

RANCHO RESEARCH INSTITUTE

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2019**

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
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CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Rancho Research Institute
(A California Non-Profit Corporation)
Downey, California

Report on the Financial Statements

We have audited the accompanying financial statements of Rancho Research Institute (A California Non-Profit Corporation) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rancho Research Institute as of June 30, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, Rancho Research Institute has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We previously audited Rancho Research Institute's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Rancho Research Institute.

Other Matters

Other Information

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 and State Awards, 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2020, on our consideration of Rancho Research 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 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 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 Rancho Research Institute's internal control over financial reporting and compliance.

Vorwin, Heyn + Co.

Calabasas, California
June 25, 2020

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 830,365	\$ 1,374,472
Investments	5,205,542	4,935,645
Grants, awards and contracts receivable	1,750,255	1,327,916
Accounts receivable, sales and service	748,960	945,483
Inventories	147,188	98,970
Deposits and prepaid expenses	46,339	41,272
Property and equipment, net	<u>65,514</u>	<u>330,657</u>
Total assets	<u>\$ 8,794,163</u>	<u>\$ 9,054,415</u>
LIABILITIES		
Accounts payable	\$ 104,737	\$ 2,339
Accrued retirement plan benefits	60,994	55,233
Accrued vacation and sick pay	213,555	207,252
Accrued payroll and related liabilities	445,525	445,351
Government funded assets	<u>-</u>	<u>9,413</u>
Total liabilities	824,811	719,588
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	7,087,874	7,452,684
With donor restrictions	<u>881,478</u>	<u>882,143</u>
Total net assets	<u>7,969,352</u>	<u>8,334,827</u>
Total liabilities and net assets	<u>\$ 8,794,163</u>	<u>\$ 9,054,415</u>

See accompanying auditors' reports and notes to financial statements.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants, awards and contracts	3,704,371	\$ 2,567	\$ 3,706,938	3,652,677
Sales and service	3,504,868	-	3,504,868	4,034,858
Investment and dividend income	164,443	63,253	227,696	193,069
Interest income	247	-	247	199
Net realized and unrealized gain (loss) on investments	104,270	(1,096)	103,174	77,498
Gain on disposal of fixed assets	319,231	-	319,231	-
Other income	1,146	-	1,146	1,925
Restrictions released	<u>65,389</u>	<u>(65,389)</u>	<u>-</u>	<u>-</u>
Total revenue, support, and restrictions released	7,863,965	(665)	7,863,300	7,960,226
EXPENSES				
Program services	6,873,106	-	6,873,106	5,994,183
Support services	<u>1,355,669</u>	<u>-</u>	<u>1,355,669</u>	<u>1,257,165</u>
Total expenses	<u>8,228,775</u>	<u>-</u>	<u>8,228,775</u>	<u>7,251,348</u>
CHANGE IN NET ASSETS	(364,810)	(665)	(365,475)	708,878
NET ASSETS - beginning of year	<u>7,452,684</u>	<u>882,143</u>	<u>8,334,827</u>	<u>7,625,949</u>
NET ASSETS - end of year	<u>\$ 7,087,874</u>	<u>\$ 881,478</u>	<u>\$ 7,969,352</u>	<u>\$ 8,334,827</u>

