

Regenstrief Institute, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021

Regenstrief Institute, Inc.

June 30, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Regenstrief Institute, Inc.
Indianapolis, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Regenstrief Institute, Inc. (Institute), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Regenstrief Institute, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Institute 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Institute's ability to continue as a going concern for 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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 GAAS 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 Institute'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 Institute'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2022, on our consideration of the Institute'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 the Institute'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 Institute's internal control over financial reporting and compliance.

FORVIS,LLP

Indianapolis, Indiana
October 10, 2022

Regenstrief Institute, Inc.
Statements of Financial Position
June 30, 2022 and 2021

Assets

	2022	2021
Cash	\$ 4,454,502	\$ 3,589,886
Investments	19,441,537	17,991,454
Grant receivables	5,734,923	5,097,564
Contributions receivable	8,400,000	3,500,000
Prepaid expenses	343,545	229,874
Other receivables	139,583	-
Property and equipment, less accumulated depreciation of \$7,739,126 and \$6,707,868	12,618,523	13,649,781
Total assets	\$ 51,132,613	\$ 44,058,559

Liabilities

Accounts payable	\$ 1,079,200	\$ 608,123
Accrued payroll and withholdings	1,473,478	1,550,297
Paycheck Protection Program (PPP) loan	-	2,000,000
Long-term debt	9,562,975	9,865,010
Total liabilities	12,115,653	14,023,430

Net Assets

Without donor restrictions	22,529,248	22,267,157
With donor restrictions	16,487,712	7,767,972
Total net assets	39,016,960	30,035,129
Total liabilities and net assets	\$ 51,132,613	\$ 44,058,559

Regenstrief Institute, Inc.
Statements of Activities
Years Ended June 30, 2022 and 2021

	Without Donor Restrictions	2022 With Donor Restrictions	Total
Revenues and Other Support			
Contributions from Regenstrief Foundation, Inc.	\$ -	\$ 12,400,000	\$ 12,400,000
Grant and contract revenue	19,613,723	-	19,613,723
Investment loss	(1,554,286)	-	(1,554,286)
Gain on extinguishment of PPP loan	2,000,000	-	2,000,000
Miscellaneous income	175,977	-	175,977
	<u>20,235,414</u>	<u>12,400,000</u>	<u>32,635,414</u>
Net assets released from restriction	3,680,260	(3,680,260)	-
Total revenues and other support	<u>23,915,674</u>	<u>8,719,740</u>	<u>32,635,414</u>
Expenses			
Medical Informatics	6,412,178	-	6,412,178
Center on Aging	4,567,105	-	4,567,105
Health Services Research	2,103,385	-	2,103,385
Data Core	1,964,100	-	1,964,100
Industry Research Office	488,934	-	488,934
Research Services (Tech Services)	5,015,717	-	5,015,717
LOINC & Health Data Standards (LHDS)	3,102,164	-	3,102,164
Total expenses	<u>23,653,583</u>	<u>-</u>	<u>23,653,583</u>
Change in Net Assets	262,091	8,719,740	8,981,831
Net Assets, Beginning of Year	<u>22,267,157</u>	<u>7,767,972</u>	<u>30,035,129</u>
Net Assets, End of Year	<u>\$ 22,529,248</u>	<u>\$ 16,487,712</u>	<u>\$ 39,016,960</u>

	2021		
Without Donor Restrictions	With Donor Restrictions		Total
\$ -	\$ 3,457,727	\$	3,457,727
18,756,854	-		18,756,854
(11,497)	5,577		(5,920)
2,650,845	-		2,650,845
130,658	-		130,658
<u>21,526,860</u>	<u>3,463,304</u>		<u>24,990,164</u>
3,840,282	(3,840,282)		-
<u>25,367,142</u>	<u>(376,978)</u>		<u>24,990,164</u>
6,273,174	-		6,273,174
4,483,109	-		4,483,109
1,695,151	-		1,695,151
1,967,060	-		1,967,060
476,825	-		476,825
4,823,421	-		4,823,421
2,611,738	-		2,611,738
<u>22,330,478</u>	<u>-</u>		<u>22,330,478</u>
3,036,664	(376,978)		2,659,686
<u>19,230,493</u>	<u>8,144,950</u>		<u>27,375,443</u>
<u>\$ 22,267,157</u>	<u>\$ 7,767,972</u>	<u>\$</u>	<u>30,035,129</u>

Regenrief Institute, Inc.

