Pacific Institute for Research and Evaluation and Affiliates

Consolidating Financial Statements, Schedule of Expenditures of Federal Awards and Reports Required by *Government Auditing Standards* and the Uniform Guidance

Year Ended December 31, 2019

Pacific Institute for Research and Evaluation and Affiliates

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Schedule of Expenditures of Federal
Awards and Reports Required by
Government Auditing Standards and
the Uniform Guidance

Year Ended December 31, 2019

Pacific Institute for Research and Evaluation and Affiliates

Contents

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Independent Auditor's Report

To the Board of Directors
Pacific Institute for Research and Evaluation and Affiliates
Calverton, Maryland

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of **Pacific Institute for Research and Evaluation and Affiliates** (the "Institute"), which comprise the consolidating statement of financial position as of December 31, 2019, and the related consolidating statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of **Pacific Institute for Research and Evaluation and Affiliates** as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on 2018 Summarized Comparative Information

We have previously audited the Institute's 2018 consolidating financial statements, and we expressed an unmodified audit opinion on those audited consolidating financial statements in our report dated April 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidating 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 April 24, 2020 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

BDO USA, LLP

April 24, 2020

Consolidating
Financial Statements

Pacific Institute for Research and Evaluation and Affiliates

Consolidating Statements of Financial Position

December 31, 2019 (With summarized financial information for 2018)

	2019				2018
	PIRE	HBSA	PIRE CA	Total	Total
Assets					
Current assets					
Cash and cash equivalents	$ 883,453	$ 10,001	$ 9,965	$ 903,419	$ 990,767
Cash and cash equivalents - restricted	475,879	-	-	475,879	465,902
Short-term investments	3,139,034	-	-	3,139,034	1,689,371
Receivable on grants and contracts	2,317,469	1,947,152	-	4,264,621	3,210,500
Other accounts receivable	67,948	-	-	67,948	40,024
Due (to) from affiliate	(2,132,499)	481,409	1,651,090	-	-
Prepaid expenses	319,789	-	-	319,789	308,889
Total current assets	5,071,073	2,438,562	1,661,055	9,170,690	6,705,453
Noncurrent assets					
Property and equipment, net	125,907	-	-	125,907	189,714
Investments	4,134,500	-	-	4,134,500	4,543,264
Investments - deferred compensation plan	704,141	-	-	704,141	580,471
Rent deposits	42,782	-	-	42,782	42,782
Total noncurrent assets	5,007,330	-	-	5,007,330	5,356,231
Total assets	$ 10,078,403	$ 2,438,562	$ 1,661,055	$ 14,178,020	$ 12,061,684
Liabilities and Net Assets					
Current liabilities					
Accounts payable	$ 910,348	$ -	$ -	$ 910,348	$ 476,401
Accrued expenses	3,361,474	-	-	3,361,474	3,282,026
Refundable advances	501,985	893,770	1,640,606	3,036,361	1,215,710
Total current liabilities	4,773,807	893,770	1,640,606	7,308,183	4,974,137
Noncurrent liabilities					
Deferred compensation plan	704,141	-	-	704,141	580,471
Deferred rent liability	159,588	-	-	159,588	190,823
Total noncurrent liabilities	863,729	-	-	863,729	771,294
Total liabilities	5,637,536	893,770	1,640,606	8,171,912	5,745,431
Commitments and contingencies					
Net assets					
Without donor restrictions	3,987,676	1,544,792	20,449	5,552,917	5,850,351
With donor restrictions	453,191	-	-	453,191	465,902
Total net assets	4,440,867	1,544,792	20,449	6,006,108	6,316,253
Total liabilities and net assets	$ 10,078,403	$ 2,438,562	$ 1,661,055	$ 14,178,020	$ 12,061,684

See accompanying notes to consolidating financial statements.

Pacific Institute for Research and Evaluation and Affiliates

Consolidating Statements of Activities

Year ended December 31, 2019 (With summarized financial information for 2018)

	2019				2018
	PIRE	**HBSA**	**PIRE CA**	**Total**	Total
Changes in Net Assets Without Donor Restrictions					
Revenue					
Grants and contracts	**$ 19,373,217**	**$ 5,673,424**	**$ 89,870**	**$ 25,136,511**	$ 24,443,182
Investment income, net	**297,027**	**54**	**-**	**297,081**	72,722
Miscellaneous	**17,669**	**-**	**-**	**17,669**	16,946
Net assets released from restrictions:					
Satisfaction of program restrictions	**22,688**	**-**	**-**	**22,688**	-
Total revenue without donor restrictions	**19,710,601**	**5,673,478**	**89,870**	**25,473,949**	24,532,850
Expenses					
Grants and contracts	**15,039,878**	**4,076,351**	**53,525**	**19,169,754**	18,373,300
Administrative	**5,128,760**	**1,461,066**	**11,803**	**6,601,629**	6,138,042
Total expenses	**20,168,638**	**5,537,417**	**65,328**	**25,771,383**	24,511,342
(Decrease) increase in net assets without donor restrictions	**(458,037)**	**136,061**	**24,542**	**(297,434)**	21,508
Changes in Net Assets With Donor Restrictions					
Investment income, net	**9,977**	**-**	**-**	**9,977**	8,153
Net assets released from restrictions	**(22,688)**	**-**	**-**	**(22,688)**	-
(Decrease) increase in net assets with donor restrictions	**(12,711)**	**-**	**-**	**(12,711)**	8,153
Change in net assets	**$ (470,748)**	**$ 136,061**	**$ 24,542**	**$ (310,145)**	$ 29,661

See accompanying notes to consolidating financial statements.

