



**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
DECEMBER 31, 2021 AND 2020**

BOSTON VA RESEARCH INSTITUTE, INC.

Contents
December 31, 2021 and 2020

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**Unmodified Opinion on Financial Statements Accompanied by
Other Information – Not-For-Profit Entity**

Independent Auditor's Report

To the Board of Directors of
Boston VA Research Institute, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boston VA Research Institute, Inc. (a Massachusetts corporation, not for profit) (BVARI) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston VA Research Institute, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 (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 BVARI 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.

Prior Year Financial Statements

The financial statements of BVARI as of December 31, 2020, were audited by other auditors whose report dated May 6, 2021, expressed an unmodified opinion on those statements.

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 BVARI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 BVARI'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 BVARI'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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Revenue shown on page 16, are presented for the purpose of supplementary analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2021, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Revenue and the Schedule of Expenditures of Federal Awards are 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 May 4, 2022, on our consideration of BVARI'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 BVARI 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 BVARI's internal control over financial reporting and compliance.

AAFCPA, Inc.

Boston, Massachusetts
May 4, 2022

BOSTON VA RESEARCH INSTITUTE, INC.Statements of Financial Position
December 31, 2021 and 2020

Assets	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 11,545,132	\$ 23,525,323
Short-term investments	15,876,619	-
Accounts receivable	3,115,991	3,662,164
Prepaid expenses and other current assets	90,657	71,729
Total current assets	30,628,399	27,259,216
Property and Equipment, net	53,113	72,725
Total assets	<u>\$ 30,681,512</u>	<u>\$ 27,331,941</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,956,607	\$ 2,676,648
Payroll related liabilities	299,808	334,057
Current portion of restitution due to the VA Boston Healthcare System	223,804	228,217
Paycheck Protection Program loan	-	1,086,512
Advances	25,047,146	19,753,794
Total current liabilities	27,527,365	24,079,228
Restitution Due to the VA Boston Healthcare System, net of current portion	500,250	721,256
Total liabilities	<u>28,027,615</u>	<u>24,800,484</u>
Net Assets:		
Without donor restrictions:		
Programmatically designated for on-going research activities	314,759	396,295
Funds designated for on-going educational activities	906,391	825,863
Residual and fund balances designated for research and educational activities	1,444,132	1,318,931
Board designated - early-stage investigator	59,716	46,614
Administrative (deficit)	(89,101)	(74,246)
	<u>2,635,897</u>	<u>2,513,457</u>
With donor restrictions	18,000	18,000
Total net assets	<u>2,653,897</u>	<u>2,531,457</u>
Total liabilities and net assets	<u>\$ 30,681,512</u>	<u>\$ 27,331,941</u>

The accompanying notes are an integral part of these statements.

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BOSTON VA RESEARCH INSTITUTE, INC.

 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Program revenue	\$ 10,169,497	\$ -	\$ 10,169,497	\$ 11,209,951	\$ -	\$ 11,209,951
Support services	764,476	-	764,476	822,223	-	822,223
Education revenue	135,292	-	135,292	102,388	-	102,388
Interest income	6,232	-	6,232	58,400	-	58,400
Total operating revenue and support	11,075,497	-	11,075,497	12,192,962	-	12,192,962
Operating Expenses:						
Program expenses - research	8,872,962	-	8,872,962	9,968,252	-	9,968,252
Program expenses - education	37,808	-	37,808	7,917	1,000	8,917
General and administrative	2,021,494	-	2,021,494	2,089,307	-	2,089,307
Total operating expenses	10,932,264	-	10,932,264	12,065,476	1,000	12,066,476
Changes in net assets from operations	143,233	-	143,233	127,486	(1,000)	126,486
Non-Operating Revenue and Expense:						
Investment return, net	(20,793)	-	(20,793)	-	-	-
Transfer to VA	-	-	-	(284,150)	-	(284,150)
Changes in net assets	122,440	-	122,440	(156,664)	(1,000)	(157,664)
Net Assets:						
Beginning of year	2,513,457	18,000	2,531,457	2,670,121	19,000	2,689,121
End of year	\$ 2,635,897	\$ 18,000	\$ 2,653,897	\$ 2,513,457	\$ 18,000	\$ 2,531,457

The accompanying notes are an integral part of these statements.

