



*Communication with Those  
Charged with Governance*

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

*September 30, 2021*

## **Communication with Those Charged with Governance**

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

We have audited the financial statements of Northern California Institute for Research and Education, Inc. ("NCIRE") as of and for the year ended September 30, 2021, and have issued our report thereon dated March 1, 2022. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards***

As stated in our engagement letter dated July 22, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We will also report on whether the schedule of expenditures of federal awards, presented as supplementary information, is fairly stated, in all material aspects, in relation to the financial statements, as a whole. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NCIRE's internal control over financial reporting. Accordingly, we considered NCIRE's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether NCIRE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 audits. Also, we examined, on a test basis, evidence about NCIRE's compliance with the types of compliance requirements described in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") applicable to each of its major federal programs for the purpose of expressing an opinion on NCIRE's compliance with those requirements. While our audits provide a reasonable basis for our opinion, they do not provide a legal determination on NCIRE's compliance with those requirements.

We also considered the internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter dated July 22, 2021.

### **Significant Audit Findings and Issues**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NCIRE are described in Note 1 to the financial statements. During 2021, there were no new accounting policies adopted and there were no changes in the application of existing policies during 2021. We noted no transactions entered into by NCIRE during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### ***Significant Accounting Estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Useful lives of property, plant, and equipment
- Functional allocation of expenses
- Collectability of receivables

### ***Financial Statement Disclosures***

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Concentrations of risk disclosed in Note 1
- Related-party transactions disclosed in Note 5
- Paycheck Protection Program loan disclosed in Note 6
- Commitment and contingencies disclosed in Note 7
- Liquidity and availability disclosed in Note 8
- Functional classification of expenses disclosed in Note 9

### ***Significant Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Uncorrected Misstatements***

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements detected as a result of audit procedures whose effects, determined by management, are material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the attached management representation letter dated March 1, 2022.

### ***Management Consultation with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to NCIRE's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Independence***

We are required to disclose to those charged with governance, in writing, all relationships between the auditors and NCIRE that in the auditor's professional judgment, may reasonably be thought to bear on our independence. We know of no such relationships and confirm that, in our professional judgment, we are independent of NCIRE within the meaning of professional standards.

***Other Significant Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as NCIRE's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee, the Board of Directors, and management of NCIRE, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moss Adams LLP*

San Francisco, California  
March 1, 2022



# NCIRE

Northern California Institute for Research and Education

March 1, 2022

Moss Adams LLP  
101 Second Street, Suite 900  
San Francisco, CA 94105

We are providing this letter in connection with your audit of the financial statements of Northern California Institute for Research and Education, Inc. ("NCIRE"), which comprise the statements of financial position, activities and changes in net assets, and cash flows as of September 30, 2021 and 2020, and for the years then ended and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and report on supplementary information that accompanies the audited financial statements. Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$102,500 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter,

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 22, 2021, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We are not aware of any material uncorrected misstatements that would, individually or in the aggregate, affect the financial statements taken as a whole.

## Information Provided

9. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

- b. Minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared;
  - c. Additional information that you have requested from us for the purpose of the audit;
  - d. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 10. All transactions have been properly recorded in the accounting records and are reflected in the financial statements.
- 11. We have retained copies of all information we provided to you during the engagement and have been provided copies of all necessary financial and non-financial schedules, memos, data, and other information related to all services performed by you, such that in our opinion our records are complete, including our records supporting our financial statements and all related accounting policies and positions. Furthermore, you do not act as the sole host of any financial or non-financial information system for us, nor do you provide any electronic security or back-up services for our data or records.
- 12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13. We have disclosed to you all information that we are aware of regarding fraud or suspected fraud that affects the entity and involves—
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others when the fraud could have a material effect on the financial statements.
- 14. We have no knowledge of any allegations of fraud or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
- 15. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- 16. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- 17. We have disclosed to you the identity of all the entity's related parties and all the related party relationships and transactions of which we are aware.
- 18. NCIRE has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 19. There are no—
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Possible illegal acts brought to the attention of management.
  - c. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Accounting Standards Codification ("ASC") 450, *Contingencies*.
  - d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450.
- 20. NCIRE has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.
- 21. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make NCIRE vulnerable to the risk of a near-term severe impact that have not been properly disclosed in the financial statements.