Statements of Functional Expenses

Years Ended June 30, 2022 and 2021

	2022									
	Medical Informatics	Center on Aging	Health Services Research	Data Core	Industry Research Office	Research Services (Tech Services)	LOINC & Health Data Standards (LHDS)	Total	Management and General	Total
Salaries and honorariums	\$ 1,243,130	\$ 1,585,529	\$ 828,036	\$ 748,281	\$ 184,521	\$ 1,392,389	\$ 1,497,981	\$ 7,479,867	\$ 4,000,135	\$ 11,480,002
Fringe benefits	432,380	535,880	276,722	267,083	64,301	489,146	530,039	2,595,551	992,451	3,588,002
Depreciation and amortization	64,454	257,815	128,907	128,907	20,625	141,798	51,563	794,069	237,189	1,031,258
Supplies, books and subscriptions	16,253	52,789	12,261	-	-	-	63	81,366	34,741	116,107
Purchased services	726,485	94,961	41,380	39,906	27,221	1,250,753	105,093	2,285,799	999,944	3,285,743
Travel, recruiting and conferences	92,685	16,174	20,018	5,706	-	2,133	367	137,083	51,727	188,810
Maintenance and repairs	4,275	-	4,143	-	-	-	1,442	9,860	147,110	156,970
Legal and accounting	6,560	-	-	-	-	-	4,259	10,819	113,287	124,106
Telephone	-	119,680	6,266	-	-	-	-	125,946	192,808	318,754
Insurance	-	-	-	-	-	-	-	-	116,425	116,425
Occupancy	-	-	-	-	-	-	-	-	35,861	35,861
Patient incentive	-	133,610	30,320	-	-	-	-	163,930	1,960	165,890
Utilities	5,261	21,044	10,522	10,522	1,683	11,574	4,209	64,815	19,359	84,174
Interest	-	-	-	-	-	-	-	-	348,793	348,793
Faculty service costs	1,492,510	101,239	72,101	-	29,953	86,983	2,835	1,785,621	-	1,785,621
Property management fees	22,090	88,362	44,181	44,181	7,069	48,599	17,672	272,154	81,292	353,446
Miscellaneous	84,830	39,765	21,193	847	-	4,518	17,484	168,637	304,984	473,621
Total expense by function	4,190,913	3,046,848	1,496,050	1,245,433	335,373	3,427,893	2,233,007	15,975,517	7,678,066	23,653,583
Overhead expense allocation	2,221,265	1,520,257	607,335	718,667	153,561	1,587,824	869,157	7,678,066	(7,678,066)	-
Total expense	\$ 6,412,178	\$ 4,567,105	\$ 2,103,385	\$ 1,964,100	\$ 488,934	\$ 5,015,717	\$ 3,102,164	\$ 23,653,583	\$ -	\$ 23,653,583

	2021									
	Medical Informatics	Center on Aging	Health Services Research	Data Core	Industry Research Office	Research Services (Tech Services)	LOINC & Health Data Standards	Total	Management and General	Total
Salaries and honorariums	\$ 1,140,590	\$ 1,711,997	\$ 660,533	\$ 814,292	\$ 196,363	\$ 1,888,295	\$ 1,215,021	\$ 7,627,091	\$ 3,806,143	\$ 11,433,234
Fringe benefits	378,504	563,115	203,884	277,950	59,160	645,221	410,567	2,538,401	1,060,174	3,598,575
Depreciation and amortization	64,305	257,217	128,608	128,608	20,577	141,469	51,443	792,227	236,639	1,028,866
Supplies, books and subscriptions	7,789	35,796	12,860	-	-	-	381	56,826	10,337	67,163
Purchased services	1,382,442	132,116	30,059	57,739	13,205	666,634	87,277	2,369,472	674,680	3,044,152
Travel, recruiting and conferences	12,405	10,855	3,986	-	-	-	189	27,435	7,717	35,152
Maintenance and repairs	105	-	4,391	-	-	-	7,750	12,246	86,374	98,620
Legal and accounting	14,384	-	-	-	-	1,014	4,780	20,178	104,247	124,425
Telephone	3,276	73,808	4,056	-	-	-	-	81,140	194,225	275,365
Insurance	-	-	-	-	-	-	-	-	112,510	112,510
Occupancy	-	-	-	-	-	-	-	-	32,754	32,754
Patient incentive	-	170,340	21,524	-	-	-	-	191,864	1,370	193,234
Utilities	3,869	15,475	7,737	7,737	1,238	8,511	3,095	47,662	14,236	61,898
Interest	-	-	-	-	-	-	-	-	344,270	344,270
Faculty service costs	1,195,468	40,983	9,924	-	42,783	-	18,385	1,307,543	-	1,307,543
Property management fees	14,347	57,388	28,694	28,694	4,591	31,563	11,478	176,755	52,795	229,550
Miscellaneous	46,387	38,830	29,514	1,951	-	4,406	15,152	136,240	206,927	343,167
Total expense by function	4,263,871	3,107,920	1,145,770	1,316,971	337,917	3,387,113	1,825,518	15,385,080	6,945,398	22,330,478
Overhead expense allocation	2,009,303	1,375,189	549,381	650,089	138,908	1,436,308	786,220	6,945,398	(6,945,398)	-
Total expense	\$ 6,273,174	\$ 4,483,109	\$ 1,695,151	\$ 1,967,060	\$ 476,825	\$ 4,823,421	\$ 2,611,738	\$ 22,330,478	\$ -	\$ 22,330,478