BOSTON VA RESEARCH INSTITUTE, INC.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 122,440	\$ (157,664)
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	18,509	17,117
Unrealized loss on short-term investments	20,793	-
Changes in operating assets and liabilities:		
Accounts receivable	546,173	284,687
Prepaid expenses and other current assets	(18,928)	329
Accounts payable and accrued expenses	(720,041)	215,083
Payroll related liabilities	(34,249)	(138,996)
Advances	5,293,352	1,468,647
Restitution due to VA Boston Healthcare System	(225,419)	(250,034)
	<u>5,002,630</u>	<u>1,439,169</u>
Net cash and cash equivalents provided by operating activities		
	<u>5,002,630</u>	<u>1,439,169</u>
Cash Flows from Investing Activities:		
Capital expenditures	-	(29,671)
Proceeds from sales of property and equipment	1,103	-
Purchases of investments	(15,897,412)	-
	<u>(15,896,309)</u>	<u>(29,671)</u>
Net cash and cash equivalents used in investing activities		
	<u>(15,896,309)</u>	<u>(29,671)</u>
Cash Flows from Financing Activities:		
Proceeds (payments) from the issuance of the Paycheck Protection Program loan	(1,086,512)	1,086,512
	<u>(1,086,512)</u>	<u>1,086,512</u>
Net Change in Cash and Cash Equivalents	(11,980,191)	2,496,010
Cash and Cash Equivalents:		
Beginning of year	<u>23,525,323</u>	<u>21,029,313</u>
End of year	<u>\$ 11,545,132</u>	<u>\$ 23,525,323</u>

BOSTON VA RESEARCH INSTITUTE, INC.

Statements of Functional Expenses
For the Years Ended December 31, 2021 and 2020

	2021				2020			
	Program Expenses		General and Administrative	Total	Program Expenses		General and Administrative	Total
	Research	Education			Research	Education		
Payroll and Related:								
Salaries and wages	\$ 2,640,830	\$ -	\$ 957,849	\$ 3,598,679	\$ 3,026,706	\$ 1,411	\$ 998,281	\$ 4,026,398
Other employee benefits	542,209	-	305,760	847,969	641,869	-	285,886	927,755
Payroll taxes	257,518	-	88,447	345,965	292,342	-	87,770	380,112
Retirement contributions	128,899	-	75,888	204,787	163,250	-	96,921	260,171
Total payroll and related	3,569,456	-	1,427,944	4,997,400	4,124,167	1,411	1,468,858	5,594,436
Other:								
Subawards	2,822,136	-	-	2,822,136	3,334,678	-	-	3,334,678
Payments to affiliate	1,277,146	20,791	-	1,297,937	896,690	-	-	896,690
Professional fees - other	770,568	-	100,775	871,343	1,018,343	-	121,023	1,139,366
Personnel agreement reimbursements	319,027	-	56,241	375,268	459,939	-	121,831	581,770
Information technology	7,347	-	171,616	178,963	32,400	319	108,052	140,771
Lab supplies	53,903	-	1,102	55,005	58,326	-	6,482	64,808
Professional fees - accounting and auditing	-	-	49,500	49,500	-	-	46,580	46,580
Office	34,599	700	13,957	49,256	26,455	2,500	27,451	56,406
Conferences and training	11,750	16,317	267	28,334	1,043	3,687	1,720	6,450
Insurance	-	-	24,895	24,895	-	-	26,341	26,341
Depreciation	-	-	18,509	18,509	-	-	17,117	17,117
Interest	-	-	14,864	14,864	-	-	-	-
Professional fees - legal	-	-	8,664	8,664	-	-	11,846	11,846
Travel	1,072	-	5,724	6,796	12,025	1,000	4,570	17,595
Subject reimbursements	5,958	-	-	5,958	4,186	-	-	4,186
Donated services - rent	-	-	127,436	127,436	-	-	127,436	127,436
Total other	5,303,506	37,808	593,550	5,934,864	5,844,085	7,506	620,449	6,472,040
Total expenses	\$ 8,872,962	\$ 37,808	\$ 2,021,494	\$ 10,932,264	\$ 9,968,252	\$ 8,917	\$ 2,089,307	\$ 12,066,476

BOSTON VA RESEARCH INSTITUTE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

1. OPERATIONS AND NONPROFIT STATUS

Boston VA Research Institute, Inc. (BVARI) was established and incorporated as a non-profit organization under the laws of the Commonwealth of Massachusetts in May 1990. BVARI derives its origins in legislation authorizing non-profit research corporations at all Veterans Affairs (VA) Medical Centers. Public law 100-322 dated May 20, 1988, amended 38 USC, Chapter 73 authorizing the establishment of non-profit corporations at each VA Medical Center, the purpose of which is to provide a funding mechanism for monies received from other than VA appropriations for conducting research and educational projects approved by the Medical Center.