See accompanying auditors' reports and notes to financial statements.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Program Services			2019	2018
	Research	Community Service	Support Services	Total Expenses	Total Expenses
Salaries and related expenses					
Salaries and wages	\$ 1,701,936	\$ 1,455,388	\$ 823,042	\$ 3,980,366	\$ 3,665,238
Payroll taxes and benefits	<u>387,271</u>	<u>416,945</u>	<u>241,731</u>	<u>1,045,947</u>	<u>964,296</u>
	2,089,207	1,872,333	1,064,773	5,026,313	4,629,534
Other expenses					
Advertising	237	2,500	1,750	4,487	750
Bank and payroll service charges	1,076	7,822	6,171	15,069	5,871
Consulting fees	-	-	-	-	4,964
Contributions expense	585,339	-	-	585,339	-
Equipment rental, maintenance, and purchase	6,868	7,034	17,321	31,223	25,104
Indirect costs (note 9)	510,934	612,091	-	1,123,025	1,027,151
Insurance	-	32,468	78,742	111,210	122,835
Interest expense	-	-	211	211	-
Legal and accounting fees	-	-	29,019	29,019	61,785
Maintenance and repairs	7	8,849	205	9,061	280
Materials and supplies	59,172	337,107	25,484	421,763	353,197
Other expenses	32,817	19,966	28,760	81,543	71,756
Outside production work and services	-	212,213	-	212,213	150,349
Outside services	51,554	55,943	44,971	152,468	269,750
Patient cost and testing	4,413	-	-	4,413	5,258
Sponsorships	-	500	2,850	3,350	-
Subcontract fees	66,494	-	-	66,494	66,498
Subject costs	66,650	23,232	-	89,882	223,965
Telephone and utilities	8,931	69,275	18,287	96,493	39,701
Travel and training	31,613	24,046	32,268	87,927	89,773
Workshop and conference costs	<u>355</u>	<u>9,340</u>	<u>-</u>	<u>9,695</u>	<u>14,823</u>
	3,515,667	3,294,719	1,350,812	8,161,198	7,163,344
Depreciation	<u>41,574</u>	<u>21,146</u>	<u>4,857</u>	<u>67,577</u>	<u>88,004</u>
Total Expenses	<u>\$ 3,557,241</u>	<u>\$ 3,315,865</u>	<u>\$ 1,355,669</u>	<u>\$ 8,228,775</u>	<u>\$ 7,251,348</u>

See accompanying auditors' reports and notes to financial statements.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (365,475)	\$ 708,878
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	67,577	88,004
Disposal of fixed assets	585,339	-
Net realized and unrealized (gain) loss on investments	(103,174)	(77,498)
Gain on disposal of fixed assets	(319,231)	-
(Increase) decrease in:		
Grants, awards and contracts receivable	(422,339)	(482,658)
Accounts receivable, sales and service	196,523	43,010
Inventories	(48,218)	37,453
Deposits and prepaid expenses	(5,067)	(1,780)
Increase (decrease) in:		
Accounts payable	102,398	(14,849)
Accrued retirement plan benefits	5,761	22,303
Accrued vacation and sick pay	6,303	26,680
Accrued payroll and related liabilities	174	83,295
Government funded assets	(9,413)	(12,551)
 Total adjustments	 <u>56,633</u>	 <u>(288,591)</u>
 Net Cash Provided (Used) by Operating Activities	 <u>(308,842)</u>	 <u>420,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(68,542)	-
Proceeds from the sale of investments	409,197	1,385,250
Purchase of investments	(575,920)	(1,524,860)
 Net Cash Provided (Used) by Investing Activities	 <u>(235,265)</u>	 <u>(139,610)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (544,107)	 280,677
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>1,374,472</u>	 <u>1,093,795</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 830,365</u>	 <u>\$ 1,374,472</u>
Supplemental disclosure:		
Interest paid	<u>\$ 211</u>	<u>\$ -</u>

See accompanying auditors' reports and notes to financial statements.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. ORGANIZATION

Rancho Research Institute is a Non-Profit Organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Rancho Research Institute was established in 1956 as a non-profit organization to administer medical research and educational programs at Rancho Los Amigos National Rehabilitation Center (Rancho). In addition, Rancho Research Institute serves as a resource and information center and sponsors seminars and conferences.

Rancho Research Institute Programs:

Research - The research program supports furthering technology and techniques in the rehabilitation of the disabled. Rancho Research Institute administers research in the areas of spinal cord injuries, strokes, epilepsy, developmental disorders, robotics as an aid for the disabled, and pain management associated with musculoskeletal, neuropathic, and psychic pain.

Community Service - The community support program furthers advancements in the medical field by providing various opportunities for education to the medical practitioners of the Rancho Los Amigos Rehabilitation Hospital as well as other medical practitioners and medical students. The education provided is in the form of seminars, conferences, and workshops. In addition, Rancho Research Institute provides community support through its wellness programs such as driver's training for the disabled, access to exercise programs, and other health promoting services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rancho Research Institute prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by Rancho Research Institute are described below to enhance the usefulness and understandability of the financial statements.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of Rancho Research Institute, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- *With Donor Restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. Rancho Research Institute's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by Rancho Research Institute, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Investments

Investments are composed of corporate, treasury and mutual funds invested in debt and equity securities and are carried at fair market value.

