

September 30, 2020 and 2019



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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 February 26, 2021, 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
February 26, 2021

Financial Statements

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 7,692,087	\$ 6,002,853
Receivables	7,378,039	7,747,522
Prepaid expenses and other assets	120,768	256,012
Property, plant, and equipment - net	<u>726,187</u>	<u>812,990</u>
 Total assets	 <u>\$ 15,917,081</u>	 <u>\$ 14,819,377</u>
LIABILITIES		
Accounts payable	\$ 3,911,563	\$ 5,645,005
Accrued expenses	2,029,849	1,688,411
Paycheck Protection Program loan	3,274,290	-
Unearned revenue	<u>1,572,557</u>	<u>2,336,820</u>
 Total liabilities	 <u>10,788,259</u>	 <u>9,670,236</u>
NET ASSETS		
Net assets - without donor restrictions	3,650,488	3,925,781
Net assets - with donor restrictions	<u>1,478,334</u>	<u>1,223,360</u>
 Total net assets	 <u>5,128,822</u>	 <u>5,149,141</u>
 Total liabilities and net assets	 <u>\$ 15,917,081</u>	 <u>\$ 14,819,377</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, 2020 and 2019

	2020			2019		
	Net Assets - Without Donor Restrictions	Net Assets - With Donor Restrictions	Total	Net Assets - Without Donor Restrictions	Net Assets - With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Federal contracts and grants	\$ 37,512,126	\$ -	\$ 37,512,126	\$ 42,156,574	\$ -	\$ 42,156,574
Clinical research revenue	1,744,735	-	1,744,735	2,794,251	-	2,794,251
Foundation and other program revenue	4,426,189	-	4,426,189	2,967,412	-	2,967,412
Contributions	503,806	454,545	958,351	136,962	238,095	375,057
Service revenue	25,869	-	25,869	37,140	-	37,140
Interest income, net	21,954	-	21,954	52,884	-	52,884
Other income	618	-	618	2,528	-	2,528
Net assets released from restrictions	199,571	(199,571)	-	159,665	(159,665)	-
Total revenues and other support	44,434,868	254,974	44,689,842	48,307,416	78,430	48,385,846
EXPENSES						
Research program	36,174,624	-	36,174,624	38,174,167	-	38,174,167
Management and general	8,535,537	-	8,535,537	8,567,813	-	8,567,813
Total operating expenses	44,710,161	-	44,710,161	46,741,980	-	46,741,980
CHANGES IN NET ASSETS	(275,293)	254,974	(20,319)	1,565,436	78,430	1,643,866
NET ASSETS, beginning of year	3,925,781	1,223,360	5,149,141	2,360,345	1,144,930	3,505,275
NET ASSETS, end of year	\$ 3,650,488	\$ 1,478,334	\$ 5,128,822	\$ 3,925,781	\$ 1,223,360	\$ 5,149,141

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (20,319)	\$ 1,643,866
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	226,972	232,053
Loss on equipment disposal	-	10,152
Changes in:		
Receivables	369,483	(1,431,715)
Prepaid expenses and other assets	135,244	(77,844)
Accounts payable	(1,701,899)	2,797,418
Accrued expenses	341,438	218,596
Unearned revenue	(764,263)	(1,214,884)
Net cash (used in) provided by operating activities	<u>(1,413,344)</u>	<u>2,177,642</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	<u>(171,712)</u>	<u>(289,617)</u>
Net cash used in investing activities	<u>(171,712)</u>	<u>(289,617)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>3,274,290</u>	<u>-</u>
Net cash provided by financing activities	<u>3,274,290</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,689,234	1,888,025
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,002,853</u>	<u>4,114,828</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 7,692,087</u>	<u>\$ 6,002,853</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Accrued purchases of property, plant, and equipment	<u>\$ 31,543</u>	<u>\$ 62,505</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 81 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.

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, 2020 and 2019, 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 either on a cost-reimbursement basis or 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, 2020 and 2019, NCIRE had received in advance conditional contributions of \$11,554 and \$4,372, which are reported in unearned revenue in the statements of financial position. At September 30, 2020 and 2019, NCIRE had received notification of \$232,154 and \$96,877 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, 2020 and 2019.

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, 2020 and 2019. All receivables as of September 30, 2020 and 2019, 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 traded net asset value of the fund. This instrument is classified as NAV and amounted to \$3,251,609 and \$3,724,118 at September 30, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019.

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.