The purpose of BVARI is to advance the mission of the U.S. Department of Veterans Affairs through the support of research and educational related activities at the VA Boston Healthcare System (VABHS). Collaborative research and educational projects may be established with universities, for-profit companies, hospitals, charitable foundations, professional societies, the Public Health Service or other governmental agencies, and other non-profit agencies.

BVARI is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). BVARI is also exempt from state income taxes. Donors may deduct contributions made to BVARI within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

BVARI prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Fair Value Measurement

BVARI follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that BVARI would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

BVARI uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of BVARI. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

BOSTON VA RESEARCH INSTITUTE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

For purposes of the statements of cash flows, BVARI considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents are considered Level 1 in the fair value hierarchy.

Short-Term Investments

Investments consist of BVARI's holding of various marketable securities, including U.S. Treasury notes, held for the purpose of financial returns. Investments are recorded in the financial statements at fair value. If an investment is directly held by BVARI and an active market with quoted prices exists, the market price of an identical security is used to report fair value.

Interest and dividends are recorded when earned or declared. Unrealized gains and losses are recognized based on market value changes during the period. Realized gains and losses on investment transactions are recorded as earned.

Accounts Receivables and Allowance for Doubtful Accounts

Accounts receivables are presented net of an allowance for doubtful accounts. As of December 31, 2021 and 2020, the allowance for doubtful accounts had a balance of \$857. The adequacy of allowance for doubtful accounts is based on past experience and management's analysis of specific accounts and their estimate of accounts that may become uncollectible. Accounts receivable are written-off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received.

As of December 31, 2021 and 2020, accounts receivable related to Cooperative Research and Development Agreements (CRADA) are \$423,687 and \$204,975, respectively.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the time of donation. Costs of furniture and equipment in excess of \$5,000 and the expected useful lives greater than one year are capitalized, while expenditures for maintenance are expensed as incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of three to five years for furniture and equipment.

BOSTON VA RESEARCH INSTITUTE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets Without Donor Restrictions are those net resources that bear no external restrictions and are generally available for use by BVARI. BVARI has grouped its net assets without donor restrictions into the following categories:

Administrative (deficit) represents funds available to carry on the operations of BVARI.

Board designated – Early Stage Investigator represents a fund created by the Board to help cover minor shortfalls between BVARI's federally negotiated indirect rate and sponsor restricted indirect rates on grants. Each qualified request requires Board approval prior to proposal submission.

Other funds designated for research and educational activities represent the remaining component of net assets without donor restrictions with intentions other than operations.

Net Assets With Donor Restrictions represent amounts received or committed by donors with time or purpose restrictions that have not yet been met. Net assets with donor restrictions as of December 31, 2021 and 2020, are restricted to be used on one BVARI project.

Revenue Recognition

Grants and Contributions

Program, support and education revenue are grants and contributions from government agencies, foundations, universities, and corporations that are recorded as revenue and net assets without donor restrictions upon receipt or when unconditionally committed by the donor. Donor restricted grants and contributions that are donations with time or purpose restrictions are recognized as revenues and net assets with donor restrictions when received or when unconditionally committed by the donor. Grants and contributions with donor restrictions are transferred to revenue and net assets without donor restrictions as services are performed and costs are incurred, or pro-rata over the period covered by the grant or contributions as time restrictions lapse. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, BVARI must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets, or a right of release of a promise, to transfer assets exists (see Note 12). Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

A portion of BVARI's revenue is derived from Federal and private awards, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when BVARI has incurred expenditures in compliance with specific award provisions. Amounts received prior to incurring qualifying expenditures are reported as advances in the accompanying statements of financial position (see Note 7).

