

Regenstrief Institute, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020

Regenstrief Institute, Inc.

June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Regenstrief Institute, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Regenstrief Institute, Inc. (Institute), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regenstrief Institute, Inc. as of June 30, 2021 and 2020, 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.

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*, as listed in the table of contents, 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 also have issued our report dated November 9, 2021, 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.

BKD, LLP

Indianapolis, Indiana
November 9, 2021

Regenstrief Institute, Inc.
Statements of Financial Position
June 30, 2021 and 2020

Assets

	2021	2020
Cash	\$ 3,589,886	\$ 2,352,490
Investments	17,991,454	18,697,394
Other receivables	-	250,000
Grant receivables	5,097,564	2,812,333
Contributions receivable	3,500,000	3,500,000
Prepaid expenses	229,874	204,163
Property and equipment, less accumulated depreciation of \$6,707,868 and \$5,679,002	13,649,781	14,649,938
Total assets	<u>\$ 44,058,559</u>	<u>\$ 42,466,318</u>

Liabilities

Accounts payable	\$ 608,123	\$ 594,034
Accrued payroll and withholdings	1,550,297	1,674,427
Paycheck Protection Program (PPP) loan	2,000,000	2,650,845
Long-term debt	9,865,010	10,171,569
Total liabilities	<u>14,023,430</u>	<u>15,090,875</u>

Net Assets

Without donor restrictions	22,267,157	19,230,493
With donor restrictions	7,767,972	8,144,950
Total net assets	<u>30,035,129</u>	<u>27,375,443</u>
Total liabilities and net assets	<u>\$ 44,058,559</u>	<u>\$ 42,466,318</u>

Regenstrief Institute, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020

		2021	
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions from Regenstrief Foundation, Inc.	\$ -	\$ 3,457,727	\$ 3,457,727
Grant and contract revenue	18,756,854	-	18,756,854
Investment return (loss)	(11,497)	5,577	(5,920)
Gain on extinguishment of PPP loan	2,650,845	-	2,650,845
Miscellaneous income	130,658	-	130,658
	<u>21,526,860</u>	<u>3,463,304</u>	<u>24,990,164</u>
Net assets released from restriction	3,840,282	(3,840,282)	-
Total revenues and other support	<u>25,367,142</u>	<u>(376,978)</u>	<u>24,990,164</u>
Expenses			
Medical Informatics	6,273,174	-	6,273,174
Center on Aging	4,483,109	-	4,483,109
Health Services Research	1,695,151	-	1,695,151
Data Core	1,967,060	-	1,967,060
Industry Research Office	476,825	-	476,825
Research Services (Tech Services)	4,823,421	-	4,823,421
LOINC & Health Data Standards (LHDS)	2,611,738	-	2,611,738
Total expenses	<u>22,330,478</u>	<u>-</u>	<u>22,330,478</u>
Change in Net Assets	3,036,664	(376,978)	2,659,686
Net Assets, Beginning of Year	<u>19,230,493</u>	<u>8,144,950</u>	<u>27,375,443</u>
Net Assets, End of Year	<u>\$ 22,267,157</u>	<u>\$ 7,767,972</u>	<u>\$ 30,035,129</u>

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ 3,600,000	\$ 3,600,000
16,883,168	-	16,883,168
532,638	29,246	561,884
-	-	-
170,189	-	170,189
17,585,995	3,629,246	21,215,241
3,769,132	(3,769,132)	-
21,355,127	(139,886)	21,215,241
8,435,088	-	8,435,088
4,682,024	-	4,682,024
1,788,950	-	1,788,950
2,413,452	-	2,413,452
550,453	-	550,453
5,535,907	-	5,535,907
23,405,874	-	23,405,874
(2,050,747)	(139,886)	(2,190,633)
21,281,240	8,284,836	29,566,076
\$ 19,230,493	\$ 8,144,950	\$ 27,375,443

Regenstrief Institute, Inc.