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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, 2020 and 2019, 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, 2020 and 2019, the U.S. Department of Health and Human Services (“HHS”) accounted for 80% and 79%, 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 – During 2020, NCIRE adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* on a full retrospective basis effective October 1, 2019. The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner that depicts the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has issued several amendments to the standard, including clarifications on the disclosure of prior period performance obligations and remaining performance obligations. Additionally, disclosures required for revenue recognition include qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments, and assets recognized from costs to obtain or fulfill a contract.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance enhances the statement of cash flow by streamlining the activities between cash and restricted cash as operating, investing, or financing, or as a combination of those activities. The guidance also highlights explanations of the change of cash, cash equivalents, restricted cash or restricted cash equivalents during the period. The adoption of ASU No. 2016-18 did not have a significant impact on NCIRE’s financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and made. The amendments should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 968, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and also in determining whether a contribution is conditional. The adoption of ASU No. 2018-08 did not have a significant impact on NCIRE’s financial statements.

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In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance increases transparency and comparability among organization 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.

NOTE 2 – RECEIVABLES

Receivables at September 30, 2020 and 2019, consisted of the following:

	2020	2019
Federal grants and contracts	\$ 5,440,023	\$ 6,989,088
Clinical research	959,034	336,981
Private foundations	59,227	16,741
Due from VA	798,957	274,588
Miscellaneous	120,798	130,124
Total receivables	\$ 7,378,039	\$ 7,747,522

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT – NET

Property, plant, and equipment – net at September 30, 2020 and 2019, consisted of the following:

	2020	2019
Building	\$ 999,680	\$ 999,680
Furniture and office equipment	1,641,172	1,587,490
Medical and research equipment	2,260,257	2,273,185
Total	4,901,109	4,860,355
Less accumulated depreciation	(4,174,922)	(4,047,365)
Property, plant, and equipment - net	\$ 726,187	\$ 812,990

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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, 2020 and 2019, NCIRE recognized \$26,023 and \$26,023 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 Internal Revenue Code. Starting on January 1, 2020, NCIRE offered up to 5% employer matching for the Plan to all employees. NCIRE contributed \$492,469 and \$0 to the 403(b) matching for the Plan for the years ended September 30, 2020 and 2019, respectively.

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 \$527,637 and \$807,927 to the 401(a) Plan for the years ended September 30, 2020 and 2019, 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 ("UCSF"). 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 \$3,677,046 and \$2,753,262 for the years ended September 30, 2020 and 2019, respectively. These costs were included in research program expenses on the statements of activities and changes in net assets. At September 30, 2020 and 2019, NCIRE had payables due to the VA and/or UCSF in the amount of \$524,597 and \$868,191 for these services, respectively. These amounts are reported within accounts payable and accrued expenses. At September 30, 2020 and 2019, NCIRE had receivables due from the VA and/or UCSF in the amount of \$801,789 and \$280,862, respectively. These amounts are reported within receivables.

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

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. Due to Bank of America’s temporary pause on its PPP loan forgiveness portal since late January 2021, NCIRE is unable to submit its application until Bank of America reopens its portal. As long as NCIRE submits its loan forgiveness application within 10 months of the completion of the Covered Period, NCIRE is not required to make any payments until the forgiveness amount is remitted to Bank of America by SBA.

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, 2020, 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 2021, 2020, and 2019. 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.

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Notes to 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.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following table reflects NCIRE’s financial assets as of September 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year:

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 7,692,087	\$ 6,002,853
Receivables	<u>7,378,039</u>	<u>7,747,522</u>
Total financial assets at September 30	<u>\$ 15,070,126</u>	<u>\$ 13,750,375</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 15,070,126</u>	<u>\$ 13,750,375</u>

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 \$1,500,000 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 May 1, 2021 and is expected to be renewed. There was no principal amount outstanding at September 30, 2020 and 2019, and total interest expense for the years ended September 30, 2020 and 2019, was \$833 and \$54, respectively.