BOSTON VA RESEARCH INSTITUTE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contracts with Customers

Included in program revenue, amounts recognized under CRADA are considered reciprocal transactions in accordance with ASC Topic 606 as a result of the fact that BVARI does not retain all rights to the intellectual property and research generated from its project activities. BVARI recognized CRADA revenue over time in which the related service is provided and costs are incurred over the contract period. Amount received prior to the services provided is recorded as advance (see Note 7). CRADA revenue is \$836,227 and \$1,000,544 for the years ended December 31, 2021 and 2020, respectively.

Donated Goods and Services

FASB ASC 958-605 requires the fair value of donated materials and facilities to be recognized in the financial statements. BVARI is provided with office space and the use of necessary office equipment as part of their association with the VA Medical Center. BVARI has recorded the estimated value of the office space provided in the amount of \$127,436 for the years ended December 31, 2021 and 2020, which is included in support services in the accompanying statements of activities and changes in net assets and as donated services – rent in the accompanying statements of functional expenses. No amounts have been recorded in the financial statements for the value of office equipment provided as there is no measurable benefit specifically accruing to BVARI.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are certain employee benefits, which are based on the employee's portion of the benefit cost distribution.

Advertising Costs

Advertising costs as expensed as incurred. There were no advertising expenses incurred for the years ended December 31, 2021 and 2020.

Subawards

BVARI issues subawards to subrecipients as a pass-through entity from awarded grant funds and recognizes subaward expenses upon reimbursement for expenses incurred by the subrecipient in accordance with the subaward agreement. A Subrecipient Commitment Form is required for subrecipients that are not Participating Organizations in the FDP Expanded Clearinghouse.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue consists of investment return, as well as non-operating transfers to the VA.

BOSTON VA RESEARCH INSTITUTE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

BVARI accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. BVARI has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2021 and 2020. BVARI's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through May 4, 2022, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. SHORT-TERM INVESTMENTS

BVARI, as a Nonprofit Research and Education Corporation (NPC), is legally restricted as to the management of funds. BVARI may use idle funds to purchase instruments backed by the full faith and credit of the United States Government such as U.S. Treasury bills and notes and fully insured bank certificates of deposit.

Short-term Investments are presented in the accompanying financial statements at fair value. The following table presents the fair value measurements of BVARI's investments by level within the valuation framework as of December 31, 2021:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$ 11,988,692	\$ -	\$ -	\$ 11,988,692
Certificates of deposit	<u>3,887,927</u>	<u>-</u>	<u>-</u>	<u>3,887,927</u>
Total investments	<u>\$ 15,876,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,876,619</u>

BOSTON VA RESEARCH INSTITUTE, INC.Notes to Financial Statements
December 31, 2021 and 2020**4. LIQUIDITY AND AVAILABILITY**

Financial assets available for expenditure within one year consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 11,545,132	\$ 23,525,323
Short-term investments	15,876,619	-
Accounts receivable, net	<u>3,115,991</u>	<u>3,662,164</u>
Total financial assets available within one year	30,537,742	27,187,487
Less:		
Amounts not available to be used within one year:		
Grant advances	(25,047,146)	(19,753,794)
Financial assets held with restrictions:		
Purpose restricted net assets	(18,000)	(18,000)
Less - amounts designated for:		
Programmatically designated for on-going research activities	(314,759)	(396,295)
Funds designated for on-going educational activities	(906,391)	(825,863)
Residual and fund balances designated for research and educational activities	(1,444,132)	(1,318,931)
Board designated – early-stage investigator	<u>(59,716)</u>	<u>(46,614)</u>
Amount available for expenditures within one year	<u>\$ 2,747,598</u>	<u>\$ 4,827,990</u>

The above table reflects donor-restricted and designated funds as unavailable because it is BVARI's intention to maintain those resources for the long-term support of BVARI's research and educational activities.

As part of BVARI's liquidity management plan, BVARI invests cash in excess of daily requirements in short-term investments.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 99,943	\$ 102,882
Less - accumulated depreciation	<u>46,830</u>	<u>30,157</u>
Net property and equipment	<u>\$ 53,113</u>	<u>\$ 72,725</u>

6. RESTITUTION DUE TO VA BOSTON VA HEALTHCARE SYSTEM

BVARI was established in 1990 to conduct, promote and support the medical research and education activities of the VA Boston Healthcare System (VABHS), and to advance the wellbeing of veterans and the general public through these endeavors. As such, BVARI engages in collaborative arrangements with the VA and other governmental agencies, universities, for-profit companies, hospitals, charitable foundations, professional societies, and other non-profit entities.