Pacific Institute for Research and Evaluation

Consolidating Statement of Functional Expenses

Year Ended December 31, 2019 (With summarized financial information for 2018)

	2019												
	Grants and Contracts				Administrative				Total				2018
	PIRE	HBSA	PIRE CA	Total	PIRE	HBSA	PIRE CA	Total	PIRE	HBSA	PIRE CA	Total	Total
Salaries and wages, and fringe benefits	$ 7,465,505	$ 2,301,828	$ 50,037	$ 9,817,370	$ 3,421,064	$ 1,323,342	$ 9,806	$ 4,754,212	$ 10,886,569	$ 3,625,170	$ 59,843	$ 14,571,582	$ 13,845,459
Subcontractors	3,985,042	249,462	-	4,234,504	-	-	-	-	3,985,042	249,462	-	4,234,504	4,021,287
Consultants	1,896,328	107,606	2,800	2,006,734	196,709	3,233	-	199,942	2,093,037	110,839	2,800	2,206,676	2,015,166
Professional fees	79,243	1,215,513	-	1,294,756	190,142	14,853	1,895	206,890	269,385	1,230,366	1,895	1,501,646	1,218,999
Occupancy and rent	631,590	55,630	-	687,220	293,587	31,982	-	325,569	925,177	87,612	-	1,012,789	1,060,164
Dues and licenses	222,460	7,496	-	229,956	284,021	5,535	102	289,658	506,481	13,031	102	519,614	384,786
Travel	260,591	83,502	-	344,093	33,442	277	-	33,719	294,033	83,779	-	377,812	141,780
Meetings and conferences	108,489	30,991	613	140,093	83,638	4,463	-	88,101	192,127	35,454	613	228,194	140,139
Library	32,789	111	-	32,900	153,319	12	-	153,331	186,108	123	-	186,231	175,002
Supplies	25,759	2,423	-	28,182	116,848	15,742	-	132,590	142,607	18,165	-	160,772	203,006
Liability insurance	-	-	-	-	110,978	26,981	-	137,959	110,978	26,981	-	137,959	135,906
Board meetings and allowances	-	-	-	-	77,810	14,901	-	92,711	77,810	14,901	-	92,711	85,486
Respondent fees	82,542	8,734	-	91,276	-	-	-	-	82,542	8,734	-	91,276	169,490
Duplication and printing	73,121	1,312	-	74,433	5,227	243	-	5,470	78,348	1,555	-	79,903	141,477
Depreciation and amortization	52,588	-	-	52,588	24,445	-	-	24,445	77,033	-	-	77,033	82,874
Communications	39,567	397	-	39,964	18,392	228	-	18,620	57,959	625	-	58,584	138,971
Recruiting	36,328	142	75	36,545	10,562	-	-	10,562	46,890	142	75	47,107	65,657
Bank fees	844	1,207	-	2,051	44,829	-	-	44,829	45,673	1,207	-	46,880	38,286
Bad debts	-	-	-	-	38,637	-	-	38,637	38,637	-	-	38,637	-
Postage and shipping	6,285	1,584	-	7,869	7,628	10	-	7,638	13,913	1,594	-	15,507	20,196
Repairs and maintenance	119	-	-	119	9,432	-	-	9,432	9,551	-	-	9,551	47,123
Workshops	3,638	3,683	-	7,321	1,714	-	-	1,714	5,352	3,683	-	9,035	5,300
Equipment rental	1,759	8	-	1,767	5,314	-	-	5,314	7,073	8	-	7,081	8,386
Temporary labor	215	-	-	215	2,430	300	-	2,730	2,645	300	-	2,945	1,580
Institutional review board	-	-	-	-	51	-	-	51	51	-	-	51	1,183
Tuition reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	244,483
Relocation	-	-	-	-	-	-	-	-	-	-	-	-	34,314
Furniture and equipment purchases	-	-	-	-	-	-	-	-	-	-	-	-	32,415
Miscellaneous	35,076	4,722	-	39,798	(1,459)	18,964	-	17,505	33,617	23,686	-	57,303	52,427
	$ 15,039,878	$ 4,076,351	$ 53,525	$ 19,169,754	$ 5,128,760	$ 1,461,066	$ 11,803	$ 6,601,629	$ 20,168,638	$ 5,537,417	$ 65,328	$ 25,771,383	$ 24,511,342

See accompanying notes to consolidating financial statements.

Pacific Institute for Research and Evaluation and Affiliates

Consolidating Statements of Changes in Net Assets

Year ended December 31, 2019

	Without Donor Restrictions				With Donor Restrictions	
	PIRE	HBSA	PIRE CA	Total	PIRE	Total
Net assets, December 31, 2018	$ 4,445,713	$ 1,408,731	$ (4,093)	$ 5,850,351	$ 465,902	$ 6,316,253
Change in net assets	(458,037)	136,061	24,542	(297,434)	(12,711)	(310,145)
Net assets, December 31, 2019	$ 3,987,676	$ 1,544,792	$ 20,449	$ 5,552,917	$ 453,191	$ 6,006,108

See accompanying notes to consolidating financial statements.

Pacific Institute for Research and Evaluation and Affiliates

Consolidating Statements of Cash Flows

Year ended December 31, 2019 (With summarized financial information for 2018)

	2019				2018
	PIRE	**HBSA**	**PIRE CA**	**Total**	Total
Cash flows from operating activities					
Change in net assets	**$ (470,748)**	**$ 136,061**	**$ 24,542**	**$ (310,145)**	$ 29,661
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	**77,033**	**-**	**-**	**77,033**	82,874
Bad debts	**38,637**	**-**	**-**	**38,637**	-
Unrealized gain on investments	**(134,084)**	**-**	**-**	**(134,084)**	(45,502)
(Increase) decrease in assets					
Receivable on grants and contracts	**(30,876)**	**(1,061,882)**	**-**	**(1,092,758)**	56,401
Other accounts receivable	**(27,924)**	**-**	**-**	**(27,924)**	4,374
Due (to) from affiliate	**928,005**	**737,178**	**(1,665,183)**	**-**	-
Prepaid expenses	**(10,900)**	**-**	**-**	**(10,900)**	21,141
Rent deposits	**-**	**-**	**-**	**-**	17,069
Increase (decrease) in liabilities					
Accounts payable	**433,947**	**-**	**-**	**433,947**	(132,626)
Accrued expenses	**79,448**	**-**	**-**	**79,448**	254,404
Refundable advances	**(8,598)**	**188,643**	**1,640,606**	**1,820,651**	(279,585)
Deferred rent liability	**(31,235)**	**-**	**-**	**(31,235)**	12,887
Net cash provided by (used in) operating activities	**842,705**	**-**	**(35)**	**842,670**	21,098
Cash flows from investing activities					
Acquisitions of property and equipment	**(13,226)**	**-**	**-**	**(13,226)**	(62,169)
Proceeds from sale of investments	**1,800,000**	**-**	**-**	**1,800,000**	2,554,000
Purchases of investments	**(2,706,815)**	**-**	**-**	**(2,706,815)**	(2,478,146)
Net cash (used in) provided by investing activities	**(920,041)**	**-**	**-**	**(920,041)**	13,685
(Decrease) increase in cash and cash equivalents and restricted cash	**(77,336)**	**-**	**(35)**	**(77,371)**	34,783
Cash and cash equivalents and restricted cash, beginning of year	**1,436,668**	**10,001**	**10,000**	**1,456,669**	1,421,886
Cash and cash equivalents and restricted cash, end of year	**$ 1,359,332**	**$ 10,001**	**$ 9,965**	**$ 1,379,298**	$ 1,456,669

See accompanying notes to consolidating financial statements.