Regenstrief Institute, Inc.
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 8,981,831	\$ 2,659,686
Items not requiring (providing) cash		
Depreciation and amortization	1,031,258	1,028,866
Realized and unrealized losses on investments	1,827,762	289,825
Gain on extinguishment of PPP loan	(2,000,000)	(2,650,845)
Changes in		
Grants and other receivables	(776,942)	(2,035,231)
Contributions receivable	(4,900,000)	-
Prepaid expenses	(113,671)	(25,711)
Accounts payable	471,077	14,089
Accrued payroll and withholdings	(76,819)	(124,130)
Net cash provided by (used in) operating activities	4,444,496	(843,451)
Investing Activities		
Purchase of property and equipment	-	(28,709)
Sales and maturities of investments	12,222,530	10,969,770
Purchase of investments	(15,500,375)	(10,553,655)
Net cash provided by (used in) investing activities	(3,277,845)	387,406
Financing Activities		
Principal payments on long-term debt	(302,035)	(306,559)
Proceeds from issuance of PPP loan	-	2,000,000
Net cash provided by (used in) financing activities	(302,035)	1,693,441
Net Increase in Cash	864,616	1,237,396
Cash, Beginning of Year	3,589,886	2,352,490
Cash, End of Year	\$ 4,454,502	\$ 3,589,886
Supplemental Cash Flows Information		
Interest paid	\$ 348,793	\$ 360,016

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Regenstrief Institute, Inc. (Institute) was incorporated as a not-for-profit organization in December 2001, under the laws of the State of Indiana and commenced operations July 1, 2002. The Institute operates as a university support organization for the purpose of conducting and facilitating medical research, and the Institute's revenue is derived primarily from contributions, service contracts and federal and state grants.

The Institute is a recognized informatics and healthcare research organization, whose mission is to improve health through research that enhances the quality and cost-effectiveness of health care, by functioning as a healthcare laboratory and community of scholars.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of bank deposits in federally insured accounts. At June 30, 2022, the Institute's cash accounts exceeded federally insured limits by approximately \$4,100,000.

Investments and Investment Return

Short-term investments consist of money market funds. Investments in all money market funds, equities and debt securities are carried at fair value. Investment return includes interest and realized and unrealized gains and losses on investments carried at fair value, net of direct investment expenses.

Income Taxes

The Institute is exempt from federal income taxes under Section 501(c)(3) and 509(a)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Institute is subject to federal income tax on any unrelated business taxable income. The Institute files federal tax returns in the U.S. federal jurisdiction.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Grants and Other Receivables

Grants and other receivables are stated at the amount of consideration from grantors or contractors, of which the Institute has an unconditional right to receive plus any accrued and unpaid interest. The Institute provides an allowance for doubtful accounts, as necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer or grantor. No allowance for uncollectible accounts was deemed necessary by management at June 30, 2022 or 2021.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Institute provides for depreciation on the straight-line method at rates designed to depreciate the costs of new assets over estimated useful lives as follows:

	<u>Years</u>
Computer equipment	3 - 7
Furnishings and equipment	7 - 20
Building	40
Land lease	40

Long-Lived Asset Impairment

The Institute evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Institute does not have any net assets where the donor stipulates that resources be maintained in perpetuity at June 30, 2022 and 2021.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Contributions

Contributions are provided to the Institute either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Institute overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service. The Institute currently does not hold any donations of property and equipment that are absent of explicit donor stipulations.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Government Grants

Support funded by grants is recognized as the Institute performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional Allocation of Expenses

Expenses are allocated among the various programs or supporting services. Salary and salary-related costs are allocated to the various programs based on actual time spent on programs. Other costs are allocated based upon actual usage by each program, or based on square footage utilized by personnel. The Institute discloses in the statements of functional expense total expense by function as well as an additional allocation of management and general expenses to programmatic totals.

Subsequent Events

Subsequent events have been evaluated through October 10, 2022, which is the date the financial statements were available to be issued.

Note 2: Revenue Recognition

Contract Revenue

Performance obligations are determined based on the nature of services provided by the Institute in accordance with contracts. Revenue for performance obligations satisfied over time is recognized ratably over the contract period based on time elapsed or based on amounts expended and invoiced. The Institute believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Revenue for performance obligations satisfied at a point in time is generally recognized when contractors are invoiced at a single point in time for work performed, or milestones met and the Institute does not believe it is required to provide additional services related to that contract, or contract terms stipulate such a billing structure.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Milestone Method of Revenue Recognition

The Institute has contracts with certain customers for which the milestone method of revenue recognition is applied. Under this method, certain points (milestones) are identified by management for which a substantial phase of the project is completed and a portion of the total revenue under the contract is recognized. Under the Institute's contracts, often times there will be numerous milestones within a specific contract. Management evaluates each milestone regularly to determine when they have been met, at which point revenue is recognized. Management also reviews each milestone to determine if it is considered substantive. Management considers each milestone within the fiscal year 2022 and 2021 contracts to be substantive, which was based on the effort required to achieve the milestone as well as the value or outcome resulting from the Institute's work. Performance milestone payments received in advance are deferred and recorded as revenue during the period of time in which the milestone is achieved. During 2022 and 2021, the Institute recognized approximately \$935 thousand and \$922 thousand, respectively, under this method of revenue recognition from one customer.

