OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements and Other Financial Information

September 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

LBMC

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Table of Contents

	Page
Independent Auditors' Report	1 - 3
Financial Statements:	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities and Changes in Net Assets	5 - 6
Consolidated Statement of Functional Expenses - 2023	7
Consolidated Statement of Functional Expenses - 2022	8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 33
Other Financial Information:	
Consolidating Schedules - Statements of Financial Position	34 - 35
Summary of Activities	36
Schedule of Investments	37 - 38

INDEPENDENT AUDITORS' REPORT

Board of Directors
Oak Ridge Associated Universities, Incorporated:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Oak Ridge Associated Universities, Incorporated and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, and the results of their consolidated operations and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standard*s, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated financial statements.**
- **Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated financial statements.**
- **Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Report on Consolidating Information and Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule - statements of financial position is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position of the individual organizations, and it is not a required part of the consolidated financial statements. The remaining accompanying other financial information summarized in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. All other financial information summarized in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidating schedule and other financial information are fairly stated, in all material respects, in relation to the consolidated 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 23, 2024, in a separately bound document, on our consideration of the Organization's and Oak Ridge Institute for Science and Education ("ORISE")'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's or ORISE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering their internal control over financial reporting and compliance.

LBMC, PC

Knoxville, Tennessee
May 23, 2024

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Consolidated Statements of Financial Position

September 30, 2023 and 2022

Assets

	2023	2022
Current assets:		
Cash and cash equivalents	$ 8,957,231	$ 10,189,824
Investments, at fair value	50,028,610	41,179,606
Accounts receivable	14,389,492	14,014,470
Other receivable - ORISE	1,520,736	1,754,471
Contract assets - ORISE	888,623	854,388
Contract assets	3,806,311	3,767,628
Prepaid expenses	106,238	199,419
Total current assets	79,697,241	71,959,806
Property and equipment, net	20,687,164	20,748,682
Operating lease right-of-use assets	607,456	-
Due from ORISE	1,500,000	1,500,000
Fair value of interest rate swap agreement	621,643	514,890
Other assets	200,877	344,360
	$ 103,314,381	$ 95,067,738

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	$ 6,911,935	$ 5,572,015
Contract liabilities	3,120,211	2,616,386
Accrued postretirement benefits	189,100	183,900
Current portion of operating lease liabilities	402,826	-
Deferred fixed rate variance	943,927	1,694,790
Total current liabilities	11,567,999	10,067,091
Long-term debt, net	15,205,195	16,069,675
Accrued postretirement benefits	2,119,100	1,947,100
Operating lease liabilities, excluding current portion	211,208	-
Other	150,000	125,000
Total liabilities	29,253,502	28,208,866
Net assets - without donor restrictions	74,060,879	66,858,872
	$ 103,314,381	$ 95,067,738

See accompanying notes to the consolidated financial statements.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Consolidated Statements of Activities and Changes in Net Assets

Years ended September 30, 2023 and 2022

	2023	2022
Unrestricted operating revenues and other support:		
Program revenues	$ 116,919,737	$ 103,276,763
ORISE management fee earned: (Gross expenditures managed of $312,775,334 and $277,892,714 in 2023 and 2022, respectively) Note (17)	5,966,470	5,736,609
Membership dues from sponsoring institutions	145,000	148,500
Investment income (loss)	5,642,453	(9,669,324)
Facilities Capital Cost of Money (FCCM)	903,534	445,214
Total unrestricted operating revenues and other support	129,577,194	99,937,762
Operating expenses:		
Program services:		
Health, Environment, Science & Technology	78,449,233	70,784,577
Research Participation	34,053,020	28,945,978
ORAU Foundation	708,427	595,813
Other	3,312	4,962
Total program services	113,213,992	100,331,330
Supporting services:		
ORAU administrative	6,229,375	4,545,177
Research and university partnerships office	1,736,240	1,185,189
Corporate reinvestment projects	1,148,587	1,508,957
Total supporting services	9,114,202	7,239,323
Total operating expenses	122,328,194	107,570,653
Excess (deficiency) of operating revenues and other support over expenses	7,249,000	(7,632,891)
Other operating changes in net assets:		
Unrealized gain on interest rate swap, net of interest payments to bank	106,753	983,016
Change in postretirement benefit obligation	(177,200)	228,422
Change in net assets from operations	7,178,553	(6,421,453)

See accompanying notes to the consolidated financial statements.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Consolidated Statements of Activities and Changes in Net Assets - Continued

Years ended September 30, 2023 and 2022

	2023	2022
Other nonoperating changes in net assets:		
Gain on sale of land and buildings (see Note (8))	-	2,369,453
Gain on sale of equipment	23,454	-
Impairment loss on equipment (see Note (8))	-	(306,508)
Change in net assets	7,202,007	(4,358,508)
Net assets at beginning of year	66,858,872	71,217,380
Net assets at end of year	$ 74,060,879	$ 66,858,872

See accompanying notes to the consolidated financial statements.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Consolidated Statement of Functional Expenses

Year ended September 30, 2023

	Program Services					Supporting Services				
	Health, Environment, Science & Technology	Research Participation	ORAU Foundation	Other	Total	ORAU Administrative	Research and University Partnerships Office (RUPO)	Corporate Reinvestment Projects	Total	Total
Salaries, wages, and benefits	$ 37,871,265	$ 1,661,505	$ 210,455	$ -	$ 39,743,225	$ 10,542,664	$ 1,238,061	$ 547,634	$ 12,328,359	$ 52,071,584
Professional services	23,321,574	96,519	-	3,000	23,421,093	619,351	55,073	204,301	878,725	24,299,818
Honoraria	734,950	70,895	600	-	806,445	6,675	1,000	27,090	34,765	841,210
Stipends	-	27,236,714	-	-	27,236,714	3,664	-	31,791	35,455	27,272,169
Travel costs	619,128	2,144,417	13,033	-	2,776,578	225,395	49,454	4,079	278,928	3,055,506
Other direct costs	8,065,298	630,105	443,607	312	9,139,322	4,422,352	271,660	249,917	4,943,929	14,083,251
Interest	-	-	-	-	-	704,656	-	-	704,656	704,656
	70,612,215	31,840,155	667,695	3,312	103,123,377	16,524,757	1,615,248	1,064,812	19,204,817	122,328,194
Allocable administrative costs	7,837,018	2,212,865	40,732	-	10,090,615	(10,295,382)	120,992	83,775	(10,090,615)	-
	$ 78,449,233	$ 34,053,020	$ 708,427	$ 3,312	$ 113,213,992	$ 6,229,375	$ 1,736,240	$ 1,148,587	$ 9,114,202	$ 122,328,194

See accompanying notes to the consolidated financial statements.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Consolidated Statement of Functional Expenses

Year ended September 30, 2022

	Program Services					Supporting Services				
	Health, Environment, Science & Technology	Research Participation	ORAU Foundation	Other	Total	ORAU Administrative	Research and University Partnerships Office (RUPO)	Corporate Reinvestment Projects	Total	Total
Salaries, wages, and benefits	$ 33,341,848	$ 1,109,857	$ 218,742	$ -	$ 34,670,447	$ 9,683,534	$ 824,059	$ 754,933	$ 11,262,526	$ 45,932,973
Professional services	21,428,850	84,343	7,763	4,800	21,525,756	818,610	35,303	221,453	1,075,366	22,601,122
Honoraria	627,650	16,425	-	-	644,075	4,775	-	27,440	32,215	676,290
Stipends	-	22,931,029	-	-	22,931,029	8,470	-	35,705	44,175	22,975,204
Travel costs	337,745	1,604,806	6,651	-	1,949,202	160,443	9,479	1,496	171,418	2,120,620
Other direct costs	7,378,628	550,161	327,893	162	8,256,844	3,980,984	228,076	346,654	4,555,714	12,812,558
Interest	-	-	-	-	-	451,886	-	-	451,886	451,886
	63,114,721	26,296,621	561,049	4,962	89,977,353	15,108,702	1,096,917	1,387,681	17,593,300	107,570,653
Allocable administrative costs	7,669,856	2,649,357	34,764	-	10,353,977	(10,563,525)	88,272	121,276	(10,353,977)	-
	$ 70,784,577	$ 28,945,978	$ 595,813	$ 4,962	$ 100,331,330	$ 4,545,177	$ 1,185,189	$ 1,508,957	$ 7,239,323	$ 107,570,653

See accompanying notes to the consolidated financial statements.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Consolidated Statements of Cash Flows