BOSTON VA RESEARCH INSTITUTE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

6. RESTITUTION DUE TO VA BOSTON VA HEALTHCARE SYSTEM (Continued)

In order to further these activities, BVARI has for many years entered into agreements with VABHS whereby BVARI assigns some of its employees to work at VABHS. These arrangements, common throughout the Federal government, are authorized by the Intergovernmental Personnel Act (IPA), 5 U.S.C. Sections 3371 through 3375. The increasing administrative costs of employing individuals assigned to VABHS and managing the IPA agreements became of concern to BVARI a number of years ago. BVARI therefore sought reimbursement for some of those costs through the establishment of an IPA Rate. Pursuant to the IPA Agreements with VABHS, the VA agreed to reimburse BVARI for the employees' salary and benefits, and beginning in 2014, to also pay an "IPA Rate" of 3.9% to 4.4% (varying by year) of the compensation as reimbursement for administrative costs BVARI incurred in connection with employing these individuals, and administering the IPA Agreements.

Pursuant to Federal Regulation, 2 CFR Part 200, BVARI's cognizant agency for indirect costs negotiates and signs agreements with BVARI for all indirect cost rates. The cognizant agency for indirect costs is the Federal agency responsible for reviewing, negotiating, and approving indirect cost proposals on behalf of all Federal agencies. NR (Office of Naval Research), BVARI's cognizant agency for indirect costs, negotiated the IPA Rate with BVARI, as reflected in our 2014 through 2017 Negotiation Agreements.

BVARI negotiated in good faith and agreed upon the IPA Agreements with the VA. The IPA Rate was expressly and consistently contained in each agreement and the Agreements are only a few pages in length.

The Intergovernmental Personnel Act of 1970, 5 USC Sec. 3371-3375, does not prohibit processing fees or administrative rates, nor do the regulations governing the IPA, found at 5 CFR Part 334, or any other law. Nonetheless, the VA asserts that the IPA Rates and any IPA processing fees were improper because they are prohibited by the VA Handbook 5005 and not affirmatively or explicitly authorized by the IPA Act.

From January 2014 through April 2017, BVARI charged and VABHS paid the IPA Rate agreed to in the IPA Agreements and the Negotiation Agreements with ONR. In April 2017, the VA's Nonprofit Program Office (NPPO) conducted a routine triennial on-site limited review of BVARI's financial policies and procedures, internal controls, operations, and finances. On April 28, 2017, NPPO issued a written report on its review that stated that payment of an IPA Rate, a rate that was being used by the VA to reimburse BVARI for employee salaries and benefits, was improper and in violation of VA Handbook 5005. Even though the charges were a clear and unambiguous term of the IPA Agreements, the report stated that BVARI would be required to make restitution to the VA for all such costs, totaling \$684,652. This restitution is due in monthly payments of \$19,018 from April 2019 through March 2022.

In addition to the IPA Rate matter discussed above, the VA questioned the use of specific IPA's for three of BVARI's employees and also for a Board Designated retirement contribution reimbursed to BVARI for employees who participated in the IPA program during 2013 and 2014. The VA had informally suggested that these amounts may also be subject to reimbursement by BVARI. During 2020, the VA determined that BVARI must also make restitution for these other matters and has offered to settle these matters for an additional amount of \$667,000. Payment on this restitution was delayed until the first restitution is paid off. This restitution is due in monthly payments of \$18,528 from April 2022 through March 2025.

BOSTON VA RESEARCH INSTITUTE, INC.Notes to Financial Statements
December 31, 2021 and 2020**6. RESTITUTION DUE TO VA BOSTON VA HEALTHCARE SYSTEM (Continued)**

	<u>2021</u>	<u>2020</u>
Restitution – IPA rate	\$ 57,054	\$ 282,473
Restitution – Tier II retirement contribution and administrative IPAs	<u>667,000</u>	<u>667,000</u>
	724,054	949,473
Less - current portion	<u>223,804</u>	<u>228,217</u>
Net restitution due to VABHS	<u>\$ 500,250</u>	<u>\$ 721,256</u>

In accordance with FASB ASC 450-20, *Contingencies*, BVARI has not recorded any other liabilities as a result of the NPPO review. Although BVARI may be ultimately liable for additional reimbursements to the VA, these amounts, if any, are not determinable as of the date of this report. BVARI is aware of a range of potential claims made by the VA, but these are subject to final determination by the VA and to negotiation by BVARI and the VA based on other matters that have not yet been clarified.