Statements of Functional Expenses

Years Ended June 30, 2021 and 2020

	2021									
	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	\$ 1,140,590	\$ 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

	2020								
	Medical Informatics	Center on Aging	Health Services Research	Data Core	Industry Research Office	Research Services (Tech Services)	Total	Management and General	Total
Salaries and honorariums	\$ 2,056,358	\$ 1,877,709	\$ 699,600	\$ 1,104,224	\$ 211,548	\$ 2,320,891	\$ 8,270,330	\$ 2,895,759	\$ 11,166,089
Fringe benefits	641,175	581,780	215,282	349,551	69,062	751,158	2,608,008	920,446	3,528,454
Depreciation and amortization	63,856	255,422	127,711	127,711	20,434	191,567	786,701	234,988	1,021,689
Supplies, books and subscriptions	10,506	39,623	4,703	22	-	-	54,854	25,899	80,753
Purchased services	1,450,237	74,417	33,249	66,087	8,500	606,464	2,238,954	1,018,094	3,257,048
Travel, recruiting and conferences	285,585	26,587	17,244	2,735	8,461	8,863	349,475	49,245	398,720
Maintenance and repairs	1,744	-	8,985	-	-	-	10,729	140,388	151,117
Legal and accounting	6,205	-	-	-	-	3,532	9,737	118,542	128,279
Telephone	1	47,116	4,683	-	-	-	51,800	190,240	242,040
Insurance	-	-	-	-	-	-	-	110,984	110,984
Occupancy	-	-	-	-	-	-	-	42,733	42,733
Patient incentive	75	133,585	17,835	-	-	-	151,495	115	151,610
Utilities	4,663	18,651	9,325	9,325	1,492	13,988	57,444	17,159	74,603
Interest	-	-	-	-	-	-	-	369,173	369,173
Faculty service costs	1,285,331	34,856	16,508	-	59,472	3,750	1,399,917	117,972	1,517,889
Property management fees	27,177	108,709	54,354	54,354	8,697	81,532	334,823	100,012	434,835
Miscellaneous	163,908	129,275	30,088	21,623	3,419	8,894	357,207	372,651	729,858
Total expense by function	5,996,821	3,327,730	1,239,567	1,735,632	391,085	3,990,639	16,681,474	6,724,400	23,405,874
Overhead expense allocation	2,438,267	1,354,294	549,383	677,820	159,368	1,545,268	6,724,400	(6,724,400)	-
Total expense	\$ 8,435,088	\$ 4,682,024	\$ 1,788,950	\$ 2,413,452	\$ 550,453	\$ 5,535,907	\$ 23,405,874	\$ -	\$ 23,405,874

Regenstrief Institute, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 2,659,686	\$ (2,190,633)
Items not requiring (providing) cash		
Depreciation and amortization	1,028,866	1,021,689
Realized and unrealized losses (gains) on investments	289,825	(277,920)
Gain on extinguishment of PPP loan	(2,650,845)	-
Changes in		
Grants and other receivables	(2,035,231)	1,218,283
Prepaid expenses	(25,711)	29,254
Accounts payable	14,089	(685,547)
Accrued payroll and withholdings	(124,130)	(24,224)
Net cash used in operating activities	<u>(843,451)</u>	<u>(909,098)</u>
Investing Activities		
Sales and maturities of investments	10,969,770	7,687,099
Purchase of investments	<u>(10,553,655)</u>	<u>(7,920,575)</u>
Net cash provided by (used in) investing activities	<u>387,406</u>	<u>(233,476)</u>
Financing Activities		
Principal payments on long-term debt	(306,559)	(303,550)
Proceeds from issuance of PPP loan	<u>2,000,000</u>	<u>2,650,845</u>
Net cash provided by financing activities	<u>1,693,441</u>	<u>2,347,295</u>
Net Increase in Cash	1,237,396	1,204,721
Cash, Beginning of Year	<u>2,352,490</u>	<u>1,147,769</u>
Cash, End of Year	<u><u>\$ 3,589,886</u></u>	<u><u>\$ 2,352,490</u></u>
Supplemental Cash Flows Information		
Interest paid	\$ 360,016	\$ 370,243

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2021 and 2020

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, 2021, the Institute's cash accounts exceeded federally insured limits by approximately \$3,230,000.

Investments and Investment Return

Short-term investments consist of money market funds. Investments in all money market funds 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, 2021 and 2020

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, 2021 or 2020.

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, 2021 and 2020.

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, 2021 and 2020.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2021 and 2020

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. The Institute currently does not have amounts held that relate to unconditional gifts to be collected in future years.