Years ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 7,202,007	$ (4,358,508)
Adjustments to reconcile changes in net assets to cash flows provided by operating activities:		
Depreciation	1,480,550	1,575,744
Non-cash interest expense	5,520	5,520
Gain on sale of land and buildings	-	(2,369,453)
Gain on sale of equipment	(23,454)	-
Impairment loss on equipment	-	306,508
Non-cash lease expense	6,578	-
Unrealized gain on interest rate swap	(106,753)	(983,016)
Unrealized (gains) losses on investments	(3,659,757)	8,642,823
Realized (gains) losses on investments	(232,654)	2,984,934
Investment income reinvested	(748,907)	(993,865)
(Increase) decrease in operating assets:		
Accounts receivable	(375,022)	(3,904,475)
Other receivable - ORISE	233,735	(1,565,988)
Contract assets - ORISE	(34,235)	(32,574)
Contract assets	(38,683)	36,544
Prepaid expenses	93,181	(77,844)
Other assets	143,483	(193,483)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	1,339,920	2,017,377
Contract liabilities	503,825	(742,184)
Accrued postretirement benefits	177,200	(228,422)
Deferred fixed rate variance	(750,863)	1,969,511
Other	25,000	25,000
Total adjustments	(1,937,882)	6,472,657
Net cash provided by operating activities	5,264,125	2,114,149
Cash flows from investing activities:		
Proceeds from sale of land and buildings	-	2,911,683
Proceeds from sale of equipment	23,454	-
Purchases of property and equipment	(1,419,032)	(407,340)
Purchases of investments	(10,842,990)	(10,237,291)
Proceeds from sale of investments	6,635,304	9,479,593
Net cash (used) provided by investing activities	(5,626,718)	1,746,645
Cash flows from financing activities:		
Principle payments on long-term debt	(870,000)	(830,000)
(Decrease) increase in cash and cash equivalents	(1,232,593)	3,030,794
Cash and cash equivalents at beginning of year	10,189,824	7,159,030
Cash and cash equivalents at end of year	$ 8,957,231	$ 10,189,824

See accompanying notes to the consolidated financial statements.

(1) Nature of operations

Oak Ridge Associated Universities, Incorporated ("ORAU") and its subsidiaries, The ORAU Foundation ("Foundation") and ORAU ConScientia, Inc. ("ConScientia"), (collectively, the "Organization"), operates as a non-profit corporation and consortium of 129 colleges and universities. The Organization is a contractor for the U.S. Department of Energy ("DOE"). Through this contract, ORAU manages and operates the Oak Ridge Institute for Science and Education ("ORISE"), which carries out research and development programs in science and engineering education, training, management systems and energy and environmental systems for DOE and other federal agencies and governmental organizations. In addition to the operation of ORISE, ORAU conducts programs to provide services to its member institutions and perform contract services for other governmental and private organizations.

The Foundation is organized exclusively for educational and scientific purposes specifically to assist and aid ORAU in fulfilling and performing educational training and research programs. The members of the Board of Directors of the Foundation are also members of the ORAU Corporate Board of Directors or management. The Foundation charter provides that, at dissolution, all remaining assets will be transferred or conveyed to ORAU.

ConScientia operated as a for-profit corporation. ConScientia was formed in 2019 and was seeking a niche in U.S. Federal government markets, specifically the DOE, Department of Defense, other federal agencies, and potential Mentor Protege agreements with small disadvantaged companies. The members of the board of directors of ConScientia were also members of the ORAU board of directors and ORAU management. The 1,000 common stock shares issued and outstanding were wholly owned by ORAU. The ConScientia charter provided that, ORAU is entitled to receive the net assets of ConScientia upon dissolution. In November 2022, the Board of Directors voted to cease operations of ConScientia, and the entity became inactive in 2023.

The accounts of ORAU are maintained separately from those of ORISE which represent activities under contract with the DOE. As an integrated contractor for the DOE, all ORISE and ORAU activities conducted under the contract are mandated by the DOE. In addition, the DOE assumes responsibility under the contract for conducting the specified activities by providing funding for personnel costs, facilities costs and various other expenses necessary to carry out ORISE activities. In accordance with the contract provisions, ORAU receives an annual management fee which is recorded as revenue in the ORAU consolidated financial statements. All costs and subsequent reimbursements for ORISE activities are recorded in the financial statements of the DOE Standard Automated Reporting System ("STARS"). Accordingly, ORISE financial statements are presented as a separate set of financial statements. The DOE contract, including extensions, that provides the management fee as part of the contract agreement expires on September 30, 2025.

(2) Program activities

ORAU Government Services (OGS) is comprised of two different segments - Health, Environment, Science & Technology (HEST) and Research Participation (RP). The HEST segment is further divided between the Health Studies (HS), Ecology & Environment (EE), and Science & Technology (ST) directorates, and relies on ORAU's experienced work force. The RP segment focuses on science and education programs and works primarily with non-employee participants.

HEST Segment

Health Studies (HS) relies on ORAU's experience in epidemiology and worker public health studies programs. Expertise lies in the area of studying exposure histories in various populations to determine the possible correlation between exposures to radiation or other hazardous substances and illnesses. Capabilities include screenings of various groups to identify potential health concerns resulting from exposures, and collecting data to be analyzed related to worker health histories.

ORAU has established effective partnerships on a national scale to provide innovative worker health solutions, and possesses the experience and expertise necessary to provide the highest levels of quality and integrity. ORAU focuses on workplace hazards research and the occupational health and safety of workers.

From broad-scope epidemiology and health screenings/surveillance studies to providing public health communication and technical training, ORAU offers a comprehensive approach to helping customers manage their worker health concerns.

The Public Health & Healthcare (PHH) program focuses on providing public health and healthcare services through subject matter experts and technical assistance in eight core competencies: Public Health Preparedness, Response, and Recovery; Emergency Management Laboratory; Health Communication, Marketing, and Promotion; Formative Research and Evaluation; Healthcare Delivery Systems; Exercise Builder Nuclear; eLearning Design and Development; and Multimedia Applications.

Additionally, ORAU offers expertise in the areas of national security readiness and emergency preparedness. To further support these efforts, ORAU also employs forensic specialists and other subject matter experts to provide forensic evidence and other investigative testing.

The Ecology & Environment (EE) directorate provides environmental assessment and verification programs that encompass the characterization of specific environmental hazards to be disposed of, and then the independent verification of remediation efforts to ensure the disposal meets federal regulatory standards. By providing high-quality document reviews, plans, and templates, ORAU supports environmental programs by ensuring proper disposition of waste while minimizing risk and uncertainty.

ORAU also provides health physics expertise and special training programs to teach government employees, other government contractors, and the private sector the appropriate and proper methods to handle radioactive materials, accidents involving dangerous or hazardous materials, and in some cases the proper actions in the event of a spill.

ORAU's scientists and engineers conduct research which provides high-quality evaluations of air quality, weather and climate change through advanced meteorological assessments.

The Science & Technology (ST) directorate is responsible for OGS' peer review capability providing scientific event logistical support to multiple federal agencies, state agencies, and universities. Using PeerNet, ORAU's proprietary peer review software and grants management system, or the customers own peer review system, this team provides a broad range of support from review setup, reviewer travel coordination, honoraria processing, to virtual event coordination and support. Additionally, this group provides support services for many virtual meetings, such as virtual career fairs.

ORAU's Workforce Solution program offers talent acquisition, sourcing and management services. The program provides customized recruiting campaigns and services tailored to the specific needs of our clients and program support for scientific research programs.

RP Segment

Research Scholars (RS) directorate within the RP segment focuses on science and education programs that primarily support fellowships, internships, scholarships or other means to place students, faculty, and postdoctoral researchers into research positions at national research facilities or institutions throughout the world.

The purpose of these programs is to have individuals conduct or participate in research with their own education being one of the key benefits. One of the goals of this program is to provide a steady supply of scientists and engineers to meet future needs in critical science and technology areas. Students in science, technology, mathematics, and engineering ("STEM") fields need the skills, knowledge, and experience to stay competitive in an ever-changing global marketplace.

The Research Scholar program focuses on providing participants the opportunity to expand their knowledge as participants. ORAU provides the mechanism to support our clients in finding the most talented and diversified participants so that our nation's research continues to grow.

(3) Summary of significant accounting policies

The consolidated financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The significant accounting policies are described below.

(a) Recently adopted accounting pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), as amended, which requires lessees to recognize leases on the consolidated statement of financial position and disclose key information about leasing arrangements. ASU 2016-02 establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the consolidated statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statement of activities and changes in net assets.

The Organization adopted ASU 2016-02 as of October 1, 2022 utilizing the transition method that allows it to apply the standard as of the adoption date and record a cumulative adjustment in net assets, if applicable. The Organization did not have a cumulative adjustment to net assets.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of Oak Ridge Associated Universities, Incorporated, The ORAU Foundation, Inc. and ORAU ConScientia, Inc., which are under common control and management.

