



THE REED INSTITUTE

Independent Auditors' Report in Accordance with
the Uniform Guidance for Federal Awards

Year Ended June 30, 2019

THE REED INSTITUTE

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**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal
Awards Required by the Uniform Guidance**

The Board of Trustees
The Reed Institute:

Report on Compliance for Each Major Federal Program

We have audited the Reed Institute's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs 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 College'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 each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the Reed Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Reed 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 College'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 each



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 College'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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Reed Institute as of and for the year ended June 30, 2019, and have issued our report thereon dated October 7, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Portland, Oregon
October 25, 2019

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster title	Federal CFDA number	Grant identifying number	Provided to Subrecipients	Total Federal expenditures
Student Financial Assistance — Cluster:				
Department of Education Programs:				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ —	209,939
Federal Work-Study Program	84.033		—	157,542
Federal Perkins Loan Program (Note 4)	84.038		—	2,726,558
Federal Pell Grant Program	84.063		—	939,649
Federal Direct Student Loans	84.268		—	5,132,929
Total Student Federal Aid Cluster			—	9,166,617
Research and Development — Cluster:				
United States Department of Agriculture:				
Pass through University of California - Santa Cruz Agriculture and Food Research Initiative	10.310	2016-67019-25185	—	10,429
Total United States Department of Agriculture			—	10,429
United States Department of the Interior:				
Pass through University of California - Santa Barbara National Fish and Wildlife Foundation	15.633		—	33,036
Total United States Department of the Interior			—	33,036
United States Department of Commerce - National Institute of Standards and Technology				
Science, Technology, Business, and/or Education Outreach	11.620	70NANB18H085	—	251
Total United States Department of Commerce			—	251
National Science Foundation:				
Mathematical & Physical Sciences	47.049	DMS-1855174	—	32,017
Mathematical & Physical Sciences	47.049	DMS-1406327	—	198
Mathematical & Physical Sciences	47.049	DMS-1709302	—	120,952
Subtotal Mathematical & Physical Sciences			—	153,167
Geosciences	47.050	AGS-1762106	—	24,030
Subtotal Geosciences			—	24,030
Computer and Information Science and Engineering	47.070	CNS-1817245	—	117,391
Subtotal Computer and Information Science and Engineering			—	117,391
Biological Sciences	47.074	DEB-1856415	—	28,763
Biological Sciences	47.074	IOS-1550957	—	3,476
Biological Sciences	47.074	IOS-1456486	—	163,275
Biological Sciences	47.074	IOS-1755423	7,798	110,387
Biological Sciences	47.074	MCB-1150213	—	155,766
Biological Sciences	47.074	MCB-1716964	—	142,679
Biological Sciences	47.074	DBI-1750981	—	73,949
Subtotal Biological Sciences			7,798	678,295
Social, Behavioral, and Economic Sciences	47.075	BCS-1829458	—	47,023
Social, Behavioral, and Economic Sciences	47.075	SES-1528190	—	22,424
Social, Behavioral, and Economic Sciences	47.075	SES-1727458	—	3,015
Subtotal Social, Behavioral, and Economic Sciences			—	72,462
Education and Human Resources	47.076	DUE-1154004	—	28,040
Subtotal Education and Human Resources			—	28,040
Total National Science Foundation			7,798	1,073,385
United States Environmental Protection Agency:				
Pass through Portland State University Surveys, Studies, Research, Investigations, Demonstrations, & Special Purpose Activities Relating to the Clean Air Act	66.034		—	19,417
Total United States Environmental Protection Agency			—	19,417
National Institutes of Health:				
Pass through Middlebury Oral Diseases and Disorders Research	93.121	2R01DE014711-10	—	6,039
Subtotal Oral Diseases and Disorders Research			—	6,039
Extramural Research Programs in the Neurosciences	93.853	1R15NS091977-01	—	50,081
Subtotal Extramural Research Programs in the Neurosciences			—	50,081
Biomedical Research and Research Training	93.859	1R15GM126462-01	—	109,930
Biomedical Research and Research Training	93.859	1R15GM129857-01A1	—	27,214
Subtotal Biomedical Research and Research Training			—	137,144
Vision Research	93.867	1R15EY023745-02	—	127,294
Subtotal Vision Research			—	127,294
Total National Institute of Health			—	320,558
Total Research and Development Cluster			7,798	1,457,076
Total expenditures of federal awards			\$ 7,798	10,623,693

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Reed Institute (the College) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 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 the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by the College, and balances and transactions relating to these programs are included in the College's basic financial statements. Loans outstanding at the beginning of the year of \$2,701,588 and administrative costs of \$0 are included in the total federal expenditures presented in the Schedule of \$2,726,558. The balance of loans outstanding at June 30, 2019 consists of:

<u>CFDA number</u>	<u>Program Name</u>	<u>Outstanding balance at June 30, 2019</u>
84.038	Perkins loans	\$ 2,217,225

Congress did not renew the Federal Perkins Loan Program after September 2017, and the transition period permitting disbursements ended on June 30, 2018. The College intends to continue servicing the outstanding Perkins loans and remit excess cash periodically to the Department of Education. As the program has ended, there were no Perkins loans made during the year ended June 30, 2019.

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Schedule of Findings and Questioned Costs
Year ended June 30, 2019

(1) Summary of Auditor's Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
Material weaknesses: **No**
Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
Material weaknesses: **No**
Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major programs:
 - Student Financial Assistance Cluster – various CFDA numbers
 - Research and Development Cluster – various CFDA numbers
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- (i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None