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, 2021 and 2020

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

As a result of the continued spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may affect the financial positions, results of operations and cash flows of the Institute. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through November 9, 2021, 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, 2021 and 2020

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 2021 and 2020 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 2021 and 2020, the Institute recognized approximately \$922 thousand and \$894 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 July 1, 2020 and 2019 of \$2,812,333 and \$4,266,366, respectively. For the years ended June 30, 2021 and 2020, the Institute recognized revenue of \$11,556,824 and \$10,958,219, respectively, from products and services that transfer to the customer/grantor over time. For the years ended June 30, 2021 and 2020, the Institute recognized revenue of \$6,762,749 and \$5,595,170, respectively, from products and services that transfer to the customer/grantor at a point in time.

Note 3: Contributions Receivable

At June 30, 2021 and 2020, contributions receivable consisted of the following:

	2021	2020
Due within one year	\$ 3,500,000	\$ 3,500,000

At June 30, 2021 and 2020, the contributions receivable balance consists of \$3.5 million from Regenstrief Foundation, Inc. (Foundation) for the core operating support grant.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2021 and 2020

Note 4: Investments and Investment Return

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

	2021	2020
Money market funds	\$ 3,753,406	\$ 2,026,294
Corporate bonds	5,504,750	7,697,297
U.S. Treasury	3,797,758	2,788,928
U.S. Government agencies	4,033,621	5,274,571
Total investments at fair value	17,089,535	17,787,090
Certificate of deposits	901,919	910,304
Total investments	\$ 17,991,454	\$ 18,697,394

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

	2021	2020
Interest and dividend income	\$ 283,905	\$ 283,964
Net realized and unrealized gains (losses) on investments	(289,825)	277,920
	\$ (5,920)	\$ 561,884

Note 5: Property and Equipment

Property and equipment at June 30 consists of:

	2021	2020
Land	\$ 520,811	\$ 520,811
Computer equipment	1,047,305	1,018,596
Furnishings and equipment	2,539,225	2,539,225
Building	16,250,308	16,250,308
	20,357,649	20,328,940
Accumulated depreciation and amortization	(6,707,868)	(5,679,002)
	\$ 13,649,781	\$ 14,649,938

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 are as follows:

2022	\$ 301,412
2023	312,398
2024	323,785
2025	8,927,415
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	\$ 9,865,010
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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 the 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. Any portion of the loan not forgiven is 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 April 2022. The term included a 0.98% fixed interest rate. 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 PPP loan during the 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 is 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 includes a 0.98% fixed interest rate. The Institute is utilizing all of the proceeds of the PPP loan to cover eligible expenses incurred and, therefore, expects substantially all of the loan will be forgiven. The Institute did not recognize any revenue as a result of second PPP loan during fiscal year 2021.

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2021 and 2020

Note 7: Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose		
Brain Safety Lab	\$ 27,625	\$ 123,643
LOINC	76,264	274,486
Teaching Electronic Medical Record	-	12,259
Eskenazi Health Office for Applied Research	345,589	346,351
Implementation Center for Global Health Informatics	183,622	185,874
Innovation Initiative - Part Two	250,773	250,773
Presidential Startup Funds	2,935,983	2,934,427
50th Anniversary Funds	-	56,001
Capital assets required to be held for specific purpose and period	448,116	461,136
Promises to give, the proceeds from which have been restricted by donors for		
Future periods - core operating funds	3,500,000	3,500,000
	<u>\$ 7,767,972</u>	<u>\$ 8,144,950</u>

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.

	2021	2020
Subject to expenditure for specified purpose		
Bioinformatics Director	\$ -	\$ 57
Miscellaneous Regenstrief Foundation grants expended	369,535	256,055
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until received	3,457,727	3,500,000
Assets required to be held for specific purpose	13,020	13,020
	<u>\$ 3,840,282</u>	<u>\$ 3,769,132</u>

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2021 and 2020

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 2021 and 2020, 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 \$633,571 and \$609,342 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020:

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>

2020				
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	\$ 2,026,294	\$ 2,026,294	\$ -	\$ -
Corporate bonds	7,697,297	-	7,697,297	-
U.S. Treasury	2,788,928	2,788,928	-	-
U.S. Government agencies	5,274,571	-	5,274,571	-
	<u>\$ 17,787,090</u>	<u>\$ 4,815,222</u>	<u>\$ 12,971,868</u>	<u>\$ -</u>

Regenstrief Institute, Inc.