All material intercompany accounts and transactions have been eliminated.

(c) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. The Organization has elected to report all donor-restricted contributions whose restrictions are met in the same reporting year as support without donor restrictions.

(d) Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(e) Investments

Investments in marketable equity and fixed income mutual funds, U.S. treasury notes, U.S. government agencies notes and corporate and foreign bonds with readily determinable fair values are valued at their fair value in the consolidated statements of financial position. Unrealized and realized gains and losses are included in the change in net assets.

See Note (6) for a detailed discussion of the fair value measurements and valuation techniques related to the Organization's financial assets and liabilities.

(f) Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances for billings related to the performance of contracts primarily with federal government agencies. Collateral or other security is not normally required for the receivables. Management does not recognize late fee income on receivables until time of collection. Receivables are considered past due or delinquent after 30 days. Accounts are written-off as a bad debt once normal collection efforts are exhausted. Management believes accounts receivable at year end are collectible; therefore, there is no allowance for doubtful accounts as of September 30, 2023 and 2022.

(g) Property and equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The average useful life of buildings and improvements is approximately 30 years, and the average useful life of machinery and equipment is approximately 7 years. Donated property and equipment are recorded at their estimated market value at the date of the donation.

Expenditures for maintenance and repairs are expensed when incurred. The costs of major additions, replacements and improvements in excess of $5,000 are generally capitalized. When property is retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the change in net assets for the period.

(h) Postretirement benefits

The Organization provides postretirement health care and life insurance benefits for certain qualified employees. The Organization measures the costs of its obligations based upon an actuarial calculation prepared by a third party. The Organization recognizes in its consolidated statements of financial position the overfunded or underfunded status of its defined benefit postretirement plans, measured as the difference between the fair value of plan assets and the benefit obligation (the accumulated postretirement benefit obligation). Changes in the funded status of the plan are recognized in the year in which the change occurs through the consolidated statements of activities and change in net assets.

(i) Derivative instruments

The Organization has a derivative instrument consisting of an interest rate swap arrangement entered into in order to hedge the variable interest rate associated with a portion of its debt. The swap arrangement involves an exchange of floating rate interest payments for fixed rate interest rate payments. The difference between the floating rate and the swap rate is recognized as a component of interest expense in the accompanying consolidated statements of activities and change in net assets.

The Organization's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert a portion of variable-rate debt to a fixed rate. All derivative instruments are recorded by the Organization in its consolidated statements of financial position at their respective fair values.

(j) Income taxes

ORAU and Foundation are exempt from federal income taxes under the provisions of Internal Revenue Code ("IRC") Section 501(c)(3) and are classified by the Internal Revenue Service as other than private foundations, and, accordingly, no provision for income taxes is included in the consolidated financial statements related to these entities.

ConScientia is subject to federal and Tennessee income taxes; however, the 2023 and 2022 activity is not significant to the consolidated financial statements, and accordingly no amounts are reflected for income taxes.

An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Organization has no material uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

As of September 30, 2023 and 2022, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

ORAU and Foundation file separate U.S. Federal informational tax returns annually. ConScientia files a U.S. Federal and Tennessee corporation income tax returns annually.

(k) Leases

The Organization determines whether an arrangement is or contains a lease at lease inception. On the commencement date, operating leases are recorded as operating ROU assets and lease liabilities in the consolidated statement of financial position for non-cancelable operating leases with original or remaining lease terms in excess of one year. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated statement of financial position and are expensed on a straight-line basis over the lease term in the consolidated statement of activities and changes in net assets. ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term. The Organization holds no finance leases as of September 30, 2023.

Operating ROU assets and lease liabilities are recorded at the present value of the lease payments over the lease term. The present value of the lease payments are discounted using the risk free rate based on information available at the later of the lease commencement date or the adoption date of ASU 2016-02 on October 1, 2022. The variable components (if any) of the lease payment that fluctuate with the usage of the leased asset are not included in determining the ROU assets and lease liabilities. Rather, these variable components are expensed as incurred. The Organization recognized ROU assets and liabilities of approximately $1,200,000 upon adoption.

ROU assets are assessed for impairment in accordance with the Organization's long-lived asset policy. Management reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events requiring reassessment in accordance with ASU 2016-02

Accounting Policy Elections

The Organization elected the amended transition requirements allowed for by Topic 842, which provide entities relief by allowing them not to recast prior comparative periods from the adoption of Topic 842. As a result, the prior year comparative consolidated financial statements have not been restated to reflect the adoption of Topic 842.

Additionally, the Organization has elected the package of practical expedients offered in the transition guidance which allows management not to reassess lease identification, lease classification, and initial direct costs. The Organization has elected the accounting policy expedient to exclude recording short-term leases less than twelve months, for all asset classes, as ROU assets and lease liabilities on the consolidated statement of financial position. The Organization has elected the accounting policy practical expedient to recognize lease components and non-lease components together and not as separate parts of a lease for real estate leases. Finally, the Organization has elected the accounting policy to utilize the risk free rate in place of the incremental borrowing rate on leases in which an implicit rate is not readily-available.

(l) Revenue recognition

A contract with a customer is an agreement which both parties have approved, that creates enforceable rights and obligations, has commercial substance and where payment terms are identified and collectibility is probable. Once the Organization has entered a contract, it is evaluated to identify performance obligations. For each performance obligation, revenue is recognized as control of promised goods or services transfers to the customer in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services. The amount of revenue recognized takes into account variable consideration, such as discounts, if any.

Program Revenues

The Organization enters into contracts with its customers that contain firm fixed price and cost plus fixed-fee provisions. Revenue from these contracts is recognized over time, as performance obligations are satisfied. The Organization recognizes revenue using the percentage-of-completion (cost-to-cost) method, based primarily on contract cost incurred to date compared to total estimated (budgeted) cost. The percentage-of-completion method (an input method) is the most faithful depiction of the Organization's performance because it directly measures the value of the services transferred to the customer.

Management evaluates whether two or more contracts should be combined and accounted for as one performance obligation and whether a combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. For most of the Organization's contracts, the customer contracts with the Organization to provide a significant service of integrating a complex set of tasks and components into a single project or capability (even if that single project results in the delivery of multiple units). Accordingly, the entire contract is accounted for as one performance obligation. Less commonly, however, the Organization may promise to provide distinct goods or services within a contract, in which case management separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, management allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation.

Contract costs include all direct labor and other costs. Pre-contract costs are expensed as incurred unless they are expected to be recovered. Contract mobilization costs are generally charged to contract costs as incurred when they are an integral part of the performance obligation being transferred to the customer.

Adjustments to contract cost estimates are made in the periods in which the facts requiring such revisions become known. When the revised estimate, for contracts that are recognized under the percentage-of-completion method, indicates a loss, such loss is provided for in its entirety.

Contract assets and liabilities

Contract assets represent revenues recognized in excess of amounts billed and include unbilled receivables. Unbilled receivables, which represent an unconditional right to payment subject only to the passage of time, are reclassified as accounts receivable when they are billed under the terms of the contract. Contract liabilities represent amounts billed to customers in excess of revenues recognized to date and advance payments received on contracts.

Variable consideration

Certain contracts with customers include variable consideration. The Organization estimates variable consideration at the most likely amount to determine the total consideration which the Organization expects to be entitled. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Organization's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of anticipated performance and all information (historical, current, and forecasted) that is reasonably available if requirements to recognize revenue are met, revenue is recorded only when the costs associated with the variable consideration have been incurred.

Management fees earned under the ORISE contract are recorded on an estimated basis with final adjustments recorded in the year that DOE completes its review and determination of the final amount earned. Management fee revenue earned for the years ended September 30, 2023 and 2022 totaled $5,966,470 and $5,736,609, respectively.

(m) Advertising costs

Advertising costs are expensed as incurred. Advertising expenses totaled $151,863 and $124,628 for the years ended September 30, 2023 and 2022, respectively.

(n) Long-lived assets

If certain triggering events occur as described in Note(6)(b), management evaluates the recoverability of its investment in long-lived assets and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(o) Loan costs

Loan costs are amortized on a straight-line basis over the term of the loan, which approximates the interest method and are presented as a reduction of the related long term debt balance.

(p) Use of estimates

The preparation of consolidated financial statements in accordance with 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time, historical usage patterns and purpose of expenses.