1. Summary of Accounting Policies

Organization

Pacific Institute for Research and Evaluation (PIRE) was organized to conduct research, evaluate programs, develop policy and deliver training and technical assistance in the broad area of human service. The primary fields of endeavor to date have been alcohol, drug abuse, HIV, violence prevention, intervention and evaluation (including high risk youth), technical assistance in providing juvenile justice programs and traffic safety.

National Center for the Advancement of Prevention, doing business as HBSA, was organized to provide systems design, consulting and support services in the health and community service areas to other nonprofit organizations and other organizations or individuals working on programs or projects furthering the health and welfare of citizens.

PIRE California, Inc. (PIRE CA) was organized in the State of California primarily to support PIRE's State of California funded research programs and support activities or otherwise benefit the exempt purposes of PIRE.

The three entities are collectively referred to as the Institute in these consolidating financial statements.

Consolidation Policy

The consolidating financial statements include the accounts of PIRE and its affiliates, HBSA and PIRE CA. All significant transactions between the organizations, including all interorganization balances, have been eliminated on consolidation.

Basis of Accounting

The accompanying consolidating financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of these consolidating financial statements, the Institute considers cash on hand, deposits in banks and highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents. Restricted cash and cash equivalents at December 31, 2019 consist of money market accounts restricted by the donors for various corporate development initiatives of the Institute's Albuquerque and Louisville offices, or to provide general support for the Albuquerque and Louisville offices' general operations, that have not been recovered under grant awards and contracts.

Short-term Investments

Short-term investments consist of certificates of deposit and corporate bonds invested in securities of short-term duration. Net investment income is reported in the consolidating statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Receivable on Grants and Contracts

Receivable on grants and contracts consists of amounts due from federal agencies and non-federal sources resulting from allowable expenditures incurred, which have not been recovered from the relevant federal agencies and non-federal sources, as of the end of the year. The allowance method is used to determine the uncollectible amounts, if any. The allowance is based upon prior years' experience and management's analysis of subsequent collections.

Management considers all receivables on grants and contracts to be fully collectible, therefore, no allowance for doubtful accounts has been established. Receivables are written off if reasonable collection efforts prove unsuccessful.

Property and Equipment

Furniture, equipment and leasehold improvement acquisitions are recorded at cost. These assets are depreciated using the straight-line method over their estimated useful lives or the anticipated term of the lease, if shorter, for leasehold improvements.

The Institute capitalizes assets with an original cost of $5,000 or greater. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, with any gain or loss reflected in current operations. Expenditures for repairs and maintenance are charged to expense, when incurred.

Investments

Investments consist of corporate bonds and certificates of deposit held on long-term duration and are reported at fair value. Net investment income is reported in the consolidating statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Investments – Deferred Compensation Plan

Investments in mutual funds associated with the deferred compensation plan are reported at fair value. Investment gains and losses from the mutual funds are recorded directly to the asset account, and the corresponding liability account, for deferred compensation.

Refundable Advances

A transfer of assets (i.e. cash received) that is related to a conditional contribution is accounted for as a refundable advance in the accompanying consolidating statements of financial position until the conditions have been substantially met or explicitly waived by the donor.

Deferred Rent Liability

Deferred rent liability reflects the difference between rent expense, which is recognized on a straight-line basis over the term of the Institute's various leases, and cash payments.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operating purposes and are not subject to donor (or certain grantor) restrictions. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Institute did not have board designated net assets as of December 31, 2019.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets and the related income whose use is limited by donor-imposed, time and/or purpose restrictions.

The Institute reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the consolidating statements of activities as net assets released from restrictions.

At December 31, 2019, these net assets were restricted for various corporate development initiatives of the Institute's Albuquerque and Louisville offices, or to provide general support for the Albuquerque and Louisville offices' general operations, that have not been recovered under grant awards and contracts. These net assets are the result of unsolicited contributions from two organizations, and there were no fundraising expenses incurred related to these contributions.

Revenue Recognition

Grants and contracts revenue awarded by federal agencies or passed through to the Institute from another donor that received funding from the U.S. federal government or awarded from foundations and other private institutions are generally considered nonreciprocal transactions restricted by the awarding agency/entity for certain purposes. Revenue is recognized when qualifying expenditures are incurred and conditions under the grant agreements are met. Grants and contracts revenue totaled $25,136,511 for the year ended December 31, 2019. All Institute government grants and contracts are subject to audit by its awarding agencies. Such audits have been performed in the past and did not result in material adjustments to previously reported revenue.

Funds received in advance of satisfying grants and contractual performance obligations are recorded as refundable advances in the consolidating statements of financial position. As a result of the implementation of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, deferred revenue of $1,215,710 as of December 31, 2018 was reclassified to refundable advances since these amounts relate to conditional contributions. As of December 31, 2019, the Institute has refundable advances of $3,036,361 in the consolidating statements of financial position.

At December 31, 2019, the Institute had remaining award balances on federal and non-federal conditional grants and contracts for sponsored projects of $38,278,283 and $6,030,683, respectively. These conditional award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred. The Institute has awarded conditional grants to subrecipients related to the performance of the federal and non-federal conditional grants and contracts for sponsored projects, which have outstanding commitments of up to $3,763,144 and $710,445 as of December 31, 2019, respectively.

Functional Allocation of Expenses

The costs of providing various programs of the Institute have been summarized on a functional basis in the consolidating statements of activities. The consolidating financial statements report certain categories of expenses that are attributed to more than one program or supporting function of the Institute. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Fringe benefits which includes medical insurance, vacation/sick leave, pension, and payroll taxes, are allocated on the basis of actual time and effort. Occupancy and rent, communications, depreciation and amortization, and relocation expenses are allocated based on a percentage of salaries and wages and fringe benefits.

Use of Estimates

The preparation of consolidating financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidating financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments and Credit Risk

Financial instruments that potentially subject the Institute to concentrations of credit risk consist principally of cash and investments held at creditworthy financial institutions. By policy, these amounts are kept within limits designed to prevent risks caused by concentration. The Institute has never experienced losses related to these accounts.