Notes to Financial Statements June 30, 2021 and 2020

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, 2021.

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 \$5,370,000 and \$4,550,000 for the years ended June 30, 2021 and 2020, respectively, was recorded relating to grants from Indiana University. Payments to Indiana University for services provided were approximately \$2,441,000 and \$2,744,000 for the years ended June 30, 2021 and 2020, respectively.

Grants and other receivables from Indiana University were approximately \$620,000 and \$430,000 at June 30, 2021 and 2020, respectively.

Note 13: Concentrations

For the years ended June 30, 2021 and 2020, approximately 55% and 39%, 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, 2021 and 2020

Approximately 14% and 17%, respectively, of the Institute's total revenue for the years ended June 30, 2021 and 2020 is from contributions from the Foundation.

As of June 30, 2021, 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 through 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, 2021, have been recorded as receivables. Funding available from grant commitments that extend beyond June 30, 2021 was approximately \$9.8 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, 2021 and 2020, comprise the following:

	2021	2020
Total financial assets		
Cash	\$ 3,589,886	\$ 2,352,490
Investments	17,991,454	18,697,394
Grants and contributions receivable	8,597,564	6,312,333
	<u>30,178,904</u>	<u>27,362,217</u>
Donor-imposed restrictions		
Purpose restricted funds	<u>3,819,856</u>	<u>4,183,814</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,359,048</u>	<u>\$ 23,178,403</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, 2021 and 2020, restricted contributions 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, 2021 and 2020, the level of liquidity was managed within these expectations.

Supplementary Information

Regenstrief Institute, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass-through Entity/ Program or Cluster Title	Federal CFDA 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		-	87,134
Total U.S. Department of Veterans Affairs			-	87,134
U.S. Department of Health and Human Services				
Oncology Logical Observation Identifiers Names and Codes (LOINC)				
Interoperability	93.346		-	574,445
COVID-19: ONC LOINC COVID 19 Code Development				
Accelerating and Expanding LOINC Development to Support Public Health Needs	93.346		-	219,973
			-	794,418
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	93.350		-	375,000
National Institute of Health: Computational LOINC to Support Biomedical Research at Scale	93.879		-	8,706
CMS: Logical Observation Identifiers Names and Codes (LOINC)	93.RD		-	239,913
IVD Device Logical Observation Identifiers Names and Codes (LOINC) Mapping Manual	93.RD		-	121,875
Creation, Maintenance, and Distribution of the Logical Observation Identifiers Names and Codes (LOINC)	93.RD		266,784	999,452
Conduct Surveillance Activities for Safety and Effectiveness of Biologics	93.RD		-	50,515
COVID-19: NCATS Data Brokerage COVID19: Provide Honest Data Broker services for the NIH COVID-19 Data Warehouse	93.RD		10,285	1,618,279
Total U.S. Department of Health and Human Services (direct)			277,069	4,208,158
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	93.067	NU2GGH002304-01-00	-	8,280
National Institute of Health: Assessing the Oral Health and Dental Treatment Outcomes in Sjorens Syndrome Patients	93.121	1R1DE027786-01A1	-	20,756
National Institute of Health: Evaluation of Oral Health and Dental Treatment Outcomes of Sjogren's Syndrome Patients	93.121	1R56DE029195-01	-	21,041
			-	41,797
National Institute of Health Implementing genomic medicine through pragmatic trials in diverse and underserved populations across Indiana	93.172	5U01HG010245-03	-	9,122
			-	9,122
National Institute of Health: Patient-centered team-based primary care to Treat Opioid Use Disorder, Depression, Other conditions	93.242	1UF1MH121949-01	-	264,964
National Institute of Health: Enhancing Patient Matching in Support of Operational Health Information Exchange	93.226	R01HS023808-01A1	-	56,079
National Institute of Health: Improving healthcare processes and outcomes by directly integrating health information exchange data in the clinical workflow	93.226	R01HS027185-01A1	-	19,221
			-	75,300
COVID-19: National Institute of Health: Outcomes of Patients with COVID-19 and Alcohol Use Disorder	93.273	RFA-AA-21-002	-	600
Centers for Disease Control and Prevention: Enhancing Cancer				
National Institute of Health: Indiana Clinical and Translational Sciences Institute	93.350	5UL1TR002529-03 / Consolidate	-	679,128
National Institute of Health: University of Pittsburgh Clinical and Translational Science Institute	93.350	AWD00000243/UL1TR001857	-	30,840
National Institute of Health: A National Center for Digital Health Informatics Innovation	93.350	5U24TR002306-04	-	106,946
			-	816,914
National Institute of Health: SPHERE (Survivorship Plan Health Record) Implementation Trial	93.393	1R01CA241143-01A1		11,112
National Institute of Health: The Big Ten Electronic Health Record Consortium (Big Ten-EHRC)	93.397	3P30CA082709-21S1	-	10,189
National Institute of Health: NACDD - Multi-state HER-based Network for Disease Surveillance (MENDS)	93.421	5-NU38OT000286-03	-	72,145
Avoidable Hospitalizations among Nursing Facility Residents	93.621	1E1CMS331082	-	258,544
National Institute of Health: APP-ME: Addressing Place & People MicroEnvironments in Weight Loss Disparities	93.837	R01HL128494	-	96,736
National Institute of Health: Mobile Critical Care Recovery Program (m-CCRP) for Acute Respiratory Failure (ARF) Survivors	93.838	R01HL131730	-	285,174
National Institute of Health: Indiana Core Center for Clinical Research in Musculoskeletal Health	93.846	5P30AR072581-03	-	4,626
National Institute of Health: Sarcopenia: Computable Phenotypes and Clinical Outcomes	93.846	1R01AR077273-01	-	5,458
National Institute of Health: Indiana Core Center for Clinical Research in Musculoskeletal Health	93.846	5P30AR072581-04	-	72,317
			-	82,401