(r) Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements in order for them to conform to the 2023 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(s) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between September 30, 2023 and May 23, 2024, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

(4) Liquidity

A summary of the Organization's financial assets as of September 30, 2023 and 2022, reduced by amounts not available for general use because of the loan covenant described in Note (10) within one year of the consolidated statement of financial position date is as follows:

	2023	2022
Cash and cash equivalents	$ 8,957,231	$ 10,189,824
Investments	50,028,610	41,179,606
Various receivables and contract assets	20,605,162	20,390,957
Financial assets at end of year	79,591,003	71,760,387
Less - funds which must be maintained to comply with loan covenant	12,000,000	12,000,000
Financial assets available to meet cash needs for general expenditures within one year	$ 67,591,003	$ 59,760,387

The Organization does not have any financial assets unavailable because of donor-imposed restrictions or designations by the board of directors. As discussed in Note (9), the Organization has a bank line of credit that could also be accessed to support operations, if necessary. As discussed in Note 3(e), the Organization's investments are comprised of readily available marketable securities that could be accessed for operations; however, management's investment policy is to not access these funds unless other liquid funds are not sufficient for operations.

(5) Credit risk and other concentrations

The Organization generally maintains cash on deposit at a bank and investments in money market accounts in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

A major portion of the Organization's funding is provided by the Centers for Disease Control and Prevention ("CDC"), the Department of Defense ("DOD"), the Environmental Protection Agency ("EPA") and the National Aeronautics Space Administration ("NASA"). The CDC, DOD, EPA and NASA provided approximately 31%, 10%, 13%, and 17%, respectively, of program revenues for 2023. In 2022, the CDC, DOD, EPA and NASA provided approximately 34%, 12%, 13%, and 14%, respectively, of program revenues. A major reduction in contract revenues with these governmental agencies could have a significant effect on future operations.

At September 30, 2023, approximately 54% of combined accounts receivable and contract assets was comprised of balances due from three federal government agencies. At September 30, 2022, approximately 55% of combined accounts receivable and contract assets was comprised of balances due from two federal government agencies.

(6) Assets and liabilities measured at fair value

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Organization does not have any fair value measurements using significant unobservable inputs (Level 3) as of September 30, 2023 and 2022.

(a) Financial instruments

The carrying amount of financial instruments, consisting of cash and cash equivalents, accounts receivable, other current assets, trade accounts payable, accrued expenses, and other current liabilities approximate their fair value due to their relatively short maturities. Long-term debt is carried at amortized cost and long-term lease liabilities are carried at discounted present value, which approximates fair value.

(b) Non-financial assets

The Organization's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Organization is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the year ended September 30, 2022, the Organization recognized an impairment loss for a change in fair value of some equipment as described in Note (8). During the year ended September 30, 2023, the Organization did not measure any non-financial assets at fair value or recognize any revenues or expenses related to changes in fair value for non-financial assets.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value:

	Fair Value Measurements as of September 30, 2023 Using the Following Inputs			
	Total	Level 1	Level 2	Level 3
Investments	$ 50,028,610	$ 50,028,610	$ -	$ -
Interest rate swap asset	$ 621,643	$ -	$ 621,643	$ -

	Fair Value Measurements as of September 30, 2022 Using the Following Inputs			
	Total	Level 1	Level 2	Level 3
Investments	$ 41,179,606	$ 41,179,606	$ -	$ -
Interest rate swap asset	$ 514,890	$ -	$ 514,890	$ -

(7) Investments

Investments are stated at fair value and consist primarily of equities and government securities as follows:

September 30, 2023:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds:			
Growth funds	$ 7,524,121	$ 10,177,817	$ 2,653,696
Value funds	7,703,346	9,264,296	1,560,950
Real estate funds	1,034,121	982,277	(51,844)
International funds	12,203,540	12,104,391	(99,149)
Bond funds	5,757,659	5,030,834	(726,825)
Total mutual funds	34,222,787	37,559,615	3,336,828
U.S. treasury notes	8,425,421	7,909,908	(515,513)
U.S. government agencies notes	691,633	672,828	(18,805)
Corporate and foreign bonds	4,289,826	3,886,259	(403,567)
	$ 47,629,667	$ 50,028,610	$ 2,398,943

September 30, 2022:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds:			
Growth funds	$ 6,931,636	$ 8,458,261	$ 1,526,625
Value funds	6,857,666	7,729,570	871,904
Real estate funds	798,665	810,094	11,429
International funds	11,596,782	9,740,009	(1,856,773)
Bond funds	4,108,352	3,400,289	(708,063)
Total mutual funds	30,293,101	30,138,223	(154,878)
U.S. treasury notes	5,766,475	5,271,949	(494,526)
U.S. government agencies notes	667,473	595,671	(71,802)
Corporate and foreign bonds	5,885,995	5,173,763	(712,232)
	$ 42,613,044	$ 41,179,606	$ (1,433,438)

Investment income (loss) for the year is summarized as follows:

	2023	2022
Interest and dividend income, net	$ 1,750,042	$ 1,958,433
Net realized gains (losses)	232,654	(2,984,934)
Net unrealized gains (losses)	3,659,757	(8,642,823)
Total investment income (loss)	$ 5,642,453	$ (9,669,324)

Interest and dividend income is net of investment management fees of $99,860 and $100,191 for the years ended September 30, 2023 and 2022, respectively.

Investment securities are exposed to various risks such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

(8) Property and equipment

A summary of property and equipment as of September 30, 2023 and 2022 is as follows:

	2023	2022
Land	$ 119,808	$ 119,808
Buildings and improvements	33,414,335	33,414,335
Machinery and equipment	10,713,695	10,157,708
Construction in progress	768,388	53,221
	45,016,226	43,745,072
Accumulated depreciation	(24,329,062)	(22,996,390)
	$ 20,687,164	$ 20,748,682

Depreciation expense totaled $1,480,550 and $1,575,744 for years ended September 30, 2023 and 2022, respectively.

At September 30, 2023 and 2022, construction in progress includes non-major renovations and equipment not placed in service.

In December 2021, certain facilities and land were sold for a total of approximately $3,000,000, resulting in a net gain of $2,369,453 after selling expenses.

During September 2022, a lab facility was closed rendering the lab equipment not usable by the Organization. The equipment had no salvage value. Accordingly, an impairment loss of $306,508 was recorded to reduce the carrying value of the equipment to zero as of September 30, 2022.

(9) Line of credit

ORAU has a $6,500,000 unsecured line of credit available with a bank at September 30, 2023 which expires June 29, 2024. The line of credit is guaranteed by the Foundation. Beginning in June 2022, the line of credit bears interest at the SOFR rate plus 2.0% per annum with a floor of 2.0%. Prior to June 2022, interest was calculated at the LIBOR rate plus 2.0% per annum with a floor of 2.0%. The rate at September 30, 2023 was 7.31%. There were no borrowings outstanding under the line of credit at September 30, 2023 and 2022.

(10) Long-term debt

On June 23, 2010, the Organization entered into a loan agreement with the Industrial Development Board ("IDB") of the City of Oak Ridge, Tennessee to borrow $27,700,000. The IDB issued variable rate bonds, dated June 1, 2010, to finance the loan to ORAU. The loan proceeds were used to pay off a previous $27,545,000 loan issued in 2007. The 2007 loan was used for the construction of an office building and to pay off a prior loan issued in 2002. ORAU makes monthly interest payments to a bank that purchased the bonds. Effective April 6, 2021, the interest rate was adjusted to equal 81.43% of the sum of LIBOR plus 1.80% (Margin). The interest rate would increase based on a formula if the maximum corporate tax rate was reduced below 21% in the future. Effective July 1, 2023, the interest rate formula was revised to equal 81.43% of the sum of TERM-SOFR plus 1.80% (Margin) plus 0.11448% (spread adjustment) to account for cessation of LIBOR as the benchmark. In no event shall the interest rate exceed 12%. At certain points during the life of the bonds, ORAU may direct a change in the interest period, thereby adjusting the interest rate of the bonds. The interest rate at September 30, 2023 was 5.89%.

Principal payments are due annually with the final payment expected on September 1, 2038. The remaining annual principal payments range from approximately $915,000 to $1,345,000.

ORAU has pledged all furniture, fixtures and buildings on the Oak Ridge campus to secure the loan payments, and the Foundation has guaranteed ORAU's obligations under the loan agreement. The loan covenants require the Organization to maintain $12,000,000 in unrestricted cash and investments and a debt service coverage ratio of 1.10 to 1.0. The Organization was in compliance with the above covenants in effect at September 30, 2023.

The loan agreement and the line of credit described in Note (9) also require the Organization to provide its audited consolidated financial statements to the bank within 180 days after the Organization's fiscal year end. Due to an outstanding performance audit conducted on behalf of the DOE Inspector General and not concluded until May 9, 2024 (described in Note (17)), ORAU requested and received an extension from the bank on March 28, 2024 to provide the audited consolidated financial statements prior to June 30, 2024.