Transaction Price and Recognition

The Institute determines the transaction price based on costs incurred or standard charges for goods and services provided as detailed in each contract. The Institute has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payers (for example, customer, governmental programs and others) that have different reimbursement and payment methodologies.

The Institute recorded receivables at June 30, 2022, 2021 and 2020 of \$5,734,923, \$5,097,564 and \$2,812,333, respectively. For the years ended June 30, 2022 and 2021, the Institute recognized revenue of \$10,318,638 and \$11,556,824, respectively, from products and services that transfer to the customer/grantor over time. For the years ended June 30, 2022 and 2021, the Institute recognized revenue of \$8,855,197 and \$6,762,749, respectively, from products and services that transfer to the customer/grantor at a point in time.

Note 3: Contributions Receivable

At June 30, 2022 and 2021, contributions receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 3,500,000	\$ 3,500,000
Due in one to five years	<u>4,900,000</u>	<u>-</u>
	<u>\$ 8,400,000</u>	<u>\$ 3,500,000</u>

At June 30, 2022, the contributions receivable balance consists of \$3.5 million from Regenstrief Foundation, Inc. (Foundation) for the core operating support grant. An additional \$4.9 million is due from the Foundation to assist in extinguishing the Institute's outstanding debt.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Note 4: Investments and Investment Return

The Institute's investments as of June 30 are as follows:

	2022	2021
Money market funds	\$ 1,510,057	\$ 3,753,406
Equities	3,865,723	-
Corporate bonds	2,888,640	5,504,750
U.S. Treasury	4,930,115	3,797,758
U.S. Government agencies	2,338,889	4,033,621
Total investments at fair value	<u>15,533,424</u>	<u>17,089,535</u>
Certificate of deposits	<u>3,908,113</u>	<u>901,919</u>
Total investments	<u><u>\$ 19,441,537</u></u>	<u><u>\$ 17,991,454</u></u>

Total investment return (loss) is comprised of the following:

	2022	2021
Interest and dividend income	\$ 273,476	\$ 283,905
Net realized and unrealized losses on investments	<u>(1,827,762)</u>	<u>(289,825)</u>
	<u><u>\$ (1,554,286)</u></u>	<u><u>\$ (5,920)</u></u>

Note 5: Property and Equipment

Property and equipment at June 30 consists of:

	2022	2021
Land	\$ 520,811	\$ 520,811
Computer equipment	1,047,305	1,047,305
Furnishings and equipment	2,539,225	2,539,225
Building	16,250,308	16,250,308
	<u>20,357,649</u>	<u>20,357,649</u>
Accumulated depreciation and amortization	<u>(7,739,126)</u>	<u>(6,707,868)</u>
	<u><u>\$ 12,618,523</u></u>	<u><u>\$ 13,649,781</u></u>

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Note 6: Long-Term Debt

Bonds Payable

In October 2014, the Indiana Finance Authority issued \$11.5 million of its revenue bonds, and loaned the proceeds to the Institute to pay a portion of the construction related to the Institute's new operating facility. Principal payments commenced December 2015 with a final maturity date of November 1, 2039.

From the date of issuance of the bonds through November 1, 2024, principal and interest are payable monthly, and the bonds bear interest, payable monthly, at a fixed rate of 3.585%. Thereafter, the Institute may either redeem the outstanding bonds or convert the interest rate on the outstanding bonds to a new interest rate mode. The Institute's obligation to repay the loan is secured by a mortgage of the Institute's leasehold interest in certain real estate and is also guaranteed by Regenstrief Foundation, Inc., an affiliated organization.

The future maturities of bonds payable at June 30, 2022 are as follows:

2023	\$ 312,398
2024	323,875
2025	<u>8,926,702</u>
	<u>\$ 9,562,975</u>

Payroll Protection Program (PPP) Loan

In April 2020, the Institute received its first PPP loan as established by the CARES Act in the amount of \$2,650,845. The Institute elected to account for all PPP loans as debt by applying ASC Topic 470, *Debt*. Under this accounting method, the Institute recognizes a gain on extinguishment when legally released as primary obligor for any portion of the PPP loan forgiven. On June 21, 2021, the Institute received notice that its first PPP loan was forgiven in its entirety of \$2,650,845. The Institute recognized a gain from extinguishment of the first PPP loan during fiscal year 2021.

