



GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Portland VA Research Foundation

Financial Statements, Single Audit Reports, and Other
Information as of and for the Year Ended December 31, 2019
and Reports of Independent Accountants

PORTLAND VA RESEARCH FOUNDATION

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REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Portland VA Research Foundation:*

Report on the Financial Statements

We have audited the accompanying financial statements of the Portland VA Research Foundation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization'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 the Portland VA Research Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards on pages 17 and 18, as required by Title 2, *U.S. Code of Federal Regulations* (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Summarized Comparative Information

We have previously audited the Portland VA Research Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020 on our consideration of the Portland VA Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Portland VA Research Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Portland VA Research Foundation's internal control over financial reporting and compliance.

Handwritten signature of Amy N. Grant in black ink.

March 16, 2020

PORTLAND VA RESEARCH FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH COMPARATIVE AMOUNTS FOR 2018)

	2019	2018
Assets:		
Cash and cash equivalents	\$ 715,159	429,308
Accounts and grants receivable (<i>note 5</i>)	1,385,354	1,650,298
Prepaid expenses	67,698	66,050
Investments (<i>note 6</i>)	10,105,229	9,551,203
Equipment (<i>note 7</i>)	35,760	45,268
Total assets	\$ 12,309,200	11,742,127
Liabilities:		
Accounts payable	269,308	272,006
Accrued vacation and payroll expenses	289,408	301,302
Refundable advances	25,128	5,000
Total liabilities	583,844	578,308
Net assets:		
Without donor restrictions:		
Available for programs and general operations	3,481,210	2,883,154
Designated by Board (<i>note 8</i>)	6,949,753	7,112,880
Net investment in capital assets	35,760	45,268
Total net assets without donor restrictions	10,466,723	10,041,302
With donor restrictions (<i>note 8</i>)	1,258,633	1,122,517
Total net assets	11,725,356	11,163,819
Commitments and contingencies (<i>notes 11 and 15</i>)		
Total liabilities and net assets	\$ 12,309,200	11,742,127

See accompanying notes to financial statements.

PORTLAND VA RESEARCH FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		Total	2018
	Without donor restrictions	With donor restrictions		
Revenues, gains, and other support:				
Governmental cost reimbursement grants and sub-awards	\$ 4,134,641	–	4,134,641	3,217,277
Sponsored cooperative research agreements	1,055,216	–	1,055,216	1,821,143
Grants and contributions	217,000	1,068,300	1,285,300	1,042,492
Inter-institutional agreements	1,519,115	–	1,519,115	1,462,532
Investment return (<i>note 6</i>)	504,026	–	504,026	43,999
Other revenue	81,596	–	81,596	44,910
Total revenues and gains	7,511,594	1,068,300	8,579,894	7,632,353
Net assets released from restrictions (<i>note 9</i>)	932,184	(932,184)	–	–
Total revenues, gains, and other support	8,443,778	136,116	8,579,894	7,632,353
Expenses (<i>note 10</i>):				
Program services:				
Research	6,071,803	–	6,071,803	5,317,830
Education	706,496	–	706,496	377,951
Research and education program support	463,366	–	463,366	465,269
Total program services	7,241,665	–	7,241,665	6,161,050
Supporting services – management and general	776,692	–	776,692	800,500
Total expenses	8,018,357	–	8,018,357	6,961,550
Increase in net assets	425,421	136,116	561,537	670,803
Net assets at beginning of year	10,041,302	1,122,517	11,163,819	10,493,016
Net assets at end of year	\$ 10,466,723	1,258,633	11,725,356	11,163,819

See accompanying notes to financial statements.