The City of Oak Ridge is not liable for and does not guarantee bonds issued by the IDB or the related loan to ORAU.

The Organization can make principal payments on the loan in advance. During 2023, the Organization paid the principal payments scheduled for payment during 2024, and during 2022, the Organization paid the principal payments scheduled for payment during 2023. As such there were no current installments of long-term debt due on the consolidated statements of financial position at September 30, 2023 and 2022.

A summary of long-term debt as of September 30, 2023 and 2022 is as follows:

	2023	2022
Note payable to Industrial Development Board of Oak Ridge, Tennessee, Series 2010	$ 15,288,000	$ 16,158,000
Less unamortized debt issuance costs	82,805	88,325
Total long-term debt, net	15,205,195	16,069,675
Less current installments	-	-
Long-term debt, net, excluding current installments	$ 15,205,195	$ 16,069,675

A summary of future maturities of long-term debt as of September 30, 2023 is as follows:

Year	Amount
2024	$ -
2025	915,000
2026	960,000
2027	1,005,000
2028	1,050,000
2029 and later years	11,358,000
Total	$ 15,288,000

The Credit Agreement contains a call provision whereby the bank, or its successors or assigns, shall have the right and option to exercise a demand purchase option to tender the bonds. On April 22, 2021, the tender dates were amended to be October 1, 2030 and 2035 for full payment if the bank were to exercise the option.

(11) Self-funded insurance plan

The Organization and ORISE provide their employees and their dependents with comprehensive health care coverage. The coverage is partially self-insured by the Organization and ORISE with limits on individual losses and on an aggregate basis. Claims above those limits are reinsured with an outside insurance carrier. ORISE recorded total estimated liabilities of $1,630,584 and $1,672,312 at September 30, 2023 and 2022, respectively, relating to claims incurred but not yet reported under the plan for both the Organization and ORISE employees. The estimated liability is included in the determination of intercompany overhead rates used between the Organization and ORISE throughout the year, and as such, the cost is a component of settlements made through an intercompany receivable/payable account on a regular basis.

Claims are administered by a third party.

Although management has provided its best estimate of the claims liability recorded on ORISE financial statements, the ultimate amount of the liability for these claims cannot be determined at this time and the estimate could change within the near term impacting the Organization's intercompany overhead rates. While it is possible that future revisions will have a material impact on the Organization's future intercompany overhead rates, management does not anticipate that future revisions will have a material impact on the Organization's intercompany overhead rates.

(12) Employee benefit plan

The Organization sponsors the Oak Ridge Associated Universities 403(b) Retirement Plan (the ''403(b) Plan''), which is a defined contribution retirement plan made available by IRC Section 403(b). Full-time employees and substantially all part-time employees are required upon employment and attaining 21 years of age to participate. Employees are immediately vested in the mandatory employee contributions and are 100% vested in employer contributions after completing three years of service.

The following table indicates the service and contribution requirements under the 403(b) Plan.

Years of Service	Employee Contribution	Employer Contribution
Up to One	2%	-
One to Two	2%	7%
Two or More	3%	7%

The 403(b) Plan also permits elective contributions for all employees after they meet certain eligibility requirements. The Organization matches 50% of the participant’s elective contributions up to 3% of their basic annual salary. Employees may elect to contribute up to the annual IRC limit. Employees are immediately vested in the elective employee and employer contributions.

The accompanying consolidated financial statements reflect employer contributions to the 403(b) Plan of approximately $4,334,000 and $3,869,000 for 2023 and 2022, respectively.

(13) Postretirement benefit plan

The Organization provides postretirement health and life insurance benefits (the "Plan") for certain qualifying employees. The following tables set forth the Plan's funded status reconciled with the amounts recognized in the Organization's consolidated statements of financial position at September 30, 2023 and 2022.

	2023	2022
Accumulated postretirement benefit obligation	$ 2,308,200	$ 2,131,000
Plan assets	-	-
Funded status	$ 2,308,200	$ 2,131,000

Net postretirement benefit costs (reductions) for 2023 and 2022 are as follows:

	2023	2022
Service cost	$ 159,900	$ 180,700
Interest cost	114,200	68,500
Net loss (gain), including amortization	100,900	(285,622)
	$ 375,000	$ (36,422)

The cumulative unrecognized loss was $724,200 and $691,700 as of September 30, 2023 and 2022, respectively.

The assumed medical care cost trend rate used in measuring the benefit obligation is 6.81% declining to 5.00% by the year 2037, while dental care cost trend is 3.54% declining to 3.00% by the year 2037. The discount rate used in determining the benefit obligation was 5.60% and 5.10% at September 30, 2023 and 2022, respectively. The Organization made contributions to the Plan in amounts equal to the benefits paid by the Plan of $197,800 and $192,000 during 2023 and 2022, respectively. The payments of benefits are included in salaries and benefits in the consolidated statements of functional expenses and are allocated to program and support services on a proportional basis. Additionally, the Organization incurs expenses related to administration of the Plan.

Approximate benefits expected to be paid and funded by contributions from the Organization for each of the next five years and the aggregate amount for the five years thereafter are as follows:

2024	$ 194,300
2025	212,900
2026	208,500
2027	199,400
2028	203,200
2029 - 2033	1,111,500

(14) Lease obligations

The Organization leases office space under long-term operating leases. The Organization receives reimbursements from ORISE for a portion of the lease payments totaling approximately 21% and 49% of the total payments during 2023 and 2022, respectively.

The components of lease expense, included in other direct costs in the accompanying statement of functional expenses are as follows for the year ended September 30, 2023:

Operating lease costs:	
Operating lease costs	$ 648,563
Variable lease costs	46,617
Total operating lease costs	$ 695,180

Rent expense, net of reimbursements from ORISE, for all operating leases as presented under the old guidance was $1,044,438 in 2022.

Supplemental cash flow information related to leases are as follows for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 641,985

Additional supplemental information regarding assumptions for leases as of September 30, 2023:

Operating leases	
Weighted average remaining lease terms (in years)	1.58
Weighted average discount rate	5.19%

Minimum Lease Payments

The maturity of the operating lease liability as of September 30, 2023 is as follows:

Year	Amount
2024	$ 421,800
2025	163,700
2026	55,100
Total undiscounted cash flows	640,600
Less: present value discount	(26,566)
Less: lease liabilities, current portion	(402,826)
Lease liabilities, excluding current portion	$ 211,208

(15) Deferred fixed rate variance

The Organization receives funding or reimbursement from federal government agencies for work performed under various contracts. Reimbursable operating expenses are recognized as related costs are incurred. The Organization utilizes pre-established indirect rates for the recovery of fringe benefits and indirect costs on these contracts. Such recoveries are subject to carryforward provisions that provide for adjustments to be included in the negotiation of future pre-established rates. The deferred fixed rate variance accounts represent the cumulative amount owed to or due from the federal government and commercial customers. Rates are provided to DOE annually for DOE acceptance.

The Organization utilizes a carry-forward methodology to settle final indirect cost rates with the federal government and its commercial customers for closed fiscal years. Any indirect rate variance carried over into the open fiscal year is considered in the calculation of the new fiscal year's indirect rate. Therefore, the new fiscal year's indirect rates are modified to account for over or under billing from the previous closed fiscal year.

The indirect costs incurred during an open fiscal year are reimbursed using proposed indirect rates. During the fiscal year, the actual indirect rate variances are monitored and compared to the proposed indirect rates used to bill for work performed. This comparison is used to calculate the amount of actual indirect costs that were over or under billed for the closed fiscal year. Instead of the Organization resolving the over or under difference between estimated and actual incurred costs claimed by adjusting the final rates and issuing credits for any over-billing or charging customers for any under-billing, the variance is carried forward and considered in the next open fiscal year's indirect cost rate calculation, unless a materiality threshold (5%) is exceeded on an individual cost objective basis. For cost objectives impacted by the 5% threshold during the open fiscal year, retroactive adjustments are provided to DOE, other federal government agencies, or commercial customers impacted. Due to certain variances which exceeded the 5% threshold, retroactive adjustments of approximately $2,754,000 were credited to final cost objectives in 2023. Adjustments of $66,000 were made in 2022 to charge final cost objectives for an under-billed rate which exceeded the 5% threshold. For remaining carried forward fixed rate variance, invoicing reflects such adjustment in the next open fiscal year.