In February of 2021, the Institute received its second PPP loan as established by the CARES Act in the amount of \$2,000,000. Any portion of the loan not forgiven would be due in equal monthly payments of principal and interest, beginning one month after the expiration of the deferral period and continuing on the same day each month thereafter until the maturity in February 2023. The term included a 0.98% fixed interest rate. On December 17, 2021, the Institute received notice that its second PPP loan was forgiven in its entirety of \$2,000,000. The Institute recognized a gain from extinguishment of the second PPP loan during fiscal year 2022.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Note 7: Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2022	2021
Subject to expenditure for specified purpose		
Brain Safety Lab	\$ 4,581	\$ 27,625
LOINC	3,143	76,264
Eskenazi Health Office for Applied Research	327,873	345,589
Implementation Center for Global Health Informatics	150,714	183,622
Innovation Initiative - Part Two	250,773	250,773
Presidential Startup Funds	2,915,533	2,935,983
Capital assets required to be held for specific purpose and period	435,095	448,116
Promises to give, the proceeds from which have been restricted by donors for		
Future periods - core operating funds	3,500,000	3,500,000
Payoff of external debt	8,900,000	-
	\$ 16,487,712	\$ 7,767,972

Note 8: Net Assets Released From Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2022	2021
Subject to expenditure for specified purpose		
Miscellaneous Regenstrief Foundation grants expended	\$ 167,239	369,535
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until received	3,500,000	3,457,727
Assets required to be held for specific purpose	13,021	13,020
	\$ 3,680,260	\$ 3,840,282

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Note 9: Indiana University Land Lease

During fiscal year 2015, the Institute entered into a 40-year land lease with Indiana University (IU) to lease 2.44 acres of land for \$1 so that the Institute could develop the land and build a new facility to house operations of the Institute. In accordance with FASB Accounting Standards Codification 958, *Not-for-Profit Entities*, this long-term contribution was recognized as income with donor restrictions during 2015 when the promise to give was received. The Institute capitalized the estimated fair value of the land in property and equipment and is amortizing the asset over the life of the lease. On an annual basis, the Institute releases net assets with donor restrictions equal to the amortization on the leased property as the land use is restricted for the operation and maintenance of an office and research facility. Approximately \$13,000 was released during fiscal years 2022 and 2021, due to the building being placed in service during December 2015.

Note 10: Employee Benefits

The Institute has a defined-contribution pension plan for eligible employees. In order to receive a matching contribution from the Institute, participants must contribute 3.5% of their salary. The Institute's contribution is based upon either 3.5% or 11.5% of a participant's salary depending on length of service. The Institute's contributions totaled \$670,591 and \$633,571 for the years ended June 30, 2022 and 2021, respectively.

The Institute also sponsors a voluntary supplemental retirement annuity plan under which employees are allowed to contribute a portion of their salary to the plan and defer paying income taxes thereon. The Institute does not contribute to this plan.

Note 11: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

	2022			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 1,510,057	\$ 1,510,057	\$ -	\$ -
Equities	3,865,723	3,865,723	-	-
Corporate bonds	2,888,640	-	2,888,640	-
U.S. Treasury	4,930,115	4,930,115	-	-
U.S. Government agencies	2,338,889	-	2,338,889	-
	<u>\$ 15,533,424</u>	<u>\$ 10,305,895</u>	<u>\$ 5,227,529</u>	<u>\$ -</u>

	2021			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 3,753,406	\$ 3,753,406	\$ -	\$ -
Corporate bonds	5,504,750	-	5,504,750	-
U.S. Treasury	3,797,758	3,797,758	-	-
U.S. Government agencies	4,033,621	-	4,033,621	-
	<u>\$ 17,089,535</u>	<u>\$ 7,551,164</u>	<u>\$ 9,538,371</u>	<u>\$ -</u>

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. The Institute does not have any Level 3 securities.

Note 12: Supporting Organization

As a supporting organization of Indiana University, the Institute is the recipient of several grants that have primarily been passed through Indiana University to the Institute. Grant revenue of approximately \$5,065,000 and \$5,370,000 for the years ended June 30, 2022 and 2021, respectively, was recorded relating to grants from Indiana University. Payments to Indiana University for services provided were approximately \$3,028,000 and \$2,441,000 for the years ended June 30, 2022 and 2021, respectively.

Grants and other receivables from Indiana University were approximately \$145,000 and \$620,000 at June 30, 2022 and 2021, respectively.

Note 13: Concentrations

For the years ended June 30, 2022 and 2021, approximately 47% and 55%, respectively, of the Institute's total revenue represent federal grant monies and federal PPP loan fund forgiveness recognized.

Note 14: Regenstrief Foundation, Inc.

The Institute has a number of members of the Board of Directors that are appointed by Regenstrief Foundation, Inc. (Foundation), which is considered an affiliated organization. There is not considered to be a controlling financial interest by the Institute in the Foundation and the Institute and Foundation are not considered to be financially interrelated as defined by FASB Accounting Standards Codification 958, *Not-for-Profit Entities*. As a result, the operations of the Foundation are not included in the Institute's financial statements.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2022 and 2021

Approximately 38% and 14%, respectively, of the Institute's total revenue for the years ended June 30, 2022 and 2021 is from contributions from the Foundation.