PORTLAND VA RESEARCH FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019							2018
	Program services				Total	Supporting services		
	Research	Education	Research and education program support	Management and general		Total		
Salaries and related costs	\$ 4,697,821	303,523	208,099	5,209,443	588,020	5,797,463	5,154,601	
Professional services	968,603	93,637	5,122	1,067,362	77,479	1,144,841	1,001,997	
Lab supplies	163,781	6,529	77,374	247,684	579	248,263	227,832	
Travel	88,122	107,888	60,660	256,670	49,438	306,108	206,376	
Conferences and meetings	40,724	115,124	16,740	172,588	10,702	183,290	96,063	
Equipment and computer expenses	52,698	1,125	10,513	64,336	—	64,336	51,517	
Subscriptions and memberships	2,442	12,680	5,382	20,504	15,020	35,524	46,945	
Animal and Veterinary Medical Unit expenses	—	—	—	—	—	—	11,074	
Business meals and team-building	568	59,710	14,674	74,952	4,524	79,476	39,903	
Office and other supplies	312	1,253	2,461	4,026	3,662	7,688	8,439	
Insurance	—	—	—	—	9,473	9,473	9,734	
Visiting scientist program support	—	67	8,159	8,226	—	8,226	6,309	
Research subjects	32,423	33	396	32,852	95	32,947	42,230	
Publications	7,606	—	18,104	25,710	—	25,710	21,082	
Honoraria	5,000	1,050	—	6,050	—	6,050	450	
Recruitment costs	—	—	5,132	5,132	10,953	16,085	7,772	
Other	11,703	3,877	5,366	20,946	6,747	27,693	26,110	
Depreciation	—	—	25,184	25,184	—	25,184	3,116	
Total expenses	\$ 6,071,803	706,496	463,366	7,241,665	776,692	8,018,357	6,961,550	

See accompanying notes to financial statements.

PORTLAND VA RESEARCH FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
Cash flows from operating activities:		
Cash received from contractors, donors, and others	\$ 8,360,940	7,439,167
Interest income received	280,221	262,743
Cash paid to employees and suppliers	(8,009,413)	(6,971,079)
Net cash provided by operating activities	631,748	730,831
Cash flows from investing activities:		
Purchases of investments	(300,000)	(700,000)
Proceeds from sale of investments	250,000	150,000
Reinvested investment earnings	(280,221)	(262,743)
Purchases of equipment	(15,676)	-
Net cash used in investing activities	(345,897)	(812,743)
Net increase (decrease) in cash and cash equivalents	285,851	(81,912)
Cash and cash equivalents at beginning of year	429,308	511,220
Cash and cash equivalents at end of year	\$ 715,159	429,308

See accompanying notes to financial statements.

PORTLAND VA RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. Organization

The Portland VA Research Foundation is an independent Nonprofit Research and Education Corporation (“NPC”) established to advance the research and educational mission of the U.S. Department of Veterans Affairs (the “VA”) and the VA Portland Health Care System (“VAPORHCS”) through the support of activities approved by the VA’s Research and Development and Education committees. The establishment of corporations such as the Foundation is authorized by an Act of Congress in order to provide a flexible funding mechanism for the conduct of biomedical and clinical research and associated educational programs and activities. While the Veterans Health Administration (“VHA”) governs all NPCs, NPCs are not owned or controlled by the federal government, nor are they an agency or instrumentality of the federal government.

Facilitation of the Foundation’s conduct of research and education activities includes managing funds for VA-approved research projects and education activities as well as supporting facility research and education programs in conjunction with the VA and the VA Portland Health Care System.

2. Program Services

During the year ended December, 2019, the Foundation incurred program service expenses in the following major categories:

Research – Research projects including clinical studies that focus on the treatment of medical conditions prevalent in the Veteran population. Veterans benefit from access to cutting edge pharmaceuticals and medical care devices, as well as the actual “hands on” care provided and, indirectly, from the interaction between Foundation staff and patients.

Education – The Foundation supports work-related instruction and learning experiences for Veterans, including improving the performance of duties, gaining specialized proficiencies, and expanding the understanding of changes in patient care. The education and training programs also include instruction and learning related to improving and maintaining health.

Research and Education Program Support – The Foundation provides support in many other ways, including covering the cost of training research personnel, underwriting bridge funding for VA investigators who are between research grant awards, supporting travel and registration fees for VA investigators to attend scientific conferences, and the procurement of personnel, equipment and supplies for research facilities.

3. Recently-Adopted Accounting Standard

Revenue Recognition – Effective January 1, 2019, the Foundation adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), and additional ASUs issued to clarify the guidance in ASU 2014-09, which amends the existing accounting standards for revenue recognition. The Foundation adopted the new revenue standard applying the modified retrospective transition method to contracts not yet completed as of the date of adoption. The adoption of this standard did not have a material effect on the financial statements.

4. Summary of Significant Accounting Policies

The significant accounting policies followed by the Foundation are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the Foundation’s Board of Directors may designate a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the Foundation considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Foundation’s investment portfolio, and where management’s intention is to use the cash to acquire investments to be held long-term, are classified as investments.

