



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, 2021
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:*

Opinion

We have audited the accompanying financial statements of the Portland VA Research Foundation, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material mis

statement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 18 and 19, 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 Portland VA Research Foundation's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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 April 13, 2022 on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Portland VA Research Foundation's internal control over financial reporting and compliance.

Ernst & Young & CO. LLP

April 13, 2022

PORTLAND VA RESEARCH FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(WITH COMPARATIVE AMOUNTS FOR 2020)

	2021	2020
Assets:		
Cash and cash equivalents	\$ 351,496	238,274
Grants and contracts receivable <i>(note 4)</i>	1,322,019	1,442,305
Prepaid expenses	69,075	89,195
Investments <i>(note 5)</i>	10,681,890	10,702,529
Equipment <i>(note 6)</i>	92,843	115,907
Total assets	\$ 12,517,323	12,588,210
Liabilities:		
Accounts payable	90,547	270,582
Accrued vacation and payroll expenses	533,013	380,925
Refundable advances	24,800	-
Total liabilities	648,360	651,507
Net assets:		
Without donor restrictions:		
Available for programs and general operations	3,690,279	3,855,127
Designated by Board <i>(note 7)</i>	6,643,954	6,894,317
Net investment in capital assets	92,843	115,907
Total net assets without donor restrictions	10,427,076	10,865,351
With donor restrictions <i>(note 7)</i>	1,441,887	1,071,352
Total net assets	11,868,963	11,936,703
Commitments and contingencies <i>(notes 4, 10, 14, and 17)</i>		
Total liabilities and net assets	\$ 12,517,323	12,588,210

See accompanying notes to financial statements.

PORTLAND VA RESEARCH FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021		Total	2020
	Without donor restrictions	With donor restrictions		
Revenues, gains, and other support:				
Governmental cost reimbursement grants and sub-awards	\$ 3,593,493	–	3,593,493	3,731,249
Sponsored cooperative research agreements	770,905	–	770,905	895,399
Grants and contributions	–	799,159	799,159	634,933
Inter-institutional agreements	1,758,635	–	1,758,635	1,490,293
Investment return (<i>note 5</i>)	(70,084)	–	(70,084)	465,475
Other revenue	61,217	–	61,217	25,181
Total revenues and gains	6,114,166	799,159	6,913,325	7,242,530
Net assets released from restrictions (<i>note 8</i>)	428,624	(428,624)	–	–
Total revenues, gains, and other support	6,542,790	370,535	6,913,325	7,242,530
Expenses (<i>note 9</i>):				
Program services:				
Research	5,398,770	–	5,398,770	5,498,781
Education	579,125	–	579,125	423,598
Research and education program support	351,788	–	351,788	502,008
Total program services	6,329,683	–	6,329,683	6,424,387
Supporting services – management and general	651,382	–	651,382	606,796
Total expenses	6,981,065	–	6,981,065	7,031,183
Increase (decrease) in net assets	(438,275)	370,535	(67,740)	211,347
Net assets at beginning of year	10,865,351	1,071,352	11,936,703	11,725,356
Net assets at end of year	\$ 10,427,076	1,441,887	11,868,963	11,936,703

See accompanying notes to financial statements.

PORTLAND VA RESEARCH FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021						2020
	Program services			Total	Supporting services		
	Research	Education	Research and education program support			Management and general	Total
Salaries and related costs	\$ 4,530,599	394,262	245,221	5,170,082	518,094	5,688,176	5,576,476
Professional services	599,091	119,395	18,564	737,050	99,581	836,631	955,599
Lab supplies	105,662	6,971	8,968	121,601	–	121,601	142,027
Travel	148	2,060	7,721	9,929	–	9,929	32,722
Conferences and meetings	35,067	12,659	8,936	56,662	569	57,231	28,255
Equipment and computer expenses	47,170	9,447	9,432	66,049	–	66,049	94,282
Subscriptions and memberships	2,157	200	8,273	10,630	15,498	26,128	48,576
Animal and Veterinary Medical Unit expenses	19,136	–	–	19,136	–	19,136	5,973
Business meals and team-building	806	2,820	1,046	4,672	340	5,012	17,959
Office and other supplies	1,785	3,158	1,317	6,260	1,348	7,608	5,414
Insurance	–	–	–	–	11,690	11,690	10,647
Visiting scientist program support	1,615	–	300	1,915	–	1,915	–
Research subjects	27,349	–	37	27,386	4	27,390	22,980
Publications	13,312	–	4,682	17,994	–	17,994	21,525
Honoraria	2,850	2,551	–	5,401	–	5,401	1,350
Recruitment costs	648	–	2,048	2,696	–	2,696	1,025
Other	11,375	25,602	4,731	41,708	4,258	45,966	44,910
Depreciation	–	–	30,512	30,512	–	30,512	21,463
Total expenses	\$ 5,398,770	579,125	351,788	6,329,683	651,382	6,981,065	7,031,183