Credit risk with respect to accounts receivable is limited to amounts receivable on grants and contracts for services rendered mainly to the federal government. The Institute has not experienced significant losses related to these receivables, and therefore, believes the credit risk related to receivables is minimal.

Accounting Pronouncements Adopted

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Institute adopted this update, along with all subsequent amendments (collectively, "ASC 606") in 2019 under the prospective basis and the effects of the adoption are outlined below.

In June 2018, the FASB issued ASU 2018-08 which clarified and improved current guidance by providing a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction. The update also provided additional guidance about how to determine whether a contribution is conditional. The Institute adopted this ASU in 2019 under the prospective basis and the effects of the adoption are outlined below.

The effect of ASC 606 and ASU 2018-08 on the Institute's consolidating financial statements were examined in conjunction with one another. All of the Institute's revenue-producing arrangements do not meet the definition of a contract under ASC 606, as the arrangement does not have commercial substance and does not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. Prior to the clarifications provided in ASU 2018-08, grants and contracts that benefited the general public were considered to be exchange transactions. Under the clarified guidance, such transactions constitute contributions. The Institute reassessed the nature of its revenue producing arrangements to ensure alignment with the definition of a contract under ASC 606 and an exchange transaction under ASU 2018-08. As a result, all arrangements that had been classified as exchange transactions in previous years were now concluded to be contributions under ASU 2018-08. The following changes in accounting policies occurred during the year ended December 31, 2019, as a result of the implementation of the ASC 606 and ASU 2018-08:

The Institute's revenue from grants and contracts were previously accounted for as exchange transactions since the arrangement with the customer benefited the general public, and revenue was recognized as expenses were incurred. Historically, deferred revenue was recorded for cash received in advance of performance of work under these arrangements. Under ASU 2018-08, the Institute's grants and contracts revenue are considered contributions because the customer does not receive commensurate value for the consideration received by the Institute; rather, the purpose of these arrangements is for the benefit of the general public. Therefore, the Institute concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years. Therefore, under the prospective approach, there was no material change in the revenue recognition for grants and contracts revenue. Under ASU 2018-08, a refundable advance is recorded when the Institute receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of December 31, 2018, there was $1,215,710 in deferred revenue recorded related to grants and contracts. In accordance with the prospective transition approach in ASU 2018-08, the deferred revenue balances were reclassified to refundable advances on January 1, 2019. There was no effect on net assets reported at December 31, 2018 as a result of adopting ASU 2018-08.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, to address the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires that a statement of cash flows explain the change in the total cash, cash equivalents, and amounts described as restricted cash and restricted cash equivalents. Thus, amounts described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Institute adopted ASU 2016-18 and did not have significant impact in the presentation of the consolidating financial statements. There was no effect on net assets reported at December 31, 2018 as a result of adopting ASU 2016-18.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230),* which clarifies how certain cash receipts and cash payments are presented and classified in the consolidating statement of cash flows. The amendments are intended to reduce diversity in practice. ASU 2016-15 contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. The Institute adopted ASU 2016-15 and did not have significant impact in the presentation of the consolidating statements of cash flows. There was no effect on net assets reported at December 31, 2018 as a result of adopting ASU 2016-15.

Accounting Pronouncements to be Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. This ASU is effective for the Institute's consolidating financial statements beginning after December 15, 2020. Early adoption is permitted. Management is currently evaluating the impact this ASU will have on the consolidating financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for the Institute's consolidating financial statements for fiscal years beginning after December 15, 2019. The Institute is currently evaluating the impact of this ASU on the consolidating financial statements.

In December 2018, the FASB issued ASU 2018-20, *Leases* (Topic 842): *Narrow-Scope Improvements for Lessors*. These amendments address the following issues facing lessors when applying the leases standard: (a) sales taxes and other similar taxes collected from lessees; (2) certain lessor costs paid directly by lessees; and (c) recognition of variable payments for contracts with lease and non-lease components. The ASU is effective for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of this ASU on their consolidating financial statements.

2. Income Tax Status

PIRE has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC) and by the California Franchise Tax Board. In addition, the Internal Revenue Service (IRS) has determined that the organization is not a private foundation, as defined in Section 509(a) of the IRC. PIRE is licensed to do business in the state of Maryland as a foreign nonprofit corporation. PIRE is also registered with the Registry of Charitable Trusts of the Office of Attorney General of the state of California.

HBSA has been granted tax exempt status under Section 501(c)(3) of the IRC and is licensed to do business as a nonprofit corporation in the state of Maryland. In addition, the IRS has determined that the organization is not a private foundation, as defined in Section 509(a) of the IRC.

PIRE CA has been granted tax exempt status under Section 501(c)(3) of the IRC and is licensed to do business as a nonprofit corporation in the state of California. In addition, the IRS has determined that the organization is a public charity, as defined in Section 509(a)(3) of the IRC.

In accordance with the U.S. GAAP, the Institute must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained on examination. The Institute does not believe there are any unrecognized tax benefits that should be recorded.

For the year ended December 31, 2019, there were no interest or penalties related to income taxes included in the consolidating statements of activities. The Institute is still open to examination by taxing authorities from year 2016 forward.

3. Liquidity and Availability

The Institute maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Institute has a committed line-of-credit of $1,500,000, which it could draw upon. The Institute did not have an outstanding balance on this line-of-credit as of December 31, 2019.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidating statement of financial position date, are comprised of the following at December 31, 2019:

	PIRE	HBSA	PIRE CA	Total
Cash and cash equivalents	$ 883,453	$ 10,001	$ 9,965	$ 903,419
Short-term investments	3,139,034	-	-	3,139,034
Receivables on grants and contracts	2,317,469	1,947,152	-	4,264,621
Other receivables	67,948	-	-	67,948
	$ 6,407,904	$ 1,957,153	$ 9,965	$ 8,375,022

As part of the liquidity management plan, the Institute invests cash in excess of daily requirements in short-term investments and money market funds included in cash and cash equivalents.

4. Comparative Financial Information

The consolidating financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Institute's consolidating financial statements for the year ended December 31, 2018, from which the summarized information was derived.

5. Investments

Investments, at fair value, consist of the following at December 31, 2019:

	PIRE	HBSA	PIRE CA	Total
Corporate bonds	$ 6,780,700	$ -	$ -	$ 6,780,700
Certificates of deposit	492,834	-	-	492,834
Mutual funds - deferred compensation plan	704,141	-	-	704,141
	7,977,675	-	-	7,977,675
Less investment - deferred compensation plan	704,141	-	-	704,141
Less short-term investments	3,139,034	-	-	3,139,034
Noncurrent investments	$ 4,134,500	$ -	$ -	$ 4,134,500

Investment gains and losses from mutual funds associated with the deferred compensation plan are recorded directly to the asset account, and the corresponding liability account, for deferred compensation.