22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
23. NCIRE is a nonprofit corporation exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3) and state income tax under California Revenue and Taxation Code section 23701d. NCIRE qualifies for the charitable contribution deduction under IRC section 170(b)(1A)(iii) and has been classified as an organization that is not a private foundation under section 509(a)(1). As of September 30, 2021, and 2020, NCIRE has no unrecognized tax benefits or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the financial statements. Any activities of which we are aware that would jeopardize NCIRE's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.
24. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of non-compliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
25. NCIRE bills the VA for some personnel costs via the Intergovernmental Personnel Act ("IPA") of 1970. Costs expended include salaries and wages, as well as payroll taxes and other benefit costs. Reimbursements for these costs were \$3,728,468 and \$3,677,046 for the years ended September 30, 2021, and 2020, respectively. These costs were included in research program expenses on the statements of activities and changes in net assets.
26. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. This guidance requires the recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the statement of financial position. The guidance is effective for annual reporting periods beginning after December 15, 2021. This standard is effective for NCIRE for fiscal years beginning October 1, 2022. We are currently evaluating the impact this will have on NCIRE's future financial statements.
27. In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance requires that a not-for-profit present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and clarifies disclosures of contributed nonfinancial assets. The guidance is effective for annual periods beginning after June 15, 2021. This standard is effective for NCIRE for fiscal years beginning October 1, 2021. We are currently evaluating the impact this will have on NCIRE's future financial statements.
28. With respect to federal award programs:
  - a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to the preparation of the schedule of expenditures of federal awards.
  - b. We have prepared the schedule of expenditures of federal awards in accordance with the Uniform Guidance and have identified and disclosed in the schedule of expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.



- c. We acknowledge our responsibility for presenting the Schedule of Expenditures of Federal Awards ("SEFA") in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200.510(b)*, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance.
- e. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on the major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *Title 2 U.S. Code of Federal Regulations Part 200, Appendix XI, Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- j. We are not aware of any interpretation of compliance requirements that may have varying interpretations.
- k. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- m. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- n. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- o. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency.

- p. We have charged costs to federal awards in accordance with applicable cost principles.
  - q. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
29. Accounts receivable are stated at the amount management expects to collect from outstanding balances after reserves for discounts, bad debts, and allowances, taking into account past experience, contracts, history and other clients to meet their obligations. We have deemed our accounts receivable balance of \$9,514,537 and \$7,378,039 as of September 30, 2021, and 2020, respectively, fully collectible without material changes.
30. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
- a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied.
  - b. The completeness and adequacy of the disclosures related to the fair values are in conformity with ASC 820, Fair Value Measurement.
  - c. No events have occurred subsequent to September 30, 2021 that require adjustment to the fair value measurements and disclosures included in the financial statements.
31. We place cash and cash equivalents and investments with major financial institutions, and we consider the risk of loss to be minimal due to the credit worthiness of the financial institutions as it relates to the amounts in excess of federally insured limits.
32. All fixed assets recorded on the books are being depreciated or have been fully depreciated in accordance with the depreciable lives of their class of assets in accordance with NCIRE's policies. The depreciable lives of each class of assets reflect the estimated useful lives of these assets.
33. We have reviewed long-lived assets for impairment in accordance with FASB ASC Topic 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Whenever, events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable, we have appropriately recorded the adjustment. During the years ended September 30, 2021, and 2020, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.
34. We have reviewed the classification of amounts in net assets and believe that all amounts are appropriately classified as net assets without donor restrictions or net assets with donor restrictions in the statement of financial position.
35. Occasionally, NCIRE is involved in lawsuits and claims arising in the ordinary course of its operation. While the ultimate liabilities cannot now be determined due to uncertainties that exist, management believes the ultimate resolution of these lawsuits and claims will not have a material effect on NCIRE's financial position.
36. In May 2020, NCIRE entered into a loan agreement with Bank of America for \$3,274,290. This loan was granted as part of the U.S. Small Business Administration ("SBA") Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), to help small businesses and organizations maintain payroll in light of the COVID-19 pandemic. The loan bears an interest rate at 1% per year and the loan matures in May 2022. This loan is subject to partial or full forgiveness if NCIRE uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the various rules, regulations, and guidance. It is NCIRE's policy to account for this loan in accordance with FASB Accounting Standards Codification 470, Debt, with interest accrued and expenses over the term of the loan or until forgiveness is granted, releasing NCIRE from being the primary obligor. In March 2021, NCIRE paid off \$2,264,964 unused PPP loan to Bank of America after submitting a forgiveness application for \$1,009,326. On June 28, 2021, the SBA granted NCIRE forgiveness of the remaining \$1,009,326 loan outstanding and is recorded as a gain on forgiveness of PPP loan on the statements of activities and changes in net assets. Total interest expense incurred on the PPP loan was \$18,738.
37. We have responded fully and truthfully to all inquiries made to us by you during your audits.

To the best of our knowledge and belief, no events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



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Rebecca Rosales, Chief Executive Officer



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Joanna Zhao, Controller, Secretary & Treasurer