As of June 30, 2022, the Foundation Board of Directors has approved conditional gifts to the Institute that are not recognized within the financial statements. Annual funding in the amount of \$3.5 million for fiscal year 2024 is contingent on the Foundation's Board of Directors or Program Committee reviewing the annual budget of the Institute to determine ongoing contributions to be made.

Note 15: Commitments

The Institute receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Institute are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2022, have been recorded as receivables. Funding available from grant commitments that extend beyond June 30, 2022 was approximately \$11.1 million.

Note 16: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Total financial assets		
Cash	\$ 4,454,502	\$ 3,589,886
Investments	19,441,537	17,991,454
Grants and contributions receivable	<u>9,234,923</u>	<u>8,597,564</u>
	33,130,962	30,178,904
Donor-imposed restrictions		
Purpose restricted funds	<u>7,652,617</u>	<u>3,819,856</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 25,478,345</u>	<u>\$ 26,359,048</u>

A portion of the Institute's net assets with donor restrictions are time restricted only and are to be used for programs which are ongoing, major and central to its annual operations. These funds are available to meet cash needs for general expenditures. For the years ended June 30, 2022 and 2021, restricted contributions receivable of \$3,500,000 were included in financial assets available to meet cash needs for general expenditures within one year.

The Institute manages its liquidity and designated funds following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient designated funds to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the Institute forecasts its future cash flows and monitors its overall liquidity monthly. During the fiscal years ended June 30, 2022 and 2021, the level of liquidity was managed within these expectations.

Supplementary Information

Regenstrief Institute, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Pass-through Entity/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster:				
U.S. Department of Veterans Affairs				
VA Medical Center Projects	64.RD		\$ -	\$ 65,092
Total U.S. Department of Veterans Affairs			-	65,092
U.S. Department of Health and Human Services				
Oncology Logical Observation Identifiers Names and Codes (LOINC)				
Interoperability	93.346		-	533,102
COVID-19: ONC LOINC COVID 19 Code Development				
Accelerating and Expanding LOINC Development to Support Public Health Needs	93.346		-	438,733
			-	971,835
COVID-19: National Library of Medicine: Facilitate creation of LOINC codes and related resources needed to assist in the rapid and through public health response to the COVID19 pandemic				
National Institute of Health: The Big Ten Electronic Health Record Consortium (Big Ten-EHRC)	93.350		-	500,000
CMS: Logical Observation Identifiers Names and Codes (LOINC)	93.397		-	276,439
IVD Device Logical Observation Identifiers Names and Codes (LOINC) Mapping Manual	93.RD		-	302,418
Creation, Maintenance, and Distribution of the Logical Observation Identifiers Names and Codes (LOINC)				
COVID-19: NCATS Data Brokerage COVID19: Provide Honest Data Broker services for the NIH COVID-19 Data Warehouse	93.RD		-	28,125
COVID-19: Linkage Honest Broker Services for the N3C Data Enclave	93.RD		103,777	654,065
COVID-19: Linkage Honest Broker - Patient-Centered Outcomes Research Trust Fund Longitudinal Research Database Linked to CMS Data (N3C-CMS)	93.RD		162,000	1,845,050
Total U.S. Department of Health and Human Services (direct)			41,896	959,715
			307,673	6,572,019
U.S. Department of Health and Human Services Pass-through from Indiana University				
National Institute of Health: HQ Supported Development, Implementation, Use and Evaluation of Interoperable Health Information Systems to Achieve HIV/AIDS and TB Epidemic Control through Improved Health Informatics Policy				
National Institute of Health: Assessing the Oral Health and Dental Treatment Outcomes in Sjogren Syndrome Patients	93.067	NU2GGH002304-01-00	-	18,890
National Institute of Health: Evaluation of Oral Health and Dental Treatment Outcomes of Sjogren's Syndrome Patients	93.121	1R1DE027786-01A1	-	19,522
National Institute of Health: Patient-centered team-based primary care to Treat Opioid Use Disorder, Depression, Other conditions	93.121	1R56DE029195-01	-	31,348
			-	50,870
National Institute of Health: Enhancing Patient Matching in Support of Operational Health Information Exchange	93.242	1UF1MH121949-01	-	376,853
National Institute of Health: Improving healthcare processes and outcomes by directly integrating health information exchange data in the clinical workflow	93.226	R01HS023808-01A1	-	39,491
National Institute of Health: Research on Healthcare Costs, Quality and Outcomes	93.226	R01HS027185-01A1	-	27,875
			-	4,740
			-	72,106
National Institute of Health: Indiana Clinical and Translational Sciences Institute	93.350	SUL1TR002529-03 / Consolidate	-	377,044
National Institute of Health: SPHERE (Survivorship Plan Health Record) Implementation Trial	93.393	1R01CA241143-01A1	-	218,069
National Institute of Health: Acceptance and Commitment Therapy for Fear of Recurrence in Breast Cancer Survivors	93.393	1R01CA255480-01A1	-	199,749
National Institute of Health: Multi-state HER-based Network for Disease Surveillance	93.421	5-NU38OT000286-03	-	57,028
COVID-19: National Institute of Health: Community Health Workers for COVID Response and Resilient Communities				
National Institute of Health: Indiana Core Center for Clinical Research in Musculoskeletal Health	93.495	NU58DP007002	-	16,911
National Institute of Health: APP-ME: Addressing Place & People MicroEnvironments in Weight Loss Disparities	93.496	5P30AR072581-05	-	56,922
National Institute of Health: Mobile Critical Care Recovery Program (m-CCRP) for Acute Respiratory Failure (ARF) Survivors	93.837	R01HL128494	-	3,363
COVID-19: National Institute of Health: The RECOVER Post-Acute Sequelae of SARS-CoV-2 Electronic Health Record Cohort Study	93.838	R01HL131730	-	247,643
			-	13,739
			-	261,382
National Institute of Health: Sarcopenia: Computable Phenotypes and Clinical Outcomes	93.838	OT2HL161847-01	-	10,803
National Institute of Health: Indiana Core Center for Clinical Research in Musculoskeletal Health	93.846	1R01AR077273-01	-	10,336
			-	21,139
National Institute of Health: The Indiana University-Ohio State University Maternal and Pediatric Precision in Therapeutics Data, Model, Knowledge, and Research Coordination Center	93.846	5P30AR072581-04	-	4,461
			-	4,461