See accompanying notes to financial statements.

PORTLAND VA RESEARCH FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
Cash flows from operating activities:		
Cash received from contractors, donors, and others	\$ 7,128,495	6,694,976
Interest income received	226,205	266,265
Cash paid to employees and suppliers	(6,958,380)	(6,938,426)
Net cash provided by operating activities	396,320	22,815
Cash flows from investing activities:		
Purchases of investments	(800,000)	(1,132,000)
Proceeds from sale of investments	750,000	1,000,000
Reinvested investment earnings	(225,650)	(266,090)
Purchases of equipment	(7,448)	(101,610)
Net cash used in investing activities	(283,098)	(499,700)
Net increase (decrease) in cash and cash equivalents	113,222	(476,885)
Cash and cash equivalents at beginning of year	238,274	715,159
Cash and cash equivalents at end of year	\$ 351,496	238,274

See accompanying notes to financial statements.

PORTLAND VA RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 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 31, 2021, 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. 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 – Receivables consist primarily of noninterest-bearing amounts due for grants and contract payments outstanding. The Foundation determines the allowance for uncollectible receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off if reasonable collection efforts prove unsuccessful. Management has determined that all receivables at December 31, 2021 are fully collectible and, therefore, the establishment of an allowance for uncollectible accounts was not deemed necessary.

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 organization 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 organization 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 organization 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.

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 conditions and restrictions are satisfied in the same reporting period.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Promises to give are written off when deemed uncollectible.

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, 2021, 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, 2021, 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 financial instruments consist primarily of cash equivalents and investments. 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 with any given institution in amounts below the maximum FDIC-insured level, and that all investments be backed by the Federal government.

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 April 13, 2022, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2020 – The accompanying financial information as of and for the year ended December 31, 2020 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.

4. Grants and Contracts Receivable

Grants and contracts receivable, expected to be collected within one year, at December 31, 2021 are summarized as follows:

VA Portland Health Care System	\$ 302,244
Agency for Healthcare Research and Quality	209,988
Oregon Health & Science University	200,197
University of Washington	88,995
Oregon Health Authority	83,476
The Henry M. Jackson Foundation	55,326
Portland State University	50,820
Presage Biosciences, Inc.	46,980
Other	283,993
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	\$ 1,322,019
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Conditional Grants Receivable

As of December 31, 2021, the Foundation had been awarded additional grants totaling \$1,584,933, the receipts of which are conditioned upon achieving certain goals and milestones, as well as \$4,321,642 in governmental cost reimbursement grants and sub-awards, the receipt of which is conditioned upon incurring specific allowable costs. These awards have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of December 31, 2021.

Finally, the Foundation has also agreed to the terms of several sponsored cooperative research agreements, the proceeds of which cannot be readily estimated as payments are conditioned upon achieving certain milestones beyond the Foundation's control. The proceeds will be recorded at the time the specified milestones have been achieved.