(16) Derivative instruments

The Organization uses interest-rate-related derivative instruments to manage its exposure on its debt instrument. By using derivative financial instruments to hedge exposures to changes in interest rates, the Organization exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Organization, which creates credit risk for the Organization. When the fair value of a derivative contract is negative, the Organization owes the counterparty and, therefore, it does not possess credit risk. The Organization minimized the credit risk in its derivative instrument at September 30, 2023 by entering into the instrument with the same bank that holds the underlying debt.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates, currency exchange rates, or commodity prices. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Organization uses variable-rate debt to finance its operations. The debt obligations expose the Organization to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into a forward swap agreement on March 2, 2016 with an effective date of September 1, 2017 to manage fluctuations in cash flows resulting from interest rate risk. On April 22, 2021, the 2016 swap had a negative fair value of $339,797, which was blended into a new swap trade that extended the maturity date of the swap arrangement. The swap attempts to change the variable-rate cash flow exposure on a portion of the debt obligations to fixed cash flows.

At September 30, 2023, the Organization's interest rate swap arrangement has a notional amount of $8,125,000. This swap arrangement requires the Organization to pay a fixed interest rate of 1.460% in exchange for the receipt of variable rate payments based upon the Compound SOFR 1 month rate. Derivative investments are governed by the Alternative Reference Rate Committee (ARRC), which adopted Compound SOFR as the benchmark replacement for LIBOR, which ceased as of June 30, 2023. The ARRC is the relevant governing body of the Federal Reserve Board. As of September 30, 2023, the Compound SOFR 1 month rate was approximately 3.639% compared to the variable rate of 5.89% on the debt discussed in Note (10). This swap arrangement expires October 1, 2030.

The Organization's interest rate swap arrangement in effect as of September 30, 2023 qualifies for derivative accounting. Accordingly, changes in fair value of the interest rate swap arrangement is reported in the consolidated statements of activities.

The swap has a positive fair value of $621,643 and $514,890 at September 30, 2023 and 2022, respectively, and is recorded as an asset on the accompanying consolidated statements of financial position. The total positive fair value represents the estimated amount the Organization would receive to cancel the contract or transfer it to other parties. If the swap agreement is not terminated prior to its expiration date, the current positive fair value will reverse over the remaining life of the agreement as a noncash expense in the consolidated statements of activities and changes in net assets.

(17) Contingencies

ORAU participates in various federal and state award programs and contracts and ORAU's compliance with the requirements of such programs and contracts is subject to audit or other verification at the discretion of grantors. As described in Note (1), the Organization is a contractor for DOE and through a contract with DOE manages and operates ORISE on behalf of DOE. The Organization's statement of costs incurred and claimed under the contract for the years ended September 30, 2018, through September 30, 2020, were subjected to a performance audit on behalf of the DOE Inspector General as permitted by the contract terms. The performance audit results were issued on December 28, 2023, which questioned certain costs for each year audited under the contract. On May 9, 2024, the DOE issued a letter to the Organization stating that the costs previously questioned in the performance audit were allowable costs under the contract.

As of May 23, 2024, the Organization's final indirect cost rate proposal (using the Incurred Cost Electronically (ICS) Model) under the DOE contract for the years ended September 30, 2021, through September 30, 2023, are in the initial stages of a performance audit being conducted on behalf of the DOE Inspector General. Based on the ultimate results of the previous performance audit discussed above, management is not aware of any significant noncompliance issues which, upon ultimate resolution, could have a material adverse impact on the financial condition of the Organization.

The Organization is subject to various legal proceedings and claims that arise in the ordinary course of its business. The Organization is currently involved in certain employment related litigation matters in which the Organization intends to defend itself vigorously and maintains relevant insurance coverage. In the opinion of management, the ultimate liability, if any, with respect to such claims will not materially affect the financial position of the Organization.

During 2023 the Organization was affected by a Zero Day Cyber Exploit, which targeted a software product that was from an external vendor and utilized by the Organization. This Zero Day exploit was global and impacted a wide range of other organizations that also used the software program. The Organization incurred costs as a result of the incident during 2023 and recognized up to the $150,000 deductible under the applicable insurance policy. The incident response has been closed, and the Organization is not aware of any additional claims as of May 23, 2024 and expects any potential claims to be covered by the applicable insurance policy.

(18) Related party transactions

The Organization was owed other receivables from ORISE of $1,520,736 and $1,754,471 as of September 30, 2023 and 2022, respectively.

The Organization received fees for managing ORISE totaling approximately $5,966,000 and $5,737,000 in 2023 and 2022, respectively. The contract assets from the management contract totaled approximately $889,000 and $854,000 at September 30, 2023 and 2022, respectively.

The Organization is owed an advance from ORISE totaling $1,500,000 as of September 30, 2023 and 2022. The advance is non-interest bearing and is not expected to be repaid until the contract to manage ORISE is terminated.

(19) Supplemental disclosures of cash flow statement information

	2023	2022
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	**$ 704,656**	**$ 449,050**

The Organization reinvested $748,907 and $993,865 of investment income from certain investments during 2023 and 2022, respectively.

(20) Subsequent event

In February 2024, the Organization entered into construction contracts for building renovations totaling approximately $2,740,000.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Consolidating Schedule - Statement of Financial Position

September 30, 2023

	ORAU	Foundation	Eliminations	Consolidated Total
Assets				
Current assets:				
Cash and cash equivalents	$ 6,383,080	$ 2,574,151	$ -	$ 8,957,231
Investments, at fair value	-	50,028,610	-	50,028,610
Accounts receivable	14,389,492	-	-	14,389,492
Other receivable - ORISE	1,520,736	-	-	1,520,736
Contract assets - ORISE	888,623	-	-	888,623
Contract assets	3,806,311	-	-	3,806,311
Prepaid expenses	106,238	-	-	106,238
Total current assets	27,094,480	52,602,761	-	79,697,241
Property and equipment, net	20,687,164	-	-	20,687,164
Operating lease right-of-use assets	607,456	-	-	607,456
Due from ORISE	1,500,000	-	-	1,500,000
Fair value of interest rate swap agreement	621,643	-	-	621,643
Other assets	200,877	-	-	200,877
	$ 50,711,620	$ 52,602,761	$ -	$ 103,314,381
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$ 6,911,935	$ -	$ -	$ 6,911,935
Contract liabilities	3,120,211	-	-	3,120,211
Accrued postretirement benefits	189,100	-	-	189,100
Current portion of operating lease liabilities	402,826	-	-	402,826
Deferred fixed rate variance	943,927	-	-	943,927
Total current liabilities	11,567,999	-	-	11,567,999
Long-term debt, net	15,205,195	-	-	15,205,195
Accrued postretirement benefits	2,119,100	-	-	2,119,100
Operating lease liabilities, excluding current portion	211,208	-	-	211,208
Other	150,000	-	-	150,000
Total liabilities	29,253,502	-	-	29,253,502
Net Assets - without donor restrictions	21,458,118	52,602,761	-	74,060,879
	$ 50,711,620	$ 52,602,761	$ -	$ 103,314,381

See accompanying independent auditors' report.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Consolidating Schedule - Statement of Financial Position

September 30, 2022

	ORAU	Foundation	ORAU ConScientia, Inc.	Eliminations	Consolidated Total
Assets					
Current assets:					
Cash and cash equivalents	$ 7,351,180	$ 2,828,007	$ 10,637	$ -	$ 10,189,824
Investments, at fair value	-	41,179,606	-	-	41,179,606
Accounts receivable	14,008,576	-	5,894	-	14,014,470
Other receivable - ORISE	1,754,471	-	-	-	1,754,471
Contract assets - ORISE	854,388	-	-	-	854,388
Contract assets	3,767,628	-	-	-	3,767,628
Prepaid expenses	199,419	-	-	-	199,419
Total current assets	27,935,662	44,007,613	16,531	-	71,959,806
Property and equipment, net	20,748,682	-	-	-	20,748,682
Note receivable	104,000	-	-	(104,000)	-
Investment in subsidiary	5,000	-	-	(5,000)	-
Due from ORISE	1,500,000	-	-	-	1,500,000
Fair value of interest rate swap agreement	514,890	-	-	-	514,890
Other assets	344,360	-	-	-	344,360
	$ 51,152,594	$ 44,007,613	$ 16,531	$ (109,000)	$ 95,067,738
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued liabilities	$ 5,572,015	$ -	$ -	$ -	$ 5,572,015
Contract liabilities	2,616,386	-	-	-	2,616,386
Accrued postretirement benefits	183,900	-	-	-	183,900
Deferred fixed rate variance	1,694,790	-	-	-	1,694,790
Total current liabilities	10,067,091	-	-	-	10,067,091
Note payable	-	-	104,000	(104,000)	-
Long-term debt, net	16,069,675	-	-	-	16,069,675
Accrued postretirement benefits	1,947,100	-	-	-	1,947,100
Other	125,000	-	-	-	125,000
Total liabilities	28,208,866	-	104,000	(104,000)	28,208,866
Net Assets - without donor restrictions	22,943,728	44,007,613	(87,469)	(5,000)	66,858,872
	$ 51,152,594	$ 44,007,613	$ 16,531	$ (109,000)	$ 95,067,738