Regenstrief Institute, Inc.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Federal Grantor/Pass-through Entity/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
National Institute of Health: Brain Safe: Consumer Intervention to Reduce Exposure to Drugs Linked to Alzheimer's Disease	93.866	R01AG056926	\$ -	\$ 339,447
National Institute of Health: Communication in the Hospital: Impact on Patients with Alzheimer's Disease and Other Causes of Cognitive Impairments and their Surrogate Decision Makers	93.866	K24AG053794	-	100,845
National Institute of Health: Decreasing Alzheimer's Disease and Related Dementias after Delirium-Exercise and Cognitive Training (DDD-ECT)	93.866	R01AG055391	-	269,122
National Institute of Health: Decision Making Among Older Adults: the AUTO study	93.866	1R01AG059613-01A1	-	111,051
National Institute of Health: Intervention to Support Caregiving for Alzheimer's Disease (I-CARE)	93.866	1R21AG062966-01	-	1,397
National Institute of Health: The Coming Home After Rehabilitation and Transition from a Skilled nursing facility with Dementia Study (The CHARTS-D Study)	93.866	1K23AG062797-01A1	-	17,106
National Institute of Health: UPLIFT-AD (Utilizing Palliative Leaders in Facilities to Transform care for Alzheimer's Disease) Intervention	93.866	R01AG066922	-	132,250
National Institute of Health: RememberStuff: a Dyadic-focused Technology to Support Persons with Alzheimer's Disease in the Community	93.866	R41AG066238	-	50,006
National Institute of Health: Mobile Assessment of Behavioral and Psychological Symptoms of Dementia in Adults with Alzheimer's Disease	93.866	5K23AG059914-02	-	(1,327)
National Institute of Health: Advance care planning for persons with ADRD: perspectives of family caregivers and trained nursing home staff	93.866	3R33AG057463-03S1	-	31,236
National Institute of Health: Digital Detection of Dementia Trial (D cubed studies)	93.866	1R01AG069785-01	-	46,854
National Institute of Health: Decisions about Cancer Screening in Alzheimer's Disease	93.866	1R1AG055424-01A1	-	132,957
National Institute of Health: Indiana Palliative Excellence in Alzheimer Care Efforts - RCT	93.866	R01AG057733	-	143,325
National Institute of Health: The Caregiver Outcomes of Alzheimer's Disease Screening (COADS)	93.866	R01AG056325	-	344,597
National Institute of Health: MIND Food and Speed of Processing Training in Older Adults with Low Education, The MINDSpeed Alzheimer's Disease Pilot Trial	93.866	R01AG052439	-	94,150
National Institute of Health: POST Facilitation for Community Dwelling Older Adults with and without Dementia	93.866	R01AG056618-01A1	-	267,914
National Institute of Health: Decreasing Delirium Through Music (DDM) in Critically Ill Older Adults	93.866	5R01AG067631-02	-	236,462
National Institute of Health: A Nursing Home Pragmatic Clinical Trial of APPROACHES (Aligning Patient Preferences: a Role Offering Alzheimer's patient, Caregivers, and Healthcare providers Education and Support)	93.866	R33AG057463	-	90,090
National Institute of Health: CareBand: Wearable Technology for People with Dementia	93.866	R43AG063685	-	8,107
National Institute of Health: Palliative Care for Persons with Late-stage Alzheimer's and Related Dementias and their Caregivers: a Randomized Clinical Trial	93.866	R01AG065394-5119789	-	46,867
			-	2,462,456
National Institute of Health: Enhancing Information Retrieval in Electronic Health Records Through Collaborative Filtering	93.879	1R01LM012605-01A1	-	48,997
National Institute of Health: The Indiana Training Program in Public & Population Health Informatics	93.879	1T15LM012502-01	-	9,271
COVID-19: National Institute of Health: Characterizing COVID-19 Patients through a Community Health Information Exchange and HER databases	93.879	3R01LM012605-03S1	-	15,812
			-	74,080
National Institute of Health: Leveraging Electronic Health Data to Assess the Burden of Diabetes among Young Adults	93.945	U18DP006500-01-00	-	113,831
Health Resources and Services Administration: Geriatrics Workforce Enhancement Program	93.969	U1QHP28719	-	101,478
COVID-19: Health Resources and Services Administration: Geriatrics Workforce Enhancement Program COVID	93.969	T1MHP39054	-	343
			-	101,821
COVID-19: Grannis CDC/WESTAT: Establish a Virtual Network to Investigate the Trajectory of COVID-19 Related Severe Outcomes in an Electronic Cohort of Elderly Persons and Persons with High Risk Conditions	93.RD	8876-RI	-	148,184
National Institute of Health: Estimating Gonorrhea & Chlamydia Treatment Rates in US Private Settings	93.RD	75D30121P12703	-	78,571
National Institute of Health: IGNITE II Clinical Trial	93.RD	5U01HG010245	-	16,560
National Institute of Health: Multi-state HER-based Network for Disease Surveillance	93.RD	5-NU38OT000286-04	-	48,348
			-	291,663