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

NOTE 9 – FUNCTIONAL CLASSIFICATION OF EXPENSES

The allocation of functional expenses for the years ended September 30, 2020 and 2019, were as follows:

	Research program	Management and general	2020 Total	Research program	Management and general	2019 Total
Employee compensation and benefits	\$ 16,742,501	\$ 6,796,696	\$ 23,539,197	\$ 16,233,533	\$ 6,810,751	\$ 23,044,284
Animals	34,586	6,360	40,946	22,548	1,952	24,500
Subject costs	196,992	4,995	201,987	245,859	5,613	251,472
Dues	3,948	60,536	64,484	6,953	68,328	75,281
Outside research	960,547	224,859	1,185,406	994,055	159,313	1,153,368
Supplies	740,151	357,891	1,098,042	930,340	377,379	1,307,719
Depreciation	133,391	93,581	226,972	161,445	70,608	232,053
Professional fees	86,745	168,604	255,349	67,893	187,764	255,657
Employee recruiting	10,360	50,458	60,818	24,537	19,445	43,982
Meetings and conferences	12,072	32,183	44,255	5,634	61,052	66,686
Printing and publications	33,860	34,877	68,737	28,841	47,433	76,274
Insurance	-	77,949	77,949	-	70,089	70,089
Travel	76,953	89,398	166,351	169,847	173,607	343,454
Registration fees	13,033	61,030	74,063	46,990	75,513	122,503
Office expenses	101,577	398,636	500,213	129,667	354,645	484,312
Other	31,797	77,484	109,281	42,359	84,321	126,680
Subcontracts	16,996,111	-	16,996,111	19,063,666	-	19,063,666
	<u>\$ 36,174,624</u>	<u>\$ 8,535,537</u>	<u>\$ 44,710,161</u>	<u>\$ 38,174,167</u>	<u>\$ 8,567,813</u>	<u>\$ 46,741,980</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 February 26, 2021, 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, 2020

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		\$ 1,004,251	\$ 3,062,254
Military Medical Research and Development (Contract)	12.xxx		11,194	489,412
Total Direct Awards			1,015,445	3,551,666
Pass-Through Awards:				
Boston University -				
Military Medical Research and Development	12.420	W81XWH-17-1-0685	-	4,007
Virginia Commonwealth University -				
Military Medical Research and Development	12.420	W81XWH-19-2-0067	-	247,091
Trustees Boston University -				
Military Medical Research and Development	12.420	W81XWH-18-1-0549	-	107,761
Total Pass-Through Awards			-	358,859
Total U.S. Department of Defense			1,015,445	3,910,525
U.S. Department of Health and Human Services:				
Direct Awards:				
Oral Diseases and Disorders Research	93.121		-	61,061
Research and Training in Complementary and Alternative Medicine	93.213		213,236	1,005,417
Mental Health Research Grants	93.242		459,167	1,649,057
Drug Abuse and Addiction Research Programs	93.279		-	641,555
Discovery and Applied Research for Technological Innovations to improve Human Health	93.286		-	46,381
Minority Health and Health Disparities Research	93.307		206,013	365,430
Trans-NIH Research Support	93.310		-	(14)
Cancer Cause and Prevention Research	93.393		-	192,127
Cancer Biology Research	93.396		104,054	869,584
Cardiovascular Diseases Research	93.837		649,010	2,249,464
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846		-	1,199,367
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		1,098,950	2,997,226
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		204,097	1,285,386
Allergy, Immunology, and Transplantation Research	93.855		2,779	995,754
Biomedical Research and Research Training	93.859		223,519	576,799
Aging Research	93.866		12,817,138	16,746,529
International Research and Research Training	93.989		2,703	4,906
Total Direct Awards			15,980,666	30,886,029
Pass-Through Awards:				
Advanced MRI Technologies LLC -				
Mental Health Research Grants	93.242	MH112210	-	106,930
Beth Israel Deaconess Medical Center, Inc. -				
Aging Research	93.866	R03AG064373	-	37,843
Board of Regents of the University of Oklahoma -				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	1R01DK121656-01	-	224,637
Brown University -				
Aging Research	93.866	U54AG06346	-	19,426
Brigham and Women's Hospital -				
Aging Research	93.866	R01AG053325	-	78,892
College of Med, University of Ibadan				
Neurosciences and Neurological Disorders	93.853	R01NS107900	-	30,292

(continued)