Receivables and Credit Policies – Accounts receivable consist primarily of noninterest-bearing amounts due for grant and contract payments outstanding. The Foundation determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off if reasonable collection efforts prove unsuccessful. Management has determined that all receivables at December 31, 2019 are fully collectible and, therefore, the establishment of an allowance for uncollectible accounts was deemed unnecessary.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. Net investment return, which includes both current yield (interest and dividend income) and net appreciation (decline) in the fair value of investments (both the realized gains or losses and the unrealized appreciation (decline) of those investments), is reported in the accompanying financial statements, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

The Foundation has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Generally, furniture and equipment in excess of \$5,000 are capitalized and reported at cost when purchased and, initially, at fair value when acquired by gift. Equipment acquired for use on specific research projects that have alternative future uses is also capitalized at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 5 to 10 years. Equipment acquired for use on specific research projects with no use beyond the life of the project is expensed when purchased.

Revenue Recognition – With regard to revenues from grants and contracts, the Foundation evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, the Foundation recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.

The Foundation's exchange transactions include revenues from inter-institutional agreements and other revenues. These revenues are generally recognized at the time of service delivery.

- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, the Foundation evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.
- *Governmental Support* – Activities funded by governments are often carried out for the benefit of the general public, rather than to obtain goods or services for the government's own use or proprietary benefit. Accordingly, if the primary beneficiary of the activity is the general public, rather than the government itself, the transaction is treated as nonreciprocal (i.e., a contribution).

Contributions and Grants – Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor's commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions.

Conditional contributions with donor-imposed restrictions are recorded as net assets without donor restrictions if those restrictions are satisfied in the same reporting period.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time the funds are expended in accordance with donors intent.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement the Foundation’s programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that the Foundation would have purchased if not donated are recognized in the statement of activities. During the year ended December 31, 2019, no contributed services were recorded.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Foundation’s activities. During the year ended December 31, 2019, no contributed land, buildings, equipment, or other materials were recorded.

The facilities in which the Foundation conducts its administrative and research activities have been made available to the Foundation at no cost by the VA Portland Health Care System. No amounts have been included in the accompanying financial statements for the value of these contributed facilities, as such amounts are not subject to objective determination.

Concentrations of Credit Risk – The Foundation’s investments consist primarily of cash equivalents, money market funds, certificates of deposit, and Government National Mortgage Association (“GNMA”) mortgage-backed securities. Normally, these instruments could subject the Foundation to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). To address this risk and to provide for full FDIC insurance on its deposits, the Foundation follows a policy requiring its funds to be held in certificates of deposit with any given institution in amounts below the maximum FDIC-insured level.

Certain receivables may also, from time to time, subject the Foundation to concentrations of credit risk. The Foundation’s management evaluates the financial condition of its customers, donors, and grantors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics to minimize its exposure to significant losses from customer and donor insolvencies.

Income Taxes – The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Section 170(b)(1)(A)(iii) of the Internal Revenue Code.

Subsequent Events – Subsequent events have been evaluated by management through March 16, 2020, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2018 – The accompanying financial information as of and for the year ended December 31, 2018 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

5. Accounts and Grants Receivable

Accounts and grants receivable, expected to be collected within one year, at December 31, 2019 are summarized as follows:

Oregon Health & Science University	\$ 509,291
Agency for Healthcare Research and Quality	246,049
U.S. Department of Defense	121,665
VA Portland Health Care System	88,419
Oregon Health Authority	68,204
University of Washington	54,203
Southern California Permanente Medical Group	40,278
Other	257,245
	\$ 1,385,354

6. Investments

At December 31, 2019, investments, stated at fair value, consisted of the following:

Certificates of deposit and banker's acceptance	\$ 4,699,955
GNMA mortgage-backed securities	4,956,669
U.S. Treasury bills and notes	445,152
	Total investments at fair value 10,101,776
Cash	3,453
	Total investments \$ 10,105,229

Investment return for the year ended December 31, 2019 is summarized as follows:

Interest and dividend income	\$ 280,221
Net appreciation in the fair value of investments	223,805
	Total return \$ 504,026

7. Equipment

A summary of capital assets at December 31, 2019 is as follows:

Equipment	\$ 771,423
Less accumulated depreciation	(735,663)
	\$ 35,760

8. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

At December 31, 2019, certain net assets without donor-imposed restrictions were designated by the Board, as follows:

Primary investigators' research funds	\$ 4,708,443
Administrative research funds	2,241,310
	\$ 6,949,753

Continued

Net Assets with Donor Restrictions

The following summarizes the Foundation’s expendable net assets with donor-imposed restrictions as of December 31, 2019:

Prostrate cancer	\$ 645,038
Infectious diseases	237,920
Cancer	93,385
Nursing education	80,202
Multiple sclerosis	78,430
Audiology	33,110
Health service	30,620
Venous thrombosis	30,000
Amyotrophic lateral sclerosis (ALS) education	21,396
Other	8,532
	<hr/>
	\$ 1,258,633

9. Net Assets Released from Restrictions

During the year ended December 31, 2019, the Foundation incurred various expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restriction by the occurrence of other events. Accordingly, during the year, corresponding net assets reclassifications totaling \$932,184 have been recorded in the accompanying statement of activities.

10. Expenses

The costs of providing the various programs and activities of the Foundation have been summarized on a functional basis in the statement of activities. Accordingly, certain categories of expenses that are attributable to one or more program or supporting functions of the organization, require allocation on a reasonable basis that is consistently applied. Those expenses include salaries and wages, benefits, and payroll taxes which are allocated based on time and efforts.

11. Retirement Plan

The Foundation provides all permanent employees with a qualified profit-sharing retirement plan, as described under Section 401(k) of the Internal Revenue Code. The Foundation makes matching contributions to the plan equal to 100% of the first 3.0% of an employee’s deferral and 50% of the next 2.0% of the employee’s deferral. In addition, during the year ended December 31, 2019, the Foundation made an elective contribution equal to 2.0% of the total compensation of each eligible employee. All contributions to the plan vest as accrued. Foundation contributions totaled \$202,368 for the year ended December 31, 2019.

12. Related-Party Transactions

The Foundation’s Board of Directors is composed, in its majority, of employees of the VA Portland Health Care System and the Oregon Health & Science University. The Foundation has entered into several agreements with both institutions for the reimbursement of research-related expenses and the sponsoring of certain research-related projects, as follows:

Payments made to:

VA Portland Health Care System	\$ 285,015
Oregon Health & Science University	207,038
	<hr/>
	\$ 492,053

Payments received from:

VA Portland Health Care System	\$ 1,478,726
Oregon Health & Science University	1,472,358
	<hr/>
	\$ 2,951,084

At December 31, 2019, the Foundation reported receivables outstanding from the VA Portland Health Care System and the Oregon Health & Science University totaling \$88,419 and \$509,291, respectively. Payables outstanding to the VA Portland Health Care System and the Oregon Health & Science University totaled \$24,861 and \$295,976, respectively, at December 31, 2019.

13. Significant Sources of Revenue

Approximately 17% of the Foundation's total revenues for the year ended December 31, 2019 were generated under a contract with the U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality. Another 18% of the Foundation's total revenues was generated under IPA and JPA agreements with VAPORHCS and Oregon Health & Science University.

14. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at December 31, 2019:

<i>Total financial assets available to fund general operations:</i>	
Cash and cash equivalents	\$ 715,159
Accounts and grants receivable	1,385,354
Investments	10,105,229
	<hr/>
	12,205,742
 <i>Less financial assets not available within the year ending December 31, 2020:</i>	
Investments with maturities in excess of one year	(8,821,745)
	<hr/>
	\$ 3,383,997

As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Foundation invests cash in excess of daily requirements in both short- and long-term investments. It is the policy of the Foundation to hold such investments until maturity.

15. Contingencies

Certain amounts received or receivable under the Foundation's contracts with the U.S. Department of Health and Human Services, the U.S. Department of Defense, and other governmental agencies are subject to audit and adjustment by the contracting agencies. Any expenditures or claims disallowed as a result of such audits would become a liability of the Foundation's general operating funds. In the opinion of the Foundation's management, any adjustments that might result from such audits would not be material to the Foundation's overall financial statements.

16. Fair Value Measurements

Included in the accompanying financial statements are investments carried at fair value.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

Continued

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

At December 31, 2019, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 2	Total
Certificates of deposit and bankers' acceptances	\$ –	4,699,955	4,699,955
GNMA mortgage-backed securities	–	4,956,669	4,956,669
U.S. Treasury bills and notes	445,152	–	445,152
Investments	\$ 445,152	9,656,624	10,101,776

17. Reclassification of 2018 Comparative Totals

Certain 2018 amounts presented herein have been reclassified to conform to the 2019 presentation.

18. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 561,537
<i>Adjustments to reconcile the increase in net assets to net cash provided by operating activities:</i>	
Depreciation	25,184
Net appreciation in the fair market value of investments	(223,805)
<i>Net changes in:</i>	
Accounts and grants receivable	264,944
Prepaid expenses	(1,648)
Accounts payable	(2,698)
Accrued vacation and payroll expenses	(11,894)
Deferred revenue	20,128
Total adjustments	70,211
Net cash provided by operating activities	\$ 631,748

19. Subsequent Event – Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including Oregon, have declared a public health state of emergency, ordering the public to stay at home, closing specified businesses, and requiring social distancing measures for most public and private facilities. The immediate effect of these measures on the Foundation has not been determined, however possible effects could include a reduction in revenues in 2020 and an increase the Foundation’s use of unrestricted cash reserves.

Moreover, the fear and uncertainty of the global pandemic is seen as a threat to the global economy and to the financial markets in which the Foundation invests its funds, plunging all three major U.S. financial markets into bear market territory. As of March 16, 2020, the date the accompanying financial statements were available to be issued, the value of the Foundation’s investment portfolio had not declined.

It is anticipated that the effects of these events will continue for some time, including continuing disruptions to or restrictions on our employees’ ability to work and on the ability of our patrons, customers and other constituents to fully participate in our programs and continue their current level of financial support to the organization. At the present time, the ultimate future effects of these are unknown.



PORTLAND VA RESEARCH FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity identifying number	Federal CFDA number	Provided to subrecipients	Total federal expenditures
Research and Development Cluster:				
U.S. Department of Defense —				
U.S. Army Medical Command:				
<i>Military Medical Research and Development</i>				
Direct program	n/a	12.420	\$ 16,838	630,728
Passed through:				
Oregon Health & Science University	1011056_PVARF	12.420	n/a	188,435
Oregon Health & Science University	1014888_PVARF	12.420	n/a	11,127
Total CFDA 12.420			16,838	830,290
Uniformed Services University of the Health Sciences:				
<i>Uniformed Services University Medical Research Projects</i>				
Passed through:				
Henry Jackson Foundation	4580	12.750	n/a	90,540
Total CFDA 12.750			—	90,540
Total U.S. Department of Defense			16,838	920,830
U.S. Department of Health and Human Services —				
National Institutes of Health:				
<i>Research Related to Deafness and Communication Disorders</i>				
Direct program	n/a	93.173	n/a	68,544
Total CFDA 93.173			—	68,544
<i>Trans-NIH Research Support</i>				
Passed through:				
University of Maryland	1DP2LM012890-01	93.310	n/a	14,811
Total CFDA 93.310			—	14,811
<i>Cardiovascular Diseases Research</i>				
Passed through:				
The University of Rochester Research, Inc.	[A] 351	93.837 93.837	n/a n/a	121 107
Total CFDA 93.837			—	228
<i>Extramural Research Programs in the Neurosciences and Neurological Disorders</i>				
Passed through:				
Oregon Health & Science University	1007004	93.853	n/a	75,064
Total CFDA 93.853			—	75,064

Continued

PORTLAND VA RESEARCH FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

YEAR ENDED DECEMBER 31, 2019

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity identifying number	Federal CFDA number	Provided to subrecipients	Total federal expenditures
<i>Allergy and Infectious Diseases Research</i>				
Passed through:				
Oregon Health & Science University	1005783	93.855	n/a	15,407
Oregon Health & Science University	10117583_PVARF	93.855	n/a	214,793
Oregon Health & Science University	1015301_PVARF	93.855	n/a	64,689
Portland State University	100132	93.855	n/a	4,032
University of Washington	759530	93.855	n/a	59,978
Yale University	1R01AI123321-01A1	93.855	n/a	178,785
Total CFDA 93.855			–	537,684
<i>Aging Research</i>				
Passed through:				
The Washington University	WU-19-118	93.866	n/a	85,001
University of Nebraska Medical Center	36-5360-2141-123	93.866	n/a	570
Total CFDA 93.866			–	85,571
<i>Vision Research</i>				
Passed through:				
Boston Children’s Hospital	GENFD0001460231	93.867	n/a	71,373
Total CFDA 93.867			–	71,373
Agency for Healthcare Research and Quality:				
AHRQ SRC III	n/a	[B]	n/a	1,428,342
Total cost reimbursement contract issued under FAR				1,428,342
Total Research and Development Cluster				3,202,447
Non-Clustered Program:				
Health Resources and Services Administration:				
<i>HIV-Related Training and Technical Assistance</i>				
Passed through:				
University of Washington	UWSC8708	93.145	n/a	184,204
Total CFDA 93.145			–	184,204
Total U.S. Department of Health and Human Services			–	2,465,821
Total expenditures of federal awards			\$ 16,838	3,386,651