6. Fair Value Measurements

As defined in FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 - Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects the Institute's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Following is a description of the valuation methodologies used for assets measured at fair value. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments – Deferred Compensation Plan

The Institute's investments in CREF are registered investments which are valued based on market quotations or independent pricing services. The CREF fund consists of several investment portfolios which include money market accounts, growth funds, stock funds, global equities funds, social choice funds, and fixed income bond funds.

Investments in TIAA Real Estate Account (TIAA REA) are investments in a pooled separate account of TIAA. The value of the units held in the pooled separate account is based on the market value of the underlying real estate holdings which are valued principally utilizing external appraisals and involve significant judgment.

Investments in TIAA Traditional Annuity are investments in fixed annuity contracts that are fully and unconditionally guaranteed by TIAA. The contracts, consisting of fixed return contracts, are included in the financial statements at fair value as reported by TIAA. Fair value represents contributions made under the contract, plus earnings less withdrawals and administrative expenses. The fixed annuity contract buys a contractual or guaranteed amount of future benefits. The fixed annuity contract is subject to certain withdrawal limitations.

Level 3 Valuation Process

The TIAA REA is an insurance company separate account of TIAA investing mainly in real estate and real estate-related investments. The TIAA REA’s value is principally derived from the market value of the underlying real estate holdings or other real estate-related investments. Real estate holdings are valued principally using external appraisals, which are estimates of property values based on a professional’s opinion. The TIAA REA sometimes holds securities as well. These are generally priced using values obtained from independent pricing sources. Unit values are calculated each day and are posted at TIAA’s website.

The TIAA Traditional Annuity is reported at contract value. The contract value of the TIAA Traditional Annuity equals the accumulated cash contributions, interest credited to the plan’s contracts, and transfers, if any, less any withdrawals and transfers, if any. The TIAA Traditional Annuity is not available for sale or transfer on any securities exchange. Accordingly, transactions in similar investment instruments are not observable.

While transactions involving the purchases/sales of individual TIAA Traditional contracts are not observable in a public marketplace, contract value may provide a good approximation of fair value as supported by the following:

- New contributions represent current transactions between willing buyers and sellers as prescribed in the relevant generally accepted accounting principles guidance. Participants have the option to allocate their contributions between the TIAA Traditional Annuity and a number of investment choices for which fair values are readily observable.

- Participants typically allocate contributions between several investment choices and all transactions are executed at current market value with the assumption being that objective, unbiased transactions regularly occur and participants deem the value of the TIAA Traditional Annuity contract to be no less than the participant's accumulation balance and that each investment purchase is made at fair value since these purchases are not distressed and are conducted between willing buyers and sellers in open market conditions where a participant has a variety of investment choices.

- When participants change employers, they oftentimes enroll in a new plan with very similar investment options, including the TIAA Traditional Annuity. Because these transactions continue to occur with continued participant contributions at current stated contract values, the market-observable presumption is that the contract value of current funding represents a good approximation of fair value based on the willingness of the participant to continue to contribute. For each contribution, TIAA continues to record a contractual liability for the current contribution and does not consider such liability to have any embedded gain or loss.

- Upon a distributable event, the participant surrenders the future accumulation benefits in exchange for a cash payout based on the contract value, demonstrating the contract value can be monetized when a distributable event occurs.

- The crediting rate is supported by the investment performance of a large, diversified portfolio, is correlated with the highest quality debt security yields, and is adjusted for contract liquidity. A twenty-year analysis of crediting rates for TIAA Traditional Annuity contracts suggests a rate of return that is representative of a risk adjusted market rate for this type product; thus application of observed rates would yield a discounted cash flow which approximates contract value.

There were no changes in the valuation techniques used for these funds during the year ended December 31, 2019.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Unobservable Inputs

The significant unobservable inputs used in the fair value measurement of the Institute's investments in TIAA REA and TIAA Traditional Annuity are subject to market risks resulting from changes in the market value of its investments.

Other Investments

Investments in corporate bonds are held by an investment manager. The fair market value of these investments is determined based on market quotations or by independent pricing services.

The following table presents the Institute's investments that are measured at fair value on a recurring basis:

	Fair value measurement at reporting date using			
Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	Balance as of December 31, 2019
Corporate bonds	$ 6,780,700	$ -	$ -	$ 6,780,700
CREF Fund				
Growth	120,791	-	-	120,791
Stocks	227,775	-	-	227,775
Equities	129,604	-	-	129,604
Social choice	112,391	-	-	112,391
Bonds	62,281	-	-	62,281
Certificates of deposit	492,834	-	-	492,834
TIAA Real Estate	-	-	16,437	16,437
TIAA Traditional Annuity	-	-	34,862	34,862
	$ 7,926,376	$ -	$ 51,299	$ 7,977,675

See Note 5 for the reconciliation of the fair value measurement disclosures of the Institute's investments to the line items in the consolidating statements of financial position.

The following table summarizes the change in the fair values for Level 3 items for the year ended December 31, 2019:

	Fair value measurement at reporting date using unobservable inputs (Level 3)		
	TIAA Real Estate	TIAA Traditional Annuity	Total
Balance, beginning of year	$ 3,722	$ 105,773	$ 109,495
Net appreciation in fair value	606	2,004	2,610
Transfers from/(to) other investments	12,109	(72,915)	(60,806)
Balance, end of year	$ 16,437	$ 34,862	$ 51,299

Transfers to other investments are made under the direction of plan participants and not the Institute.

Quantitative information as of December 31, 2019, with respect to assets measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows:

Description	Fair Value	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
TIAA Real Estate	$ 16,437	Appraisals	Values of underlying real estate holdings/ investments	N/A
TIAA Traditional Annuity	$ 34,862	Contract value	Accumulated cash contributions, interest credited and transfers	N/A

7. Property and Equipment

Property and equipment consists of the following at December 31, 2019:

Leasehold improvements	$ 893,849
Furniture and equipment	1,016,173
	1,910,022
Less: accumulated depreciation and amortization	1,784,115
	$ 125,907

Depreciation and amortization expense charged to operations was $77,033 for 2019.