Regenstrief Institute, Inc.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Federal Grantor/Pass-through Entity/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services Pass-through from RTI International				
COVID-19: LOINC codes for selected COVID-19 protocols (PhenX COVID-19 Supplement)	93.172	U41HG007050-05	\$ -	\$ 36,765
U.S. Department of Health and Human Services Pass-through from Vanderbilt University Medical Center				
Improving Clinical Education, Recruitment, and Enrollment at CTSA Hubs (I-CERCH)	93.350	1U24TR001579	-	30,258
U.S. Department of Health and Human Services Pass-through from Care.coach Corporation				
National Institute of Health: Development of Socially-Assistive Robots (SARS) to engage person with Alzheimer's Disease	93.866	5R44AG062014-03	33,905	175,773
U.S. Department of Health and Human Services Pass-through from Purdue University				
National Institute of Health: Reducing Risk of Dementia through De-prescribing (R2D2)	93.866	1R01AG061452-01	-	224,170
U.S. Department of Health and Human Services Pass-through from Johns Hopkins University				
National Institute of Health: Computational LOINC to Support Biomedical Research at Scale	93.879	RO1LM013493-01	-	123,358
U.S. Department of Health and Human Services Pass-through from Ohio State University				
COVID-19: National Institute of Health: COVID-19 disease course analysis using multi-state large-scale HER data	93.879	R21LM013678	-	210
U.S. Department of Health and Human Services Pass-through from Elligo Health Research, Inc.				
Food and Drug Administration (FDA)/Center for Drug Evaluation and Research (CDER) Common Data Model Harmonization (CDMH) Phase 2 Total U.S. Department of Health and Human Services	93.RD	ELLFDA0002	-	12,500
			<u>341,578</u>	<u>11,953,691</u>
U.S. Agency for International Development Pass-through from PATH				
Digital Health Initiative Accelerating the Cycle of Investment to Impact in Global Digital Health Total U.S. Agency for International Development	98.001	AID-OAA-A-16-00084	375,068	1,331,866
			<u>375,068</u>	<u>1,331,866</u>
Total expenditures of federal awards and total research and development cluster			<u>\$ 716,646</u>	<u>\$ 13,350,649</u>

Regenstrief Institute, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Regenstrief Institute, Inc. under programs of the federal government for the year ended June 30, 2022. The accompanying notes are an integral part of this Schedule. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Regenstrief Institute, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Regenstrief Institute, Inc.

Note 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Regenstrief Institute, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: Indirect Cost Rate

Regenstrief Institute, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Report 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*

Independent Auditor's Report

Board of Directors
Regenstrief Institute, Inc.
Indianapolis, Indiana

We have audited, 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, the financial statements of Regenstrief Institute, Inc. (Institute), which comprise the statement of financial position as of June 30, 2022, 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 October 10, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute'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 Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 entity'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 Institute'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 Institute'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 Institute's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Indianapolis, Indiana
October 10, 2022

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Regenstrief Institute, Inc.
Indianapolis, Indiana

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Regenstrief Institute, Inc.'s (Institute) 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 the Institute's major federal program for the year ended June 30, 2022. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Institute 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 Institute'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 Institute's federal program.

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 Institute'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 GAAS, *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 Institute's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Institute'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 Institute'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 Institute'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “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.

FORVIS,LLP

Indianapolis, Indiana
October 10, 2022

Regenstrief Institute, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards program:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No

5. Type of auditor’s report issued on compliance for major federal program:
 Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
Various	Research and Development Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? Yes No

Regenstrief Institute, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Regenstrief Institute, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
No matters are reportable.	

Regenstrief Institute, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
	No matters are reportable.	