Regenstrief Institute, Inc.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/Pass-through Entity/ Program or Cluster Title	Federal CFDA 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	\$ - \$	345,916
National Institute of Health: CAMCI: Advancing the Use of Computerized Screening in Healthcare	93.866	2SB1AG037357-04A1	-	83,239
National Institute of Health: Communication in the Hospital: Impact on the Patient and Surrogate	93.866	K24AG053794	-	82,359
National Institute of Health: Decreasing Alzheimer's Disease and Related Dementias after Delirium-Exercise and Cognitive Training (DDD-ECT)	93.866	R01AG055391	-	246,803
National Institute of Health: Decision Making Among Older Adults: the AUTO study	93.866	1R01AG059613-01A1	-	95,955
National Institute of Health: Intervention to Support Caregiving for Alzheimer's Disease (I-CARE)	93.866	1R21AG062966-01	-	56,196
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	-	18,222
National Institute of Health: UPLIFT-AD (Utilizing Palliative Leaders in Facilities to Transform care for Alzheimer's Disease) Intervention	93.866	R01AG066922	-	104,347
National Institute of Health: RememberStuff: a Dyadic-focused Technology to Support Persons with Alzheimer's Disease in the Community	93.866	R41AG066238	-	23,248
National Institute of Health: Mobile Assessment of Behavioral and Psychological Symptoms of Dementia in Adults with Alzheimer's Disease	93.866	5K23AG059914-02	-	6,895
National Institute of Health: Advance care planning for persons with ADRD: perspectives of family caregivers and trained nursing home staff	93.866	3R33AG057463-03S1	-	12,363
National Institute of Health: Digital Detection of Dementia Trial (D cubed studies)	93.866	1R01AG069785-01	-	2,610
National Institute of Health: Decisions about Cancer Screening in Alzheimer's Disease	93.866	1R1AG055424-01A1	-	213,962
National Institute of Health: Indiana Palliative Excellence in Alzheimer Care Efforts - RCT	93.866	R01AG057733	-	229,915
National Institute of Health: The Caregiver Outcomes of Alzheimer's Disease Screening (COADS)	93.866	R01AG056325	-	456,214
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	-	62,567
National Institute of Health: Program of Intensive Support in Emergency Departments for Care Partners of Cognitively Impaired Patients	93.866	R01AG054574	-	63,347
National Institute of Health: A Gait and Path Tortuosity System for Monitoring Cognitive Decline from Daily Functions in Individuals with Alzheimer's Disease and/or Alzheimer's Disease Related Dementias (AD/ADRD)	93.866	R43AG063679	-	3,802
National Institute of Health: Ethics of Medication Deprescribing in Dementia Care	93.866	3R01AG057733-02S1	-	444
National Institute of Health: POST Facilitation for Community Dwelling Older Adults with and without Dementia	93.866	R01AG056618-01A1	-	201,042
National Institute of Health: Decreasing Delirium Through Music (DDM) in Critically Ill Older Adults	93.866	5R01AG067631-02	-	180,142
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	-	93,169
National Institute of Health: CareBand: Wearable Technology for People with Dementia	93.866	R43AG063685	-	11,659
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	PA-20-193	-	15,020
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	-	8,872
National Institute of Health: Enhancing Information Retrieval in Electronic Health Records Through Collaborative Filtering	93.879	1R01LM012605-01A1	-	56,770
National Institute of Health: The Indiana Training Program in Public & Population Health Informatics	93.879	1T15LM012502-01	-	16,001
COVID-19: National Institute of Health: Characterizing COVID-19 Patients through a Community Health Information Exchange and HER databases	93.879	3R01LM012605-03S1	-	7,824
National Institute of Health: Leveraging Electronic Health Data to Assess the Burden of Diabetes among Young Adults	93.945	U18DP006500-01-00	-	80,595
Health Resources and Services Administration: Geriatrics Workforce Enhancement Program	93.969	U1QHP28719	-	20,272
COVID-19: Health Resources and Services Administration: Geriatrics Workforce Enhancement Program COVID	93.969	T1MHP39054	-	40,476
National Institute of Health: Ignite Clinical Trial: ADOPT	93.RD	PA-18-591	-	13,946
COVID-19: National Nursing Home COVID-19 Action Network (NNHCAN) ECHO	93.RD	3RJK7	-	54,422
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	-	9,123
			-	20,976
			-	34,979
			-	65,078