7. ADVANCES

BVARI receives advances of funds from various Federal and Non-Federal agreements, as well as through agreements with the VA for participation in governmental Interagency Agreements (IAA's). IAA's are written agreements entered into between two Federal agencies, or major organizational units within an agency, which specifies the goods to be furnished or tasks to be accomplished by one agency (the servicing agency) in support of the other (the requesting agency). Advances consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Governmental Interagency Agreements	\$ 21,368,601	\$ 17,101,274
Cooperative Research and Development Agreements (CRADA)	2,556,099	1,645,649
Federal advances	87,622	310,613
Non-Federal advances	<u>1,034,824</u>	<u>696,258</u>
Total advances	<u>\$ 25,047,146</u>	<u>\$ 19,753,794</u>

8. RELATED PARTY TRANSACTIONS

In 1988, Congress passed Public Law 100-322 (now codified at Section 7361-66 of Title 38, United States Code) that allowed VA medical centers to establish nonprofit corporations (NPCs). NPCs exist to provide VA medical centers with flexible funding mechanisms for the conduct of, and to facilitate functions related to the conduct of, approved research and education at one or more VA medical centers. NPCs are not owned or controlled by the Federal government, nor are they an agency or instrumentality of the Federal government. However, as stipulated by statute, the persons holding the positions of Director, Chief of Staff, Associate Chief of Staff for Research and Development, and Associate Chief of Staff for Education of VABHS are statutory Board members of BVARI and the majority of BVARI's Board of Directors are employed or affiliated with the VA.

BOSTON VA RESEARCH INSTITUTE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

8. RELATED PARTY TRANSACTIONS (Continued)

BVARI reimburses the VA for various services:

- Reimbursements for salaries and wages to the VA were \$1,268,155 and \$896,690 for the years ended December 31, 2021 and 2020, respectively. These costs are reflected as payments to affiliate in the accompanying statements of functional expenses.
- Reimbursements for other expenses to the VA were \$14,604 and \$15,341 for the years ended December 31, 2021 and 2020, respectively. These costs are included in lab supplies in the accompanying statements of functional expenses.
- As of December 31, 2021 and 2020, BVARI owed the VA \$781,986 and \$755,134, respectively, for these services.

Additionally, BVARI charges the VA for some personnel and related costs via IPA. Reimbursements for these costs were \$629,211 and \$672,415 for the years ended December 31, 2021 and 2020, respectively. The VA was indebted to BVARI in the amounts of \$354,079 and \$779,614, respectively, which are included in the accounts receivable balances as of December 31, 2021 and 2020, respectively.

The VA provides office space utilities to BVARI which are imputed as \$127,436 for the years ended December 31, 2021 and 2020.

Also, see Note 6 for the restitution due to the VA.

9. CONCENTRATION

BVARI maintains its cash in bank deposit accounts, which at times exceed Federally insured limits. BVARI has not experienced any losses in such accounts. BVARI believes it is not exposed to any significant credit risk on cash and cash equivalents.

BVARI derives its revenues from research and educational activities associated with the U.S. Department of Veterans Affairs and related collaborative research projects sponsored by a variety of organizations in support of the VABHS.

During 2021 and 2020, two Federal agencies provided 62% and 64%, respectively, of BVARI's total support and revenue.

At December 31, 2021 and 2020, 49% and 67%, respectively, of the accounts receivable is due from two Federal agencies and one grantor.

10. RETIREMENT PLAN

BVARI implemented a Section 403(b) retirement plan in 2008 that covers substantially all employees who have completed one year of service and are at least 21 years old. BVARI may make discretionary contributions to the plan as determined by the Board of Directors annually. Retirement benefit expense totaled \$204,787 and \$260,171 for the years ended December 31, 2021 and 2020, respectively.

BOSTON VA RESEARCH INSTITUTE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

11. CONTINGENCIES

Readers are referred to Note 6 for contingencies relating to claims made by the VA for BVARI's participation in Intergovernmental Personnel Act (IPA) payments.