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

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 California, San Francisco -				
Mental Health Research Grants	93.242	R01MH083784	-	29,276
Mental Health Research Grants	93.242	MH101472	-	40,396
Mental Health Research Grants	93.242	MH083784	-	26,745
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846	UH2AR076724	-	1,026
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846	1U19AR076737	-	144,244
Aging Research	93.866	R33AG62867	-	22,329
Tufts Medical Center -				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	U01DK102730	-	47,460
Veterans Medical Research Foundation -				
Cancer Treatment Research	93.847	R01DK098234-01A	-	36,647
University of California Berkeley -				
Mental Health Research Grants	93.242	MH111444	-	59,849
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	U01EB025162	-	(2,587)
University of California San Diego -				
Trans-NIH Research Support	93.310	UG3CA241687	-	65,210
VMRF -				
Cancer Treatment Research	93.395	1R01CA222866-01	-	1,025
Kaiser Foundation Research Institute -				
Cardiovascular Diseases Research	93.837	R01HL122658	-	84,077
Johns Hopkins University -				
Aging Research	93.866	AG050745	-	15,088
Joan & Sanford I. Weill Medical College of Cornell University -				
Cardiovascular Diseases Research	93.837	HL128278	-	100,413
New York University -				
International Research and Research Training	93.989	D43TW009140	-	7,141
Northwestern University -				
Aging Research	93.866	1U2CAG060426-01	-	76,632
Stanford University -				
Aging Research	93.866	1RF1AG0625868-01	-	177,979
Stutter Bay Hospital CPMC -				
Aging Research	93.866	R01AG052964	-	38,341
The University of Texas Health Science -				
Cardiovascular Diseases Research	93.837	R01HL141824	-	37,266
Trustees of Indiana University -				
Nursing Research	93.361	R01NR015255	-	10,190
TheraNova, LLC -				
Alcohol Research Programs	93.273	R43AA027188	-	53,431
Drug Abuse and Addiction Research Programs	93.279	R43DA049623	-	7,798
The Rector and Visitors of the University of Virginia -				
Allergy, Immunology, and Transplantation Research	93.855	R01AI097312	-	48,263
Together Senior Health, Inc. -				
Aging Research	93.866	R43AG059520	-	78,763
University of Buffalo -				
Trans-NIH Research Support	93.310	1U01CA221244	-	142,342
University of Melbourne -				
Aging Research	93.866	1R01AG058676-01A1	-	454,794
University of North Carolina -				
Mental Health Research Grants	93.242	MH110925	-	106,754
University of North Texas Health Science Center -				
Aging Research	93.866	R01AG058537	-	55,525
University of Southern California -				
Aging Research	93.866	AG053798	-	(12,009)
Aging Research	93.866	1U24AG057437	-	113,064
Alcohol Research Programs	93.273	R01AA027225	-	128,890
University of Wisconsin - Madison -				
Cardiovascular Diseases Research	93.837	R01HL54624	-	13,549
The Trustees of the University of Pennsylvania -				
Neurosciences and Neurological Disorders	93.853	R01NS102324	-	7,641
Total Pass-Through Awards			-	2,715,572
Total U.S. Department of Health and Human Services			15,980,666	33,601,601
TOTAL RESEARCH AND DEVELOPMENT CLUSTER AND AND EXPENDITURES OF FEDERAL AWARDS			\$ 16,996,111	\$ 37,512,126

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"). Catalog of Federal Domestic Assistance ("CFDA") numbers 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.

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

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 CFDA Number	Award No.	Amount Provided to Subrecipients
Albert Einstein College	93.837	R01HL132794	\$ 138,241
	93.837	R01HL144707	87,145
Banner Alzheimer's Institute	93.866	U19AG024904	98,590
Baylor College of Medicine	12.420	W81XWH-16-1-0558	27,117
Beth Israel Deaconess Medical Ctr	93.866	R01AG027002	243,493
Biomedical Research Foundation	93.213	UG3AT009765	5,403
Blood Systems Research Institute	93.853	R01NS102886	5,686
Boston Medical Center Corp	93.847	R01DK115562	9,385
	93.866	R01AG027002	24,941
Boston VA Research Institute	12.420	W81XWH-16-1-0558	(3,789)
Brigham and Women's Hospital	93.866	U19AG024904	34,396
	93.866	R01AG027002	(1,515)
	93.847	R01DK120387-01A1	289,356
Center for Veterans Research and Education	93.213	UG3AT009765	23,918
CPMC Research Institute	93.847	R01DK107629	6,760
	93.847	R21DK112126	23,708
	93.847	R01DK115562	39,383
	93.866	R01AG027002	78,554
	12.420	W81XWH-17-1-0336	31,976
Duke University	12.420	W81XWH-18-1-0692	190,030
Eidgenoessische Technische Hochschule Zuerich (ETHZ)	93.396	UG3CA241703	25,367
Greenville Health System	93.307	R01MD012441	16,765
Icahn School of Medicine	93.847	R01DK115562	183,218
	93.866	R24AG064025	31,142
Indiana University	12.420	W81XWH-12-2-0012	40,912
	12.420	W81XWH-13-1-0259	106,249
	93.866	U19AG024904	122,454
Johns Hopkins University	93.866	R01AG034853	158,360
	93.847	R01DK103574	156,252
	93.866	R01AG027002	160,414
	93.837	R01HL132794	53,450
	93.837	R01HL144707	194,266
	93.866	R24AG064025	156,847