5. Investments

At December 31, 2021, investments, stated at fair value, consisted of the following:

Certificates of deposit and bankers' acceptance	\$ 2,642,041
GNMA mortgage- backed securities	5,102,696
U.S. Treasury bills and notes	2,421,959
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Total investments at fair value	10,166,696
Cash	515,194
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Total investments	\$ 10,681,890
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Investment return for the year ended December 31, 2021 is summarized as follows:

Interest and dividend income	\$ 226,205
Net change in the fair value of investments	(296,289)
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Total return	\$ (70,084)
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6. Equipment

A summary of capital assets at December 31, 2021 is as follows:

Equipment	\$ 856,806
Less accumulated depreciation	(763,963)
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	\$ 92,843
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7. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

At December 31, 2021, certain net assets without donor-imposed restrictions were designated by the Board, as follows:

Primary investigators' research funds	\$ 4,606,760
Administrative research funds	2,037,194
	\$ 6,643,954

Net Assets with Donor Restrictions

The following summarizes the Foundation's expendable net assets with donor-imposed restrictions as of December 31, 2021:

Prostate cancer	\$ 895,219
Post-Traumatic Stress Disorder (PTSD) treatment	242,221
Audiology	93,459
Infectious diseases	91,663
Multiple sclerosis	82,386
Other	36,939
	\$ 1,441,887

8. Net Assets Released from Restrictions

During the year ended December 31, 2021, 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 \$428,624 have been recorded in the accompanying statement of activities.

9. 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.

10. 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, 2021, 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 \$210,141 for the year ended December 31, 2021.

11. 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 received from:

VA Portland Health Care System	\$ 1,489,509
Oregon Health & Science University	1,218,214
	<hr/>
	\$ 2,707,723

Payments made to:

VA Portland Health Care System	\$ 210,768
Oregon Health & Science University	271,203
	<hr/>
	\$ 481,971

At December 31, 2021, the Foundation reported receivables outstanding from the VA Portland Health Care System and the Oregon Health & Science University totaling \$302,244 and \$200,197, respectively. Payables outstanding to the VA Portland Health Care System totaled \$58,218 at December 31, 2021.

12. Significant Sources of Revenue

Approximately 20% of the Foundation's total revenues for the year ended December 31, 2021 were generated under a contract with the U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality. Another 25% of the Foundation's total revenues were generated under IPA and JPA agreements with the VA Portland Health Care System and Oregon Health & Science University.

13. 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, 2021:

Total financial assets available to fund general operations:

Cash and cash equivalents	\$ 351,496
Accounts receivable	1,322,019
Investments	10,681,890
	<hr/>
	12,355,405

Less financial assets not available within the year ending December 31, 2022:

Investments with maturities in excess of one year	(9,331,353)
	<hr/>
	\$ 3,024,052

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.

14. 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.

15. 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:

- *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, 2021, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 2	Total
Certificates of deposit and bankers' acceptances	\$ —	2,642,041	2,642,041
GNMA mortgage-backed securities	—	5,102,696	5,102,696
U.S. Treasury bills and notes	2,421,959	—	2,421,959
Investments	\$ 2,421,959	7,744,737	10,166,969

16. Reclassification of 2020 Comparative Totals

Certain 2020 amounts presented herein have been reclassified to conform to the 2021 presentation.

17. Coronavirus Pandemic

In March 2020, the World Health Organization characterized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative measures, such as travel and business restrictions and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses. It is anticipated that the effects of these events may continue for some time. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on constituents, employees and vendors, all of which are uncertain and cannot be predicted. However, management is expecting the Foundation to weather the crisis well due to its strong financial position and accumulated reserves.

18. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the decrease 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):

Decrease in net assets	\$ (67,740)
<hr/>	
<i>Adjustments to reconcile the decrease in net assets to net cash provided by operating activities:</i>	
Depreciation	30,512
Net decrease in the fair market value of investments	296,289
<i>Net changes in:</i>	
Grants and contracts receivable	120,286
Prepaid expenses	20,120
Accounts payable	(180,035)
Accrued vacation and payroll expenses	152,088
Refundable advances	24,800
<hr/>	
Total adjustments	464,060
<hr/>	
Net cash provided by operating activities	\$ 396,320
<hr/>	