Grants, Awards, Contracts Receivable, Accounts Receivable, and Sales and Service

Receivables consist of contracts, grants and sales receivables due from orthotic sales and are primarily unsecured amounts due from grantors on cost reimbursement or performance grants. Any amount that is denied for reimbursement is written off when Rancho Research Institute receives notification from the grantor agency. Rancho Research Institute uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all grants, awards, contracts receivable, accounts receivable, and sales and service receivables were collectible at year-end. No allowance for doubtful accounts for grants, awards, contracts receivable and accounts receivable, sales and service receivables was considered necessary at June 30, 2019.

Inventories

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

**RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Prepaid Expenses

Prepaid deposits, insurance and other costs are expensed ratably over their respective terms of agreement.

Property and Equipment, Net

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All property is capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Equipment and furniture	5 years
Facility renovation	5 to 10 years
Leasehold improvements	10 to 15 years

Equipment purchased for grantors, which is the property of the grantor, is recorded as revenue and corresponding expense when acquired. Depreciation is not recorded for such equipment. Upon grant termination such property is disposed of at the discretion of the grantor. Government funded assets are recorded as an asset and an offsetting liability. The related assets are depreciated over their estimated useful lives.

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Vacation Policy

Vacation benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to Rancho Research Institute as follows:

<u>Years Employed</u>	<u>Maximum Accrual</u>
1 – 4 years	10 days
5 – 9 years	15 days
10 years	16 days
11 years	17 days
12 years	18 days
13 years	19 days
14+ years	20 days

Regular part-time employees are entitled to annual vacation leave on a pro rata basis directly proportionate to the percent of time worked each month are compared to a full-time monthly schedule.

Unused vacation leave will be paid at the time of termination. Total accrued vacation and sick pay at June 30, 2019, was \$213,555.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No contributed goods and services qualified for recognition during the year ended June 30, 2019.

Revenue Recognition

Revenues from government agencies, program orthotic sales and service fees, and other third-party payors for services provided under such contracts are recognized when earned by Rancho Research Institute. All gifts, bequests, and other public support are included in net assets without donor restrictions unless specifically restricted by the donor or the terms of the gift or grant instrument. Revenue received where the restriction is met in the same fiscal year is reported under net assets without donor restrictions. Amounts received in excess of balances earned are recognized as liabilities.

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit required by the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, Rancho Research Institute's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of Rancho Research Institute.

Indirect Costs

Costs that benefit the operations of the entire organization are allocated according to an indirect cost allocation plan.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Recognition and Allocation

The cost of providing Rancho Research Institute's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Rancho Research Institute.

Income Taxes

Rancho Research Institute is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Rancho Research Institute has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2019, Rancho Research Institute had no material unrecognized tax benefits, tax penalties or interest.

Rancho Research Institute Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30; 2018, 2017, 2016, are subject to examination by the IRS, generally for 3 years after they were filed.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Rancho Research Institute's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Rancho Research Institute's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2018 comparative totals have been reclassified to conform with the 2019 reporting format.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Rancho Research Institute's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Recent Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
 - e. Methods used to allocate costs among program and support functions.
 - f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.
4. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments in this ASU have been applied by Rancho Research Institute on a retrospective basis in fiscal year 2019.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

Rancho Research Institute reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability 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 asset or liability 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 or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Rancho Research Institute has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments. The mutual funds, exchange traded funds, and other assets are valued at quoted market prices, which represent the net asset value of shares held by Rancho Research Institute at year end.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments

When available, Rancho Research Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)

3. INVESTMENTS

Rancho Research Institute measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires Rancho Research Institute to develop its own assumptions. Rancho Research Institute uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Rancho Research Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2019, are Level 1 inputs.

Investments consist of the following at June 30, 2019:

	<u>Total</u>	<u>Level 1</u>
Mutual funds:		
Bond funds	\$ 1,663,221	\$ 1,663,221
Equity funds	2,555,821	2,555,821
Exchange traded funds	780,138	780,138
Other assets	<u>206,362</u>	<u>206,362</u>
Total investments	<u>\$ 5,205,542</u>	<u>\$ 5,205,542</u>

At June 30, 2019, Rancho Research Institute does not have any investments measured using Level 2 or Level 3 inputs.