8. Line-of-Credit

The Institute maintains a revolving line-of-credit with Sandy Spring Bank. Any outstanding principal is due on demand by August 31, 2022, the maturity date. The maximum borrowing amount was $1,500,000 and no principal was outstanding at December 31, 2019. Interest is calculated at 0.5% over the Sandy Spring Bank Prime Rate. The interest rate was 5.25% at December 31, 2019. The line-of-credit is secured by a perfected first lien security interest in all collateral of the Institute, including all grants and contracts, other accounts receivable, and property and equipment.

The line-of-credit carries certain covenants, which, if not met, would make the loan in default, and due upon demand. At December 31, 2019, the Institute met all covenants.

The Institute also maintains one letter of credit issued by Sandy Spring Bank to a landlord. The amount of the letter of credit is $65,698. There were no amounts drawn on the letter of credit at December 31, 2019.

9. Commitments and Contingencies

Operating Leases

The Institute leases facilities to conduct its operations under operating lease agreements expiring at various times through July 2023.

The Institute leases space in California, Maryland, Rhode Island, Kentucky, New Mexico and North Carolina. Several of the operating lease commitments provide for increased annual rent, based on increases in real estate taxes and building operating expenses. Occupancy expenses, including month-to-month rentals, were $1,169,784, for the year ended December 31, 2019.

Additionally, the Institute generates rental income from subleasing office space in its facilities under leases that expire in 2021. Total lease income was $127,261 for year ended December 31, 2019 and was netted against rental expense in the consolidating statements of activities and functional expenses.

Minimum future lease payments and receipts are as follows:

Year Ending December 31,	Lease Payments	Lease Receipts
2020	$ 1,096,643	$ 122,961
2021	840,553	71,727
2022	429,064	-
2023	264,274	-
	$ 2,630,534	$ 194,688

Grants and Contracts Backlog

As of December 31, 2019, the Institute had a backlog of approximately $44.3 million in grants and contracts to be used in future years.

10. Description of Program and Supporting Services

Grants and Contracts

Grants and contracts represent the costs of conducting research, evaluating programs, developing policy and delivering training and technical assistance in the area of human service, including safety and health, through federal and non-federal grants and contracts.

Administrative

Administrative expenses include the functions necessary to provide an adequate working environment, maintain competent legal services for program administration and manage the financial and budgetary responsibilities of the Institute.

11. Retirement Plans

Profit Sharing Plan and Trust

In May 2002, the Institute amended and restated the Pacific Institute for Research and Evaluation Employees Supplemental Retirement Plan, a discretionary defined contribution plan. The new plan, Pacific Institute for Research and Evaluation, Inc. Profit Sharing Plan and Trust, is subject to the guidelines of the IRC and ERISA (Employee Retirement Income Security Act of 1974).

Employees classified as full-time employees, who work at least 60 percent of the full time equivalent, are eligible to participate in the Plan. Part-time employees who work in excess of 1,000 hours per year are also eligible to participate in the Plan. It is the intention of the Institute to contribute an amount equal to at least ten percent of an eligible employee's gross compensation, subject to availability of resources.

Retirement expense under the amended and restated Profit-Sharing Plan and Trust for the year ended December 31, 2019 was $1,247,297.

Deferred Compensation 457(f) Plan

In December 1998, the Institute established a nonqualified deferred compensation plan under §457(f) of the IRC (the 457(f) Plan). Eligibility for the 457(f) Plan is restricted to level 7 and 8 employees of the Institute, who hold jobs at the senior manager and executive management levels. Employees vest in the 457(f) Plan at a rate of 10% for each year of service. Contributions to the 457(f) Plan are made annually, at the discretion of the Board, and are based on performance evaluations. There was no retirement expense under the 457(f) Plan for the year ended December 31, 2019.

12. Major Sources of Funding

The Institute received a substantial portion of revenues from research and development grants and contracts from the U.S. Department of Health and Human Services. Revenue recognized from this source for 2019 was as follows:

U.S. Department of Health and Human Services	$ 12,321,834	48%
Other sources	13,129,427	52%
	$ 25,451,261	100%

13. Subsequent Events

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) originating in Wuhan, China, and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified COVID-19 as a pandemic, based on the rapid increase in exposure globally.

The Institute's operations are heavily dependent on funding from the federal government, as well as foundations and other private institutions. Additionally, access to grants and contracts from federal, state and local governments may decrease or may not be available depending on appropriation to the Institute. As of the date of this report, the public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. The COVID-19 pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the COVID-19. Nevertheless, the COVID-19 presents material uncertainty and risk with respect to the Institute, its performance, and its financial results.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act". The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of the employer's portion of social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses, including nonprofits, harmed by COVID-19. There is no assurance we are eligible for these funds or will be able to obtain them.

We continue to examine the impact that the CARES Act may have on the Institute's operations. Currently, we are unable to determine the impact that the CARES Act will have on our financial condition, results of operations or liquidity.

The Institute has evaluated subsequent events through April 24, 2020, which is the date the consolidating financial statements were available to be issued. There were no other events noted that required adjustments to, or disclosure in, these consolidating financial statements, except as noted above.