PORTLAND VA RESEARCH FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity identifying number	Federal Assistance Listing No.	Provided to subrecipients	Total federal expenditures
Research and Development Cluster:				
U.S. Department of Defense:				
<i>Military Medical Research and Development</i>				
Direct program	n/a	12.420	\$ 13,863	267,892
Passed through:				
Oregon Health & Science University	1011056_PVARF	12.420	–	119,634
Oregon Health & Science University	1014888_PVARF	12.420	–	95,457
Total CFDA 12.420			13,863	482,983
<i>Uniformed Services University Medical Research Projects</i>				
Passed through:				
Henry Jackson Foundation	4580	12.750	–	135,729
Total CFDA 12.750			–	135,729
Total U.S. Department of Defense			13,863	618,712
National Science Foundation:				
<i>Social, Behavioral, and Economic Sciences</i>				
Passed through:				
The Regents of the University of California	2020-3793	47.075	–	59,185
Total National Science Foundation			–	59,185
U.S. Department of Health and Human Services:				
<i>Research Related to Deafness and Communication Disorders</i>				
Direct Program	n/a	93.173	–	65,646
Total CFDA 93.173			–	65,646
<i>Trans-NIH Research Support</i>				
Passed through:				
University of Maryland	1DP2LM012890-01	93.310	–	10,907
Total CFDA 93.310			–	10,907
<i>Extramural Research Programs in Neurosciences and Neurological Disorders</i>				
Passed through:				
Oregon Health & Science University	1019522_PVARF	93.853	–	2,354
Total CFDA 93.853			–	2,354
<i>Child Health and Human Development Extramural Research</i>				
Passed through:				
University of Washington	UWSC12934	93.865	–	20,056
Total CFDA 93.865			–	20,056

Continued

PORTLAND VA RESEARCH FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

YEAR ENDED DECEMBER 31, 2021

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity identifying number	Federal Assistance Listing No.	Provided to subrecipients	Total federal expenditures
<i>Allergy and Infectious Diseases Research</i>				
Passed through:				
Oregon Health & Science University	1016553_PVARF	93.855	–	64,526
Oregon Health & Science University	10117583_PVARF	93.855	–	174,762
Oregon Health & Science University	1015301_PVARF	93.855	–	138,045
Portland State University	100132	93.855	–	78,537
Portland State University	100196	93.855	–	64,700
Yale University	1R01AI123321-01A1	93.855	–	20,835
Total CFDA 93.855			–	541,405
<i>Aging Research</i>				
Passed through:				
The Washington University	WU-19-118	93.866	–	40,709
The Washington University	WU-20-168-MOD-1	93.866	–	17,300
Total CFDA 93.866			–	58,009
<i>Agency for Healthcare Research and Quality:</i>				
AHRQ SRC III	n/a	[A]	–	1,397,163
Total cost reimbursement contract issued under FAR			–	1,397,163
Total Research and Development Cluster			13,863	2,773,437
Non-Clustered Program:				
Department of Health and Human Services:				
<i>HIV-Related Training and Technical Assistance</i>				
Passed through:				
University of Washington	UWSC8708	93.145	n/a	131,092
Total CFDA 93.145			–	131,092
Total U.S. Department of Health and Human Services			–	2,226,632
Total expenditures of federal awards			\$ 13,863	2,904,529

[A] 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, 2021

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, 2021. 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.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the Portland VA Research Foundation and agencies and departments of the federal government and all sub-awards to the organization by non-federal organizations pursuant to federal grants, contracts and similar agreements.

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Amy Wilson & Co. LLP". The signature is written in a cursive, flowing style.

April 13, 2022

REPORT 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

Opinion on Each Major Federal Program

We have audited the Portland VA Research Foundation's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Portland VA Research Foundation's major federal programs for the year ended December 31, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

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 for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Ernst & Young **Ernst & Young & CO. LLP**

April 13, 2022

PORTLAND VA RESEARCH FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

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, 2021

There were no findings reported in the prior audit.

PORTLAND VA RESEARCH FOUNDATION

GOVERNING BOARD AND MANAGEMENT

Board of Directors – 2021

Molly Osborne, M.D., Ph.D., *Chair*
VA Portland Health Care System

Cheryl L. Morgan, C.P.A., *Secretary /Treasurer*
Kern & Thompson, LLC

Archie Bouwer, Ph.D.
VA Portland Health Care System

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

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

Mary Heinricher, Ph.D.
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

Kerry N. Rhyne, M.D.
VA Portland Health Care System

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

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

Management

Sean P. McBurney, Ph.D., C.P.A.
Executive Director

PORTLAND VA RESEARCH FOUNDATION

INQUIRIES AND OTHER INFORMATION

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