The composition of the investment return reported in the statement of activities at June 30, 2019 is as follows:

Investment and dividend income	\$ 227,696
Net realized and unrealized gain (loss) on investments	<u>103,174</u>
Total investment return	<u>\$ 330,870</u>

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)

4. INVENTORIES

Inventories consist of orthotics material stated at the lower of cost (approximating first-in first-out) or market. The components are as follows as of June 30, 2019:

	<u>Amount</u>
Cafe	\$ 3,456
Merchandise (gift shop)	3,314
Raw material	31,742
Work-in-process	<u>108,676</u>
Total inventories	<u>\$ 147,188</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2019 consists of the following:

	<u>Amount</u>
Equipment and furniture	\$ 687,850
Facility renovation	<u>138,313</u>
	826,163
Less: Accumulated depreciation	<u>(760,649)</u>
Total property and equipment, net	<u>\$ 65,514</u>

Total depreciation expense for the year ended June 30, 2019 was \$67,577.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)

6. CONTINGENCIES

Governmental Funding

Rancho Research Institute receives a portion of its revenues from government grants and contracts, all of which are subject to governmental audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Rancho Research Institute believes that no material liability will result from such audits.

Litigation

From time to time, Rancho Research Institute may have certain contingent liabilities, including the results of on-going litigation that arise in the ordinary course of its business activities. Rancho Research Institute accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. In the opinion of management there are no pending claims of which the outcome is expected to result in a material adverse effect on the financial position, results of operations or cash flows of Rancho Research Institute.

7. LEASE COMMITMENTS

Rancho Research Institute leases certain office equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more consist of the following:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 13,060
2021	12,692
2022	11,417
2023	<u>9,481</u>
Total Minimum Lease Payments	<u>\$ 46,650</u>

Equipment rental expense under operating leases and other agreements for the year ended June 30, 2019 was \$31,223.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)

8. RETIREMENT PLAN

Rancho Research Institute has a 401K retirement plan covering substantially all of its employees. Under the provisions of the plan, Rancho Research Institute contributes monthly to each participant's account a minimum of 3% of the participant's annual compensation. Rancho Research Institute may additionally contribute a discretionary amount. Rancho Research Institute funds current accrued retirement costs. Vested benefits are immediate and limited to plan assets. Plan contributions for the year ended June 30, 2019 were \$279,805.

9. NATURAL CLASSIFICATIONS

Rancho Research Institute's general and administrative costs are reimbursed by and allocated among the other divisions based on approved indirect cost rates. Natural classifications of expenses are as follows:

Salaries and wages	\$ 682,831
Payroll taxes and benefits	200,551
Advertising	1,452
Bank and payroll service charges	5,132
Depreciation	4,826
Equipment rental, maintenance, and purchase	14,318
Insurance	65,328
Legal and accounting fees	24,075
Maintenance and repairs	222
Materials and supplies	21,143
Other expenses	24,018
Outside services	34,821
Sponsorships	2,365
Telephone and utilities	15,172
Travel and training	<u>26,771</u>
Total Indirect Costs	<u>\$ 1,123,025</u>

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019, consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Grant	Balance at 6/30/18	Income	Expenditures	Balance at 6/30/19
Robotics Summer Camp	\$ 62,317	\$ -	\$ (62,317)	\$ -
Pathokinesiology Grant Fund	<u>819,826</u>	<u>64,723</u>	<u>(3,072)</u>	<u>881,477</u>
Total net assets with donor restrictions	<u>\$ 882,143</u>	<u>\$ 64,723</u>	<u>\$ (65,389)</u>	<u>\$ 881,477</u>

11. CONCENTRATION RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. Rancho Research Institute deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

The majority of Rancho Research Institute's contributions and grants are received from corporations and foundations located in the greater Los Angeles metropolitan area, and from agencies of the Federal government and state of California. As such, Rancho Research Institute's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Rancho Research Institute's services.

Rancho Research Institute's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to Rancho Research Institute's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)

12. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by Rancho Research Institute at June 30, 2019 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	<u>June 30, 2019</u>
Financial assets:	
Cash and cash equivalents	\$ 830,365
Investments	5,205,542
Grants, award, and contracts receivable	1,750,255
Accounts receivable, sales and service	<u>748,960</u>
	8,535,122
Less donor-imposed restrictions:	
Designated Funds (formerly Temporarily Restricted)	<u>(782,329)</u>
Net financial assets after donor-imposed restrictions	<u>7,752,793</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 7,752,793</u></u>

Rancho Research Institute's goal is generally to maintain financial assets to meet twelve months of operating expenses (approximately \$1,360,000). As part of its liquidity plan Rancho Research Institute bills government-funded and other types of grants and contracts in accordance with funding terms and conditions or receives periodic reimbursements from grantors, generally monthly. Amounts available for expenditure over the period of the next twelve months are dependent on governmental funder's payment cycles which vary from 30 to 90 days.