Regenstrief Institute, Inc.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/Pass-through Entity/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services Pass-through from Cardno Emerging Markets USA Public-Private Partnerships in PEPFAR Countries under the President's Emergency Plan for AIDS Relief	93.067	U2GGH001531	\$ 51,381	\$ 903,605
U.S. Department of Health and Human Services Pass-through from RTI International Big Data to Knowledge (BD2K) Community-Based Data and Metadata Standards Efforts (R24)	93.113	1R24ES028479-01	-	4,673
COVID-19: LOINC codes for selected COVID-19 protocols (PhenX COVID-19 Supplement)	93.172	U41HG007050-05	-	25,651
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	-	39,537
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	-	222,304
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	93.RD	ELLFDA0002	-	17,500
U.S. Department of Health and Human Services Pass-through from Care.coach Corporation Development of Socially-Assistive Robots (SARS) to Engage Persons with Alzheimer's Disease	93.866	4R44AG062014-02	3,511	77,336
Total U.S. Department of Health and Human Services			331,961	10,370,717
U.S. Agency for International Development Pass-through from PATH Digital Health Initiative Accelerating the Cycle of Investment to Impact in Global Digital Health	98.001	AID-OAA-A-16-00084	1,953	625,879
Total U.S. Agency for International Development			1,953	625,879
Total expenditures of federal awards and total research and development cluster			\$ 333,914	\$ 11,083,730

Regenstrief Institute, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

Notes to Schedule

1. 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, 2021. 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.
2. 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.

**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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2021.

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 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 may exist that have not been identified.

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 entity'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.

BKD, LLP

Indianapolis, Indiana
November 9, 2021

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

We have audited Regenstrief Institute, Inc.'s (Institute) compliance with the types of compliance requirements described 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, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Institute's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on the Major Federal Program

In our opinion, Regenstrief Institute, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

BKD, LLP

Indianapolis, Indiana
November 9, 2021

Regenstrief Institute, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:
Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

Regenstrief Institute, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

7. The Institute's major program was:

Cluster/Program	CFDA Numbers
Research and Development Cluster	Many

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

9. The Institute qualified as a low-risk auditee?

☒ Yes ☐ No

Regenstrief Institute, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Regenstrief Institute, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Regenstrief Institute, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Summary of Finding	Status
No matters are reportable.		