Schedule of Expenditures of Federal Awards

Pacific Institute for Research and Evaluation and Affiliates

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	*Federal CFDA Number/Contract Number*	*Pass-Through Entity or Other Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
Pacific Institute for Research and Evaluation				
Research and Development Cluster				
Department of Health and Human Services				
National Institutes of Health				
Alcohol Research Program - Direct	93.273	Various	$ 1,734,304	$ 5,116,317
Alcohol Research Program - Pass-through	93.273	Various	-	366,551
Drug Abuse Research Programs - Direct	93.279	Various	-	80,593
Drug Abuse Research Programs - Pass-through	93.279	Various	-	63,749
Mental Health Research Grant - Direct	93.242	Various	36,398	350,180
Mental Health Research Grant - Pass-through	93.242	Various	-	21,502
Other National Institutes of Health				
Associations of Youth E-Cig and Tobacco Use: Ecological Momentary Assessment	93.077	R03 DA041899	-	15,087
Pass-through from University of Louisville Research Foundation	93.121	ULRF 15-1506	-	483,482
Improving Native American Elder Access to and Use of Healthcare through Effective Health System Navigation	93.307	R01 MD010292	23,729	288,008
Enhancing Primary Care Services for Diverse Sexual and Gender Minority Populations	93.307	R21 MD011648	42,070	209,615
LGBT Adults and Tobacco Stigma: A Qualitative Study	93.393	R01 CA190238	-	161,277
Pass-through from Henry Ford Health Services	93.393	B11148PIRE	-	2,734
Pass-through from Yale University	93.393	GK000216	-	3,108
Pass-through from University of North Carolina at Chapel Hill	93.855	5112616	-	76,647
Pass through from Indian Health Council	93.859	S06GM128073	-	2,115
School-based Health Clinics: Effects on Youth and Young Adult Sexual Behavior	93.865	R01 HD073386	-	142,524
Changing Environmental Influences on Adolescent Alcohol Use and Risk Behaviors	93.865	R01 HD078415	-	76,713
Implementing School Nursing Strategies to Reduce LGBTI Adolescent Suicide	93.865	R01 HD083399	106,612	599,738
Pass through from Women & Infants Hospital	93.865	5001521	-	474
Pass-through from CDM Group, Inc.	93.RD	HHSN275201800002I-01	-	255,240
Pass-through from Campbell & Company	93.RD	PICS TORP-08417-1046	-	5,173
Substance Abuse and Mental Health Service Administration				
Pass-through from Vermont Dept. of Health	93.243	30491	-	395,612
Pass-through from Alabama Dept. of Mental Health	93.243	C8-061-859917	-	106,449
Pass-through from California Little Traverse Bay Band of Odawa	93.243	SP020700	-	99,199
Pass-through from Ohio University	93.243	UT18952	-	127,809
Pass-through from COPES	93.243	SP021309	-	40,905
Pass-through from Research Foundation for Mental Hygiene	93.243	26000	-	89,679
Pass-through from Indian Health Council	93.243	SM063511	-	23,453
Pass-through from Little Traverse Bay Band of Odawa	93.243	SP022101	-	43,873
Pass-through from Falling Colors for New Mexico BHSD	93.243	SP022114	-	127,125
Pass-through from Falling Colors for New Mexico BHSD	93.243	SP022084	-	74,430
Pass-through from Falling Colors for New Mexico BHSD	93.243	SP020769	-	121,370
Pass-through from South Carolina Dept. of Alcohol & Other Drug	93.243	4400014066	-	125,441
Pass-through from Governor's Institute	93.243	SP022087	-	11,847
Pass-through from City of Portales, New Mexico	93.243	SP020769	-	27,625
Pass-through from Bernalillo County Community Health Council	93.243	SP022084	-	30,065

Pacific Institute for Research and Evaluation and Affiliates

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	*Federal CFDA Number/Contract Number*	*Pass-Through Entity or Other Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
Pacific Institute for Research and Evaluation				
Research and Development Cluster - (continued)				
Department of Health and Human Services - (continued)				
Substance Abuse and Mental Health Service Administration - (continued)				
Pass-through from University of New Mexico	93.243	PRO-HPSAU-1324-18	-	153,616
Pass-through from University of New Mexico	93.243	SP020697		3,292
Pass-through from Nevada Department of Education	93.243	18-779-97000	-	961
Pass-through from Association of American Indian Physicians	93.243	SP080999	-	18,244
Pass-through from South Dakota Department of Education	93.243	2019C-379	-	73,525
Pass-through from Idaho Office of Drug Policy	93.243	CPO19200364	-	64,237
Pass-through from Indiana Department of Education	93.243	33834	8,957	157,725
Pass-through from South Carolina Department of Education	93.243	4400021574	-	75,037
Pass-through from Hazel Pittman Center	93.243	SP081714	-	1,667
Pass-through from Youth Environmental Services Inc.	93.243	SP081365	-	2,680
Pass-through from the Phoenix Center	93.243	SP081588	-	1,667
Albuquerque-Bernalillo County Youth Underage Drinking & RX Opioid Misuse Prevention Partnership (ABC Prevent)	93.243	H79SP081613	13,876	22,748
Pass-through from Coffee County Anti-Drug Coalition	93.276	SP020569	-	9,914
Pass-through from Altru Health Systems	93.276	SP080694	-	4,197
Pass-through from South Carolina Dept. of Alcohol & Other Drug	93.959	PIRE-EVAL-19	-	214,638
Pass-through from Rocky Mountain Youth Corps	93.959	TI010037	-	24,329
Pass-through from Falling Colors for New Mexico BHSD	93.959	3B08TI010037	-	244,961
Pass-through from Idaho Office of Drug Policy	93.959	CPO19200364	-	32,802
Pass-through from Ohio University	93.959	UT20615	-	27,030
Pass-through from Alabama Dept. of Mental Health	93.959	C8-061-859917	-	81,481
Pass-through from Vermont Dept. of Health	93.959	31844	-	20,652
Pass-through from Vermont Dept. of Health	93.788	37566	-	70,730
Pass-through from Ohio University	93.788	UT20232/UT20235	-	180,617
Pass-through from Indian Health Council	93.788	TI081796	-	1,648
Pass-through from the CDM Group, Inc.	93.RD	HHS277201500001C	-	52,143
Pass-through from Westat	93.RD	HHSS2832017000311	-	728
Pass-through from South Carolina Dept. of Alcohol and Other Drug Services	93.RD	4400022017	-	45,930
Health Resources & Services Administration				
Pass-through from Education Development Center	93.110	11905	-	167,703
Rural Communities Opioid Response (Planning)	93.211	G25RH32461	109,960	184,019
Pass-through from Ohio University	93.211	UT20808	-	24,487
Pass-through from Southwest Center for Health Innovation	93.211	G25RH33006	-	65,069
Rural Communities Opioid Response (Implementation)	93.211	GA1RH33532	11,800	20,928
Pass-through from Ohio University	93.211	UT21208	-	8,732
Pass through from Purchase District Health Department	93.912	G25RH32994	-	15,244
Indian Health Service				
Pass-through from Indian Health Council	93.933	U261IHS0081	-	(3,815)