BVARI participates in a number of Federal award programs. Although BVARI's programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amounts, if any, of expenditures or overhead allowances which may be disallowed or changed by the granting agencies cannot be determined at this time, although BVARI expects such amounts, if any, to be immaterial. In addition to its Federal award programs, BVARI is subject to the oversight of the Veterans' Health Administration of the Department of Veterans' Affairs (VHA). The VHA is responsible for the development and monitoring of compliance standards associated with the research projects administered by BVARI. As such, these projects are still subject to compliance audits by the VHA.

12. CONDITIONAL GRANTS

During fiscal year 2021, BVARI received grants and contributions that contained donor-imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. BVARI recognizes these grants and contributions when donor-imposed conditions are met. Conditional promises to give consist of the following at December 31, 2021:

Incurring qualifying expenses	\$ 7,407,555
Milestone based barriers	<u>656,105</u>
Total conditional promises to give	<u>\$ 8,063,660</u>

13. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

BVARI applied for, and was awarded, a forgivable loan of \$1,100,100 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds may only be used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period, as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. There are no covenants with which to comply, and the note is not secured by any collateral.

In 2021, BVARI applied for and received forgiveness of the PPP funds from the Small Business Administration (SBA) and the lending bank in an amount of \$13,588. BVARI recognized \$13,588 of grant revenue for the year ended December 31, 2020, and the remaining balance of \$1,086,512 and the accrued interest of \$15,131 were returned.

14. RECLASSIFICATIONS

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 presentation.

BOSTON VA RESEARCH INSTITUTE, INC.Supplementary Schedules of Revenue
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Program Revenue:		
Federal:		
DOD revenue	\$ 2,621,347	\$ 3,757,176
DHHS revenue	3,447,941	3,450,923
Other Federal revenue	100,056	-
Federal awards - subrecipient	<u>1,950,372</u>	<u>1,701,322</u>
Total Federal revenue	<u>8,119,716</u>	<u>8,909,421</u>
Non-Federal:		
CRADA revenue	836,227	1,000,544
Research revenue	593,430	342,892
Other research revenue	<u>620,124</u>	<u>957,094</u>
Total non-Federal revenue	<u>2,049,781</u>	<u>2,300,530</u>
Total program revenue	<u>10,169,497</u>	<u>11,209,951</u>
Support Services:		
IPA reimbursements	628,540	668,590
Other research support	<u>8,500</u>	<u>26,197</u>
Sub-total support services	637,040	694,787
Other support:		
Donated services - office space	<u>127,436</u>	<u>127,436</u>
Total support services	<u>764,476</u>	<u>822,223</u>
Education Revenue:		
Other education revenue	135,292	102,388
Interest Income	<u>6,232</u>	<u>58,400</u>
Total revenue	<u>\$ 11,075,497</u>	<u>\$ 12,192,962</u>

BOSTON VA RESEARCH INSTITUTE, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Research and Development Cluster:				
U.S. Department of Defense:				
Military Medical Research and Development	12.420			
Direct Federal Funds		N/A	\$ 2,050,554	\$ 931,764
Pass-through Funds:				
Board of Regents of the University System of Georgia on behalf of Augusta University		31760-1	20,594	-
Boston Children's Hospital		GENFD0001678711	211,405	-
Dartmouth-Hitchcock Clinic		GC10110-00-01	14,250	-
Florida State University		R02122	690,883	596,590
Joslin Diabetes Center		100086-2150028	20,886	-
Oregon Health & Science University		1016810_BVARI	28,174	-
The Regents of the University of California (UC Davis)		A19-2831-S001	88,174	-
The Regents of the University of California (UC Davis)		A17-1054-S001	114,214	-
Veterans Medical Research Foundation		090540000-324343	41,577	-
Total Assistance Listing Number 12.420			3,280,711	1,528,354
Uniformed Services University Medical Research Projects	12.750			
Pass-through Funds:				
The Henry M. Jackson Foundation for the Advancement of Military Medicine, Inc		5515	29,380	-
Total U.S. Department of Defense			3,310,091	1,528,354
National Aeronautics and Space Administration:				
Science	43.001			
Pass-through Funds:				
University of Southern California		129377260	8,375	-
U.S. Department of Health and Human Services:				
Preventive Medicine Residency	93.117			
Pass-through Funds:				
Griffin Hospital		D33HP31664-VA-01	1,145	-
U.S. Department of Health and Human Services - National Institutes of Health (NIH)				
Mental Health Research Grants	93.242			
Pass-through Funds:				
EPhysBio, Inc.		0009FEDsB	3,153	-
Cardiovascular Diseases Research	93.837			
Pass-through Funds:				
The Brigham & Women's Hospital		114117	477,964	454,479
New England Research Institutes, Inc.		1314	1,070	-
Total Assistance Listing Number 93.837			479,034	454,479