(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 CFDA Number	Award No.	Amount Provided to Subrecipients
<i>(continued)</i>			
Kaiser Foundation Research	93.866	R01AG063887	86,968
	93.866	R24AG064025	281,125
Kwame Nkrumah University of Science and Technology	93.853	R21NS103752	81,614
Mayo Clinic Rochester	12.420	W81XWH-13-1-0259	48,072
	93.866	U19AG024904	522,379
Medical University of South Carolina	93.307	R01MD012441	189,181
	93.853	R25NS098999	107,623
	93.853	R21NS103752	9,174
Northwestern University	93.866	R01AG063887	10,974
Oregon Health and Science University	93.213	UG3AT009765	92,097
Rehabilitation Institute Of Chicago	12.420	W81XWH-13-1-0259	19,544
San Diego State University	93.837	R01HL144707	51,971
Stanford University	93.866	R01AG046206	2,040
	93.866	R56AG055576	186,938
The Research Foundation of State University	93.837	R01HL132794	94,433
The Translational Genomics Research Institute	93.396	UG3CA241703	78,687
Tufts University	93.847	R01DK115562	16,752
	93.866	R01AG027002	82,040
UC Berkeley	93.242	R01MH115020	369,250
	93.866	U19AG024904	434,198
	12.420	W81XWH-14-1-0462	178,755
UC Davis	12.420	W81XWH-12-2-0012	16,986
	12.420	W81XWH-13-1-0259	16,804
	12.420	W81XWH-14-1-0462	8,963
	93.866	U19AG024904	240,304
UC Los Angeles	93.866	R24AG064025	25,491
UC San Francisco	93.855	R21AI138923	2,912
	93.847	R0IDK108349	77,845
	93.847	R01DK120387-01A1	38,603
	93.866	U19AG024904	154,455
	N/A	W81XWH-19-C-0093	11,194
University College London	93.866	U19AG024904	100,060
University of Alabama	93.866	R01AG063887	61,814
University of Arkansas for Medical Sciences	93.213	UG3AT009765	10,026
University of Connecticut Health Ctr	93.242	RF1MH117604	89,917
University of Maryland, Baltimo	93.866	R24AG064025	32,676
University of Massachusetts Medical School	93.866	R24AG064025	46,655

(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 CFDA Number	Award No.	Amount Provided to Subrecipients
<i>(continued)</i>			
University of Michigan	12.420	W81XWH-13-1-0259	213
	93.866	U19AG024904	171,823
	12.420	W81XWH-14-1-0462	23,454
	93.866	R24AG064025	57,720
University of Minnesota	93.866	R01AG063887	20,920
University of Pennsylvania	12.420	W81XWH-13-1-0259	22,544
	93.866	2U01AG024904	656,373
University of Pittsburgh	93.847	R01DK122259	186,950
	93.866	2U01AG024904	95,333
University of North Carolina	93.866	R24AG064025	1,947
	93.837	R01HL144707	29,502
University of South Carolina	93.989	R21TW010479	2,703
University of Southern California	12.420	W81XWH-13-1-0259	103,780
	12.420	W81XWH-14-1-0462	141,964
	93.307	R01MD012441	67
	93.866	2U01AG024904	7,912,844
University of Washington	93.855	R01AI106987	(133)
	93.866	R01AG027002	40,721
	93.866	R24AG064025	128,340
Vanderbilt University Medical Center	93.859	R01GM061606	223,519
	93.866	R24AG064025	65,347
Veterans Medical Research Foundation	93.847	R01DK115562	8,894
	93.213	UG3AT009765	47,145
Wake Forest University	93.847	R01DK115562	61,845
Washington University	93.866	2U01AG024904	224,680
	12.420	W81XWH-13-1-0259	30,678
Yale University	93.213	UG3AT009765	34,645
	93.866	R24AG064025	65,299
Total			<u>\$ 16,996,111</u>

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, 2020, 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 February 26, 2021.

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
February 26, 2021

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, 2020. 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, 2020.

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
February 26, 2021

Northern California Institute for Research and Education, Inc.
(A California Nonprofit Public Benefit Corporation)
Schedule of Findings and Questioned Costs
September 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of the major federal program and type of auditor’s report issued on compliance for the major federal program:

<i>CFDA 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: \$1,125,364

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, 2018 to September 30, 2019
Name of Audit Firm: Moss Adams LLP

There were no findings in the prior audit report.