Pacific Institute for Research and Evaluation and Affiliates

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	*Federal CFDA Number/Contract Number*	*Pass-Through Entity or Other Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
Pacific Institute for Research and Evaluation				
Research and Development Cluster - (continued)				
Department of Health and Human Services - (continued)				
Administration for Children and Families (ACF)				
Pass-through from Social Capital Valuations	93.235	02160021SR0119	-	1,756
Pass-through from Social Capital Valuations	93.060	90SR0024	-	15,682
Pass-through from Social Capital Valuations	93.093	90FX0033	-	93,916
Other Agencies				
Pass-through from Center for Women & Families	93.088	ASTWH190075	-	32,710
Pass-through from Vermont Department of Health (CDC)	93.136	35912	-	123,011
Pass-through from Maryland Department of Health	93.136	M00B9400425	-	59,567
Quality-Adjusted Life Year (QALY) Loss Estimates for WISQARS Cost of Injury Reports*	93.RD	75D30118P01557	-	68,157
Pass-through from Ketchum, Inc.	93.RD	CMS OMH 2019-01	-	91,760
Total Department of Health and Human Services			2,087,706	12,321,834
Department of Justice				
21st Century Policing: Cross-Site, Multi-Stakeholder Sentinel Event Review Project	16.560	2016-IJ-CX-K005	-	114,815
Cultivating Healing by Implementing Restorative Practices for Youth (CHIRPY)	16.560	2016-CK-BX-0008	285,584	435,965
Research on the Effect of an Anonymous Tip Line and Multidisciplinary Response Teams in Schools Across the State of Nevada	16.560	2016-CK-BX-0007	721,846	1,153,557
Pass-through from Center for Women & Families	16.582	2017-VF-GX-K006	-	5,146
Pass-through from Vermont Department of Health	16.754	39044	-	2,542
Total Department of Justice			1,007,430	1,712,025
Department of Transportation				
National Highway Traffic Safety Administration				
Pass-through from Missouri Office of Alcohol and Tobacco Control	20.RD	19-154-AL-151	-	9,128
Strategies for Enforcement of Impaired Motorcycle Operation*	20.RD	DTNH22-14-C-00396	42,582	192,367
Building Community Support for Impaired Driving Enforcement*	20.RD	DTNH22-15-C-00023	-	69,520
Pass-through from Dunlap & Associates	20.RD	693JJ918F000192	-	24,647
Pass-through from Dunlap & Associates	20.RD	693JJ919F000202	-	1,422
Total Department of Transportation			42,582	297,084
Department of Agriculture				
Pass-through from University of Alaska-Fairbanks	10.310	P0529157	-	30,655
Total Department of Agriculture			-	30,655
Department of Education				
Pass-through from Central Susquehanna Intermediate Unit	84.287	4100068052	-	8,412
Pass-through from University of North Carolina-Chapel Hill	84.326P	5110486	-	40,632
Pass-through from Central Susquehanna Intermediate Unit	84.366B	S366B130039	-	9
Pass-through from edCount Management, LLC	84.368A	S368A170003	-	47,438
Pass-through from SRI International	84.373Z	44577	-	1,082
Total Department of Education			-	97,573
Consumer Product Safety Commission				
Compile Documentation and Data for the Injury Impairment Estimates*	87.RD	CPSC-D-15-0013/0001-0003	-	33,031
Total Consumer Product Safety Commission			-	33,031
Department of Homeland Security				
Development and Testing of the Fire Service Drinking Toolkit	97.044	EMW-2018-FP-00593	-	18,464
Total Department of Homeland Security			-	18,464

Pacific Institute for Research and Evaluation and Affiliates

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	*Federal CFDA Number/Contract Number*	*Pass-Through Entity or Other Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
Pacific Institute for Research and Evaluation				
Research and Development Cluster - (continued)				
Department of Veterans Affairs				
Treatment of Trauma-Related Anger in OEF/OIF/OND Veterans*	64.RD	VA241-15-C-0155	-	157
Education Services for Whole Heath*	64.RD	VA777-15-F-0330	847,325	4,330,344
VA Whole Health Training Program	64.RD	GS-10F-0128R/36C24819F0381	-	76,679
Total Department of Veterans Affairs			847,325	4,407,180
Department of State/INL				
Pass-through from Colombo Plan Drug Advisory Commission	19.RD	IN25AF0	-	165,313
Total Department of State/INL			-	165,313
Total Research and Development Cluster			3,985,043	19,083,159
Total Expenditures of Federal Awards			$ 3,985,043	$ 19,083,159

The accompanying notes are an integral part of this schedule.

** Firm-fixed price contracts*

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of **Pacific Institute for Research and Evaluation and Affiliates** (the Institute) under programs of the federal government for the year ended December 31, 2019. 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 the Institute, it is not intended to and does not present the consolidating financial position, changes in net assets or cash flows of the Institute.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, or cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity or other identifying numbers are presented where available.

3. Indirect Cost Rate

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

4. Catalog of Federal Domestic Assistance (CFDA)

When CFDA numbers are not available, awards are classified in the Schedule based on sponsor program description and agreement identification numbers, and clustered for major program determination as provided by the Uniform Guidance.

5. Reconciliation of Schedule of Expenditures of Federal Awards to the Consolidating Statement of Activities

The Institute records additional revenue from grants and contracts with the federal agencies which are not required to be recorded within the Schedule.

Year ended December 31, 2019	
Schedule of Expenditures of Federal Awards	**$ 19,083,159**
Non-federal grants and contracts revenue	**5,763,294**
Additional revenue from grants and contracts in excess of expenditures recognized within the Schedule	**290,058**
Consolidating financial statement grants and contracts, as reported	**$ 25,136,511**

Independent Auditor's Reports Required by *Government Auditing Standards* and the Uniform Guidance

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Suite 700
Potomac, MD 20854

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Pacific Institute for Research and Evaluation and Affiliates
Calverton, Maryland

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 consolidating financial statements of **Pacific Institute for Research and Evaluation and Affiliates** (the Institute), which comprise the consolidating statement of financial position as of December 31, 2019, and the related consolidating statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidating financial statements, and have issued our report thereon dated April 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidating financial statements, we considered the Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's consolidating financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidating financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

April 24, 2020

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12505 Park Potomac Avenue
Suite 700
Potomac, MD 20854

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Pacific Institute for Research and Evaluation and Affiliates
Calverton, Maryland

Report on Compliance for Each Major Federal Program

We have audited **Pacific Institute for Research and Evaluation and Affiliates'** (the Institute) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Institute's major federal program for the year ended December 31, 2019. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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

BDO USA, LLP

April 24, 2020

Pacific Institute for Research and Evaluation and Affiliates

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	X no
• Significant deficiency(ies) identified?	___ yes	X none reported
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

Internal control over major federal program:		
• Material weakness(es) identified?	___ yes	X no
• Significant deficiency(ies) identified?	___ yes	X none reported
Type of auditor's report issued on compliance for major federal program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes	X no

Identification of major federal program:

CFDA/Contract Number	Name of Federal Program or Cluster
Various	Research and Development

See Schedule of Expenditures of Federal Awards for detail by award.

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	___ no

Section II - Financial Statement Findings

There were no findings related to the consolidating financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for Federal awards (as defined in section 2 CFR 200.516(a)) that are required to be reported.