BOSTON VA RESEARCH INSTITUTE, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Research and Development Cluster (Continued):				
U.S. Department of Health and Human Services - National Institutes of Health (NIH) (Continued):				
Blood Diseases and Resources Research	93.839			
Pass-through Funds:				
University of Washington		UWSC10308	88,178	-
University of Texas Health Science Center at Houston		SA0000666	22,613	-
			<u>110,791</u>	<u>-</u>
Total Assistance Listing Number 93.839				
Aging Research	93.866			
Pass-through Funds:				
Duke University		A03-2824	558,779	-
Duke University		A03-2814	9,991	-
Harvard Medical School		150950.5112310.0002	10,884	-
Trustees of Boston University		4500003696	4,039	-
			<u>583,693</u>	<u>-</u>
Total Assistance Listing Number 93.866				
			<u>1,177,816</u>	<u>454,479</u>
Total U.S. Department of Health and Human Services				
			<u>1,177,816</u>	<u>454,479</u>
Total Expenditures of Federal Awards (Total Research and Development Cluster)			<u>\$ 4,496,282</u>	<u>\$ 1,982,833</u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of BVARI and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2. Indirect Cost Rate

BVARI has elected not to use the 10% de minimis cost rate for its Federal programs.

Note 3. Governmental interagency Agreement Activities

As mentioned in Note 9 to the financial statements, BVARI provides services to the VA Boston Healthcare System under a Memorandum of Understanding (MOU). Funding used under this MOU is provided through Interagency Agreements between the National Institute of Health (NIH), the Department of Defense (DoD) or Food and Drug Administration (FDA) and the Department of Veterans Affairs. BVARI provides support to the VA Precision Medicine Initiative Cohort Program (PMI-CP) for administrative, data management, extraction and storage of specimens, as well as health records and survey data, collected from Veterans who enroll into the Precision Medicine Program. BVARI provides support on the "NCI and VA Interagency Group to Accelerate Trials Enrollment" (NAVIGATE) program between NIH and the VA. Spending under the PMI-CP MOU amounted to approximately \$3,465,902 for the year ended December 31, 2021. Spending under the PMI-CP (DoD) MOU amounted to approximately \$590,037 for the year ended December 31, 2021. Spending under the NAVIGATE (NIH) MOU amounted to approximately \$91,281 for the year ended December 31, 2021. Spending under the FDA MOU amounted to approximately \$100,056 for the year ended December 31, 2021. Although these funds are sourced from the Federal government, they are not considered expenditures of Federal Grant Awards for the purpose of the Schedule of Expenditures of Federal Awards and are therefore not included on that Schedule.



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**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

To the Board of Directors of
Boston VA Research Institute, Inc.:

We have audited, in accordance with the 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 Boston VA Research Institute, Inc. (BVARI), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BVARI'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 BVARI's internal control. Accordingly, we do not express an opinion on the effectiveness of BVARI'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 BVARI'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BVARI'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 BVARI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BVARI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AAFCPA, Inc.

Boston, Massachusetts
May 4, 2022



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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors of
Boston VA Research Institute, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boston VA Research Institute, Inc.'s (BVARI) 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 BVARI's major Federal program for the year ended December 31, 2021. BVARI'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, BVARI 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 December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 BVARI 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 the major Federal program. Our audit does not provide a legal determination of BVARI'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 BVARI'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 BVARI'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 BVARI'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 BVARI'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 BVARI'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 BVARI'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 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.

AAFCPA, Inc.

Boston, Massachusetts
May 4, 2022

BOSTON VA RESEARCH INSTITUTE, INC.

Schedule of Findings and Questioned Costs
December 31, 2021

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report? Yes No

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over the major Federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for the major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of the major Federal programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing (AL) Number</u>
Research and Development Cluster	12.420/12.750/ 43.001/93.117/ 93.242/93.837/ 93.839/93.866

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

Auditee qualified as low-risk auditee? Yes No

BOSTON VA RESEARCH INSTITUTE, INC.

Schedule of Findings and Questioned Costs
December 31, 2021

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None