13. SUBSEQUENT EVENTS

Rancho Research Institute has evaluated events subsequent to June 30, 2019, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 25, 2020, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

In early March, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

GOVERNMENT AUDIT INFORMATION SECTION



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE



AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**INDEPENDENT AUDITORS' 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***

To the Board of Directors of
Rancho Research Institute
(A California Non-Profit Corporation)
Downey, California

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 Rancho Research Institute (A California Non-Profit Corporation), which comprise the statement of financial position as of June 30, 2019, 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 June 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rancho Research Institute's internal control over financial reporting (internal control) to determine the 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 Rancho Research Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Rancho Research 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 Rancho Research 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 determination of financial statement amounts. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vorwin, Hagen + Co.

Calabasas, California
June 25, 2020



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE



AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Rancho Research Institute
(A California Non-Profit Corporation)
Downey, California

Report on Compliance for Each Major Federal Program

We have audited Rancho Research Institute (A California Non-Profit Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rancho Research Institute's major federal programs for the year ended June 30, 2019. Rancho Research Institute'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, contracts, 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 Rancho Research Institute'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 Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Rancho Research 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 each major federal program. However, our audit does not provide a legal determination of Rancho Research Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, Rancho Research 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 Rancho Research 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 Rancho Research 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 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 Rancho Research 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 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.

Vosin, Hryn + Co.

Calabasas, California
June 25, 2020

**RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019
FEIN: 95-1911180**

Project Title	CFDA	Grantor Number	(D)irect (P)ass	Contracting Agency	Number	Term	Expenditures	Payments to Subrecipients
Research and Development Cluster:								
U.S. Department of Health and Human Services								
Passed Through Results Group, LLC								
Assistive ExoSkeleton & ExoTendon Platform to Enable Wearable Rehabilitation Robotics.								
Nursing Research	93.361	1R43NR017957-01A1	P	National Institutes of Health	2236000	5/1/18-10/31/18	\$ 21,072	\$ -
Spinal Cord Injury Model System of Southern California	93.433	90SI501801	D	Department of Health and Human Services	2202001	9/30/18-9/29/19	520,778	-
Comparative Effectiveness of Off-the Shelf (OTS) vs. Custom-made Ankle-Foot Orthosis in Individuals with Stroke	93.433	90IFRE0017-01-00	D	Department of Health and Human Services	2227000	9/30/18-9/29/19	126,822	-
Passed Through Kinetic Intelligence, LLC								
A Personalized Wheelchair Fitting System to Improve Function and Quality of Life.	93.433	90BISA0018-01-00	P	Department of Health and Human Services /Small Business Innovation Research SBIR, Phase I	2229000	10/01/18-2/29/20	2,239	-
ACL National Institute on Disability, Independent Living, and Rehabilitation Research - SBIR	93.433						649,839	-
Passed Through Spinal Singularity, Inc.								
Clinical Evaluation of the Connected Catheter Wireless Urinary Prosthesis Management of Chronic Urinary Retention.								
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	2R44DK109865-02A1	P	National Institutes of Health	2238000	4/01/19-6/30/20	7,513	-
Passed Through Icahn School of Medicine at Mount Sinai								
Succeed	93.853	7U54NS08176405	P	National Institute of Neurological Disorders and Stroke Through Mt. Sinai	2157000	9/01/18-08/31/19	143,861	-
Passed Through Northwestern University								
Designing Brain Machine Interfaces to Drive Plasticity and Enhance Recovery after Brain Injury	93.853	5R01NS094748-03	P	National Institute of Neurological Disorders and Stroke/NIH	2196000	7/01/18-6/30/19	30,943	-
Passed Through University of Southern California								
Dexterous BMIs for tetraplegic humans utilizing somatosensory cortex stimulation	93.853	1U01NS098975-01 (21B-1097571)	P	National Institute of Neurological Disorders and Stroke (California Institute of Technology)	2212000	9/1/18-8/31/19	3,318	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853						178,122	-
Passed Through Flint Rehabilitation Devices, LLC								
Lever Actuated Rehabilitation of the Arm using Wheelchair Propulsion and Computer Gaming	93.865	5R44HD082882-03	P	National Institutes of Health	2207000	2/1/17-8/31/18	9,255	-
Passed Through the University of Southern California								
Toward a Mechanistic Understanding of Optimization Principles Underlying Hemiparetic Gait	93.865	1R01HD091184-01A1	P	National Institutes of Health	2232000	8/01/18-5/31/19	9,826	-
Child Health and Human Development Extramural Research	93.865						19,081	-
Passed Through the University of Southern California								
USC-Long Term Nicotine Treatment of Mild Cognitive Impairment	93.866	6R01AG047992-02	P	National Institutes of Health	2213000	6/1/18-5/31/19	16,394	-
Passed Through BioSensics LLC								
Interactive Telehealth and Auto Biofeedback Sensor System for Individuals Who Use a Wheelchair	93.866	9R44AG059275-03A1	P	National Institutes of Health	2215000	10/31/17-3/31/20	165,548	-
Passed Through the University of Southern California								
The Structural and functional connectome across Alzheimer's disease subtypes	93.866	5U01AG051218-04	P	National Institutes of Health	2230000	10/01/18-6/30/19	9,418	-
Ageing Research	93.866						191,360	-
Total U.S. Department of Health and Human Services and Research and Development Cluster							\$ 1,066,987	\$ -

**RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019
FEIN: 95-1911180
(CONTINUED)**

Project Title	CFDA	Grantor Number	(D)irect (P)ass	Contracting Agency	Number	Term	Expenditures	Payments to Subrecipients
National Science Foundation								
Passed Through the Regents of the University of California								
Human Implantable Brain Computer to Restore Walking								
Computer and Information Science and Engineering	47.070	1446908	P	National Science Foundation	2183000	10/01/14-9/30/18	\$ 7,329	\$ -
Total National Science Foundation							\$ 7,329	\$ -
Defense Advanced Research Projects Agency								
Passed Through the Wake Forest University Health Sciences								
Follow-on REMIND Project for Development of a Human Memory Prosthetic								
Research Technology	12.U01	N66001-14-C-4016	P	DARPA/DSO and SSC Pacific	2219000	12/21/17-12/20/18	\$ 29,068	\$ -
Total Defense Advanced Research Projects Agency							\$ 29,068	\$ -
TOTAL FEDERAL EXPENDITURES							\$ 1,103,384	\$ -
STATE AWARDS								
State of California - Health and Human Services Agency - California Department of Public Health								
Passed Through the State of California								
Alzheimer's Disease Program								
	N/A	18-10205	P	State of California, Department of Public Health	1751000	7/01/18-6/30/19	\$ 281,800	\$ -
Alzheimer's Disease Program								
	N/A	16-10832	P	State of California, Department of Public Health	1751001	7/01/18-6/30/19	74,176	-
TOTAL STATE AWARD EXPENDITURES							\$ 355,976	\$ -
TOTAL FEDERAL AND STATE AWARD EXPENDITURES							\$ 1,459,360	\$ -

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the "Schedule") includes the federal grant activity of Rancho Research Institute 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 the Uniform Guidance. Because the schedule presents only a selected portion of the operations of Rancho Research Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of Rancho Research Institute.

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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. Pass-through entity identifying numbers are presented where available.

3. DE MINIMIS INDIRECT COST RATE

Rancho Research Institute did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2019.

4. LOAN AND LOAN GUARANTEE

Rancho Research Institute did not have any balances of loan and loan guarantee programs outstanding at June 30, 2019 for loans described in 2 CFR section 200.50(b).

**RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal Control over financial reporting

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditors' report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.361

Research and Development Cluster:

Nursing Research

93.433

ACL National Institute on Disability, Independent Living, and Rehabilitation Research

93.847

Diabetes, Digestive, and Kidney Diseases Extramural Research

93.853

Extramural Research Programs in the Neurosciences and

93.865

Neurological Disorders

93.866

Child Health and Human Development Extramural Research

Aging Research

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

RANCHO RESEARCH INSTITUTE
(A California Non-Profit Corporation)
CURRENT AND PRIOR YEARS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

CURRENT YEAR FINDINGS:

2019 Findings:

There were no 2019 findings noted.

2019 Questioned Costs:

There were no 2019 questioned costs noted.

PRIOR YEARS FINDINGS:

2018 Findings:

There were no 2018 findings noted.

2018 Questioned Costs:

There were no 2018 questioned costs noted.

2017 Findings:

There were no 2017 findings noted.

2017 Questioned Costs:

There were no 2017 questioned costs noted.