See accompanying independent auditors' report.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Summary of Activities

Years ended September 30, 2023 and 2022

	2023			2022		
	Revenues	Expenses	Net	Revenues	Expenses	Net
Program Services:						
Health, Environment, Science & Technology	$ 82,251,355	$ 78,449,233	$ 3,802,122	$ 73,757,555	$ 70,784,577	$ 2,972,978
Research Participation	34,657,082	34,053,020	604,062	29,519,208	28,945,978	573,230
ORAU Foundation activities	5,595,149	708,427	4,886,722	(9,705,340)	595,813	(10,301,153)
Other sponsored programs	24	3,312	(3,288)	26,962	4,962	22,000
Interest income	47,281	-	47,281	9,054	-	9,054
Total Program Services	122,550,891	113,213,992	9,336,899	93,607,439	100,331,330	(6,723,891)
Supporting Services:						
Administrative and general - President's Office/Consortium	7,026,303	6,229,375	796,928	6,330,323	4,545,177	1,785,146
Research and university partnerships office	-	1,736,240	(1,736,240)	-	1,185,189	(1,185,189)
Corporate reinvestment projects	-	1,148,587	(1,148,587)	-	1,508,957	(1,508,957)
Subtotal	129,577,194	122,328,194	7,249,000	99,937,762	107,570,653	(7,632,891)
Unrealized gain on interest rate swap	-	(106,753)	106,753	-	(983,016)	983,016
Gain on sale of equipment	23,454	-	23,454	-	-	-
Gain on sale of land and buildings	-	-	-	-	(2,369,453)	2,369,453
Impairment loss on equipment	-	-	-	-	306,508	(306,508)
Change in postretirement benefit obligation	-	177,200	(177,200)	-	(228,422)	228,422
Total	$ 129,600,648	$122,398,641	$ 7,202,007	$ 99,937,762	$104,296,270	$ (4,358,508)

See accompanying independent auditors' report.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Schedule of Investments

September 30, 2023 and 2022

	2023			2022		
	% Current Yield	Fair Value	Amortized Cost	% Current Yield	Fair Value	Amortized Cost
Money market fund:						
Goldman Sachs Financial Money Market Fund	5.30	$ 2,324,260	$ 2,324,260	-	$ -	$ -
TIAA - CREF Trust Co Cash Deposit Account	5.23	$ 248,500	$ 248,500	0.01	$ 2,591,599	$ 2,591,599
Total money market fund		2,572,760	2,572,760		2,591,599	2,591,599
Mutual funds:						
Growth funds						
Vanguard Mid-Cap Growth Fund	0.73	1,786,467	1,647,623	0.77	1,572,967	1,656,010
TIAA-CREF LG-Cap Growth Index Fund	0.88	7,879,047	5,196,353	1.25	6,449,408	4,627,344
Wasatch Small-Cap Growth Fund	-	512,303	680,145	-	435,886	648,282
Total growth funds		10,177,817	7,524,121		8,458,261	6,931,636
Value funds						
Delaware Small Cap Value Fund	1.18	760,865	734,993	0.86	631,950	632,421
TIAA-CREF L/C Value Index Fund	2.28	5,749,899	4,705,300	2.25	4,800,872	4,222,268
iShares Russell Mid-Cap Value ETF	1.95	2,753,532	2,263,053	2.04	2,296,748	2,002,977
Total value funds		9,264,296	7,703,346		7,729,570	6,857,666
Real estate funds						
Cohen & Steers Real Estate Securities Fund	3.79	491,384	550,997	2.76	405,497	436,476
Vanguard Real Estate Index Fund	4.74	490,893	483,124	3.89	404,597	362,189
Total real estate funds		982,277	1,034,121		810,094	798,665

See accompanying independent auditors' report.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED

Schedule of Investments - Continued

September 30, 2023 and 2022

	2023			2022		
	% Current Yield	Fair Value	Amortized Cost	% Current Yield	Fair Value	Amortized Cost
International funds						
iShares MSCI EAFE ETF	1.77	248,694	304,401	5.29	199,803	285,622
iShares Core MSCI EAFE ETF	2.52	8,246,967	7,840,197	2.96	6,501,059	7,522,674
MFS International New Discovery	0.89	265,314	265,348	1.97	210,751	233,134
Harding Loevner Institutional Emerging Mkt	0.95	3,343,416	3,793,594	1.09	2,828,396	3,555,352
Total international funds		12,104,391	12,203,540		9,740,009	11,596,782
Bond funds						
Vanguard High-Yield Corporate Fund	5.89	411,565	462,135	5.12	343,679	403,637
DFA Inflation Protected Sec Fund	3.44	2,149,487	2,461,262	8.90	1,758,654	2,016,371
TIAA-Cref Bond Index Fund	2.92	994,388	1,037,925	-	-	-
iShares JP Morgan USD Em Mkt Bond ETF	5.14	236,502	326,819	5.36	227,560	326,818
PIMCO Emerging Local Bond Instl Fund	5.23	270,082	402,236	4.92	272,895	453,307
Vanguard Short-Term Bond Index	2.09	553,442	585,848	1.23	454,027	487,295
TIAA-CREF High Yield Fund	6.16	415,368	481,434	5.66	343,474	420,924
Total bond funds		5,030,834	5,757,659		3,400,289	4,108,352
Total mutual funds		37,559,615	34,222,787		30,138,223	30,293,101
U.S Treasury notes		7,909,908	8,425,421		5,271,949	5,766,475
U.S. Government agencies		672,828	691,633		595,671	667,473
Corporate and foreign bonds		3,886,259	4,289,826		5,173,763	5,885,995
Subtotal		52,601,370	50,202,427		43,771,205	45,204,643
Less money market funds reflected as cash and cash equivalents in Consolidated Statements of Financial Position		2,572,760	2,572,760		2,591,599	2,591,599
Total, reflected in investments in Consolidated Statements of Financial Position		$ 50,028,610	$ 47,629,667		$ 41,179,606	$ 42,613,044

See accompanying independent auditors' report.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED
AND
OAK RIDGE INSTITUTE FOR SCIENCE AND EDUCATION

Schedule of Expenditures of Federal and State Awards, Government Auditing Standards and Uniform Guidance Reports

September 30, 2023

(With Independent Auditors' Report Thereon)

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OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED
AND
OAK RIDGE INSTITUTE FOR SCIENCE AND EDUCATION

Table of Contents

	Page
Schedule of Expenditures of Federal and State Awards and Related Notes	1 - 3
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*	4 - 5
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	6 - 9
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	11

Oak Ridge Associated Universities, Incorporated
Schedule of Expenditures of Federal and State Awards and Related Notes
Year Ended September 30, 2023

Federal Awards	Federal Assistance Listing Number	Grantor's or Contract Number	Federal or State Expenditures
U.S. Dept. of Energy:			
National Supplemental Screening Program (NSSP)	81.108	DE-FC01-05EH04022	$ 4,918,034
Integrated contractor - Oak Ridge Institute for Science and Education	81.000 (C)	DE-SC0014664	312,775,334 (B)
The Oak Ridge Institute (ORI): A Partnership between the University of Tennessee and Oak Ridge National Lab for Interdisciplinary Workforce Development in Emerging Science and Technology - Passthrough University of Tennessee	81.087	A21-0191-S001	37,694
Total for U.S. Dept. of Energy			317,731,062
U.S. Dept. of Health and Human Services:			
Centers for Disease Control and Prevention:			
NIOSH - Dose Reconstruction & Related Activities to Support NIOSH's Responsibilities under the EEIOCPA	93.000 (C)	75D30119C05226	36,037,773
Birth Defects and Developmental Disabilties, Prevention and Surveillance	93.073	NU84DD000013-02-00	243,374
Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects - Passthrough Emory University	93.185	1 U011P001117-01-00	178,164
Multi-Scale Evaluation and Mitigation of Toxicities Following Internal Readionuclide Contamination - Passthrough Northwestern University	93.855	60061554	41,860
Total for U.S. Dept. of Health and Human Services			36,501,171
National Science Foundation:			
Collaborative Research - Bridging the Scale Gap Between Local and Regional Methane and Carbon Dioxide Isotopic Fluxes in the Arctic	47.078	1848694	204,384
Collaborative Research - The Texas A&M System AGEP Alliance: A Model to Advance Historically Underrepresented Minorities in the STEM Professorate- Passthrough Texas A&M University	47.076	02-M1800005	(163)
Total for National Science Foundation			204,221
National Aeronautics and Space Administration:			
Dimensions of Citizen Science and Authentic STEM in the GLOBE Program: An Evaluation and Characterization Study of Student Investigations in the International Virtual Science Symposium and Student Research Symposia	43.001	18-NUP2018-0059	799
U.S. Dept. of Defense:			
Aligning Disimetry and Biomarkers of Lung Injury with Prophylaxis - Passthrough Northwestern Univerisity	12.420	60060216	41,910
U.S. Army Contracting Command - Aberdeen Proving Ground Research Triangle Park Division on behalf of U.S. Army Research Lab (ARL)	12.630	W911NF-16-2-0008, W911NF-22-20097	11,570,465
Total for Deparment of Defense			11,612,375

See Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

Oak Ridge Associated Universities, Incorporated
Schedule of Expenditures of Federal and State Awards and Related Notes - Continued
Year Ended September 30, 2023

Federal Awards	Federal Assistance Listing Number	Grantor's or Contract Number	Federal or State Expenditures
Appalachian Regional Commission:			
Oak Ridge Middle & High School Summer Math/Science/Technology Programs	23.011	CO-17197-C10-22; CO-17197-C11-23	639,804
U.S. Dept. of Commerce:			
National Oceanic and Atmosphere Administration (NOAA) Cooperative Institute for Mesoscale Meteorological Studies (CIMMS) - Passthrough North Carolina State University	11.432	2019-2869-08	2,592,226
National Oceanic and Atmosphere Administration (NOAA) Enhancing Capabilities to Better Protect Air Quality Impacts from Wildfires - Passthrough North Carolina State University	11.313	2023-1007-01	17,396
National Oceanic and Atmosphere Administration (NOAA) Science and Services Enhancing Weather and Climate - Passthrough North Carolina State University	11.313	2023-1008-01	491,206
Total for U.S. Dept. of Commerce			3,100,828
U.S. Department of State:			
Crime Scene Management Training to Support the Identification, Investigation, and Disruptions of Chemical and Biological WMD Threats - Passthrough University of Tennessee	19.000 (C)	9500099533	40,045
Total Federal Awards			$ 369,830,305
State Awards			
State of Pennsylvania:			
Department of Health:			
Pennsylvania Review of the Health Research Project		4400021581	253,517 (F)
TOTAL FEDERAL AND STATE AWARDS			$ 370,083,822

See Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

Notes to Schedule of Expenditures of Federal and State Awards:

Note A - Accounting Policies:

The accompanying schedule of expenditures of federal and state awards (the "Schedule") is prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Federal cost principles applicable to for-profit entities*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Oak Ridge Associated Universities operates under federal cost principles applicable to for-profit entities due to its size and nature of operations.

The expenditure threshold for classification as a Type A program excluding ORISE (as discussed in Note B below) is $1,712,549. The expenditure threshold for classification as a Type A program including ORISE is $3,000,000.

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

There were no awards passed through to subrecipients.

Note B - Oak Ridge Institute for Science and Education:

Represents the total reimbursable operating expenses and capital expenditures of Oak Ridge Institute for Science and Education. As an integrated contractor, Oak Ridge Associated Universities, Incorporated discloses the gross activity of the managed operations on the consolidated statement of activities which nets to the management fee earned in the performance of the contract. The contract requires that the provisions of the Uniform Guidance apply to the contract.

Note C - No specific Federal Assistance Listing Number number assigned.

Note D - Uniform Guidance:

The Schedule includes the federal and state award activity of Oak Ridge Associated Universities, Incorporated under programs of the federal government and State of Pennsylvania for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Oak Ridge Associated Universities, Incorporated, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Oak Ridge Associated Universities, Incorporated.

Note E - The Organization did not receive or expend any federal and state awards during fiscal year 2023 in the form of non-cash assistance.

Note F - The following schedule (Schedule of Contractual Performance) shows the amount budgeted, actual expenditures and any variances between budget and actual under the Pennsylvania Review of Health Research Project for the period from July 1, 2022 through June 30, 2023. The budgeted amounts are based on the upper limit of peer reviews provided, and the budgeted amount for each peer review varies. The Organization was tasked with three reviews during the period from July 1, 2022 thorugh June 30, 2023.

Categories	Budget	Actual	Variance
Personnel services	$ 415,147	$ 64,588	$ 350,559
Subcontract services	29,574	2,826	26,748
Other costs	300,105	178,609	121,496
Total	$ 744,826	$ 246,023	$ 498,803

See Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

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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*

Board of Directors
Oak Ridge Associated Universities, Incorporated

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 consolidated financial statements of Oak Ridge Associated Universities, Incorporated and Subsidiaries ("ORAU") (a nonprofit organization) and the financial statements of Oak Ridge Institute for Science and Education ("ORISE"). ORAU's consolidated financial statements are comprised of the consolidated statement of financial position as of September 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements. ORISE's financial statements are comprised of the statement of financial position as of September 30, 2023, and the related statements of reimbursable operating expenses and capital expenditures and changes in contract net assets and capital expenditures, and the related notes to the financial statements of ORISE. We have issued our reports thereon dated May 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated financial statements of ORAU and the financial statements of ORISE (each, the "Organization"), we considered each Organization'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 consolidated financial statements of ORAU and the financial statements of ORISE, but not for the purpose of expressing an opinion on the effectiveness of each Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of either Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ORAU's consolidated financial statements or ORISE's financial statements are free from material misstatement, we performed tests of each Organization's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on each Organization's 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 each 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 each Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBMC, PC

Knoxville, Tennessee
May 23, 2024

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

Board of Directors
Oak Ridge Associated Universities, Incorporated

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Oak Ridge Associated Universities, Incorporated's and Oak Ridge Institute for Science and Education's (each, the "Organization") 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 each of the Organizations' major federal programs for the year ended September 30, 2023. The Organizations' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organizations 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 September 30, 2023.

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; 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 *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organizations and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organizations' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organizations' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organizations' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organizations' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- **Exercise professional judgment and maintain professional skepticism throughout the audit.**
- **Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organizations' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.**
- **Obtain an understanding of the Organizations' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' 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 *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal and State Awards and Related Notes Required by the Uniform Guidance

We have audited the consolidated financial statements of Oak Ridge Associated Universities, Incorporated and the financial statements of Oak Ridge Institute for Science and Education as of and for the year ended September 30, 2023, and have issued our reports thereon dated May 23, 2024, which contained an unmodified opinion on each of those financial statements. Our audits were conducted for the purpose of forming an opinion on each entity's financial statements as a whole. The accompanying schedule of expenditures of federal and state awards and related notes, is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of either entity's 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 each entity's financial statements. The information has been subjected to the auditing procedures applied in the audit of each entity's financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare each entity's financial statements or to each entity's financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal and state awards and related notes is fairly stated in all material respects in relation to each entity's financial statements as a whole.

LBMC, PC

Knoxville, Tennessee
May 23, 2024

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED
AND
OAK RIDGE INSTITUTE FOR SCIENCE AND EDUCATION

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	**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 and State 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 programs:	**Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	____	**Yes**	**X**	**No**

Identification of Major Programs:

FALN Number - 81.000	**U.S. Department of Energy - Integrated Contractor - Oak Ridge Institute for Science and Education**
FALN Number - 81.108	**U.S. Department of Energy - National Supplemental Screening Program (NSSP)**
FALN Number - 12.630	**U.S. Department of Defense - U.S. Army Contracting Command - Aberdeen Proving Ground Research Triangle Park Division on behalf of U.S. Army Research Lab (ARL)**
State Award (Required by the state of Pennsylvania)	**State of Pennsylvania Department of Health - Pennsylvania Review of the Health Research Project**
Dollar threshold to distinguish between type A and type B programs:	**Excluding ORISE: $1,711,649** **Including ORISE: $3,000,000**

Auditee qualified as low risk auditee	**X**	**Yes**	____	**No**

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

OAK RIDGE ASSOCIATED UNIVERSITIES, INCORPORATED
AND
OAK RIDGE INSTITUTE FOR SCIENCE AND EDUCATION

Summary Schedule of Prior Audit Findings

Year Ended September 30, 2023

There were no findings or questioned costs relative to federal awards reported in the consolidated financial statements audit of Oak Ridge Associated Universities, Incorporated and Subsidiaries and the financial statements audit of Oak Ridge Institute for Science and Education as of and for the year ended September 30, 2022.