[A] 417043G/UR FAO GR500479

[B] 93.HHSA290-201700003C

See accompanying notes to schedule of expenditures of federal awards.

PORTLAND VA RESEARCH FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

1. Basis of Presentation

The accompany schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Portland VA Research Foundation under programs of the federal government for the year ended December 31, 2019. The information in this 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Portland VA Research Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Portland VA Research Foundation.

2. Summary of Significant Accounting Policies

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.

3. Indirect Cost Rate

The Portland VA Research Foundation elected not to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

*The Board of Directors
Portland VA Research Foundation:*

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Portland VA Research Foundation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Portland VA Research Foundation's internal control over financial reporting ("internal control") to determine the 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 the Portland VA Research Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Portland VA Research Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 the Portland VA Research Foundation'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature in black ink that reads "Camp, M. & Co. LLP". The signature is written in a cursive, flowing style.

March 16, 2020

REPORTS OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

*The Board of Directors
Portland VA Research Foundation:*

Report on Compliance for Each Major Federal Program

We have audited the Portland VA Research Foundation's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Portland VA Research Foundation's major federal programs for the year ended December 31, 2019. The Portland VA Research Foundation's major federal programs are 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 each of the Portland VA Research Foundation's major federal programs 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; 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 of Federal Awards* (the "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 the Portland VA Research Foundation'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 each major federal program. However, our audit does not provide a legal determination of the Portland VA Research Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Portland VA Research Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Portland VA Research Foundation 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 the Portland VA Research Foundation'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 the Portland VA Research Foundation'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 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.



Amy A. Orr # CO, LLP

March 16, 2020

PORTLAND VA RESEARCH FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

Section 1 – Summary of Auditors' Results

Financial Statements

1. Type of auditor's report issued on whether the audited financial statements were prepared in accordance with GAAP – unmodified
2. Significant deficiency(ies) in internal control identified in the audit of the financial statements – none reported
3. Material weakness(es) in internal control identified in the audit of the financial statements – none
4. Noncompliance that is material to the financial statements noted – none

Federal Awards

5. Significant deficiency(ies) in internal control over major federal programs identified in the audit – none reported
6. Material weakness(es) in internal control over major federal programs identified in the audit – none
7. The type of auditor's report issued on compliance for major federal programs – unmodified
8. Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) – none

Identification of Major Federal Programs

- Research and Development Program Cluster
9. Dollar threshold used to distinguish between Type A and Type B programs – \$750,000
 10. Is the auditee qualified as a low-risk auditee under 2 CFR 200.520? – yes

Section 2 – Financial Statement Findings

11. Findings relating to the financial statements reported in accordance with *Government Auditing Standards* – none

Section 3 – Federal Award Findings and Questioned Costs

12. Findings and questioned costs relating to federal awards – none

PORTLAND VA RESEARCH FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019

There were no findings reported in the prior audit.

PORTLAND VA RESEARCH FOUNDATION

GOVERNING BOARD AND MANAGEMENT

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VA Portland Health Care System

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Oregon Health & Science University

David Coultas, M.D.
VA Portland Health Care System

Darwin G. Goodspeed, F.A.C.H.E.
VA Portland Health Care System

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Oregon Health & Science University

Michael Heinrich, M.D.
Oregon Health & Science University

Sahana Misra, M.D.
VA Portland Health Care System

Kim Neve, Ph.D.
VA Portland Health Care System

Merritt Raitt, M.D.
VA Portland Health Care System

Kathryn Schuff, M.D.
Oregon Health & Science University

Stephen Smith, M.D.
VA Portland Health Care System

Management

Shelley Cobb
Executive Director

PORTLAND VA RESEARCH FOUNDATION

INQUIRIES AND OTHER INFORMATION

PORTLAND VA RESEARCH FOUNDATION

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