

**OAK CREST INSTITUTE OF SCIENCE, INC.**

**AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Oak Crest Institute of Science, Inc.  
Monrovia, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Oak Crest Institute of Science, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oak Crest Institute of Science, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of Oak Crest Institute of Science, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oak Crest Institute of Science, Inc.'s internal control over financial reporting and compliance.

*Neely Accountancy Corp.*

Granada Hills, CA  
September 28, 2018

**OAK CREST INSTITUTE OF SCIENCE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2017**

Assets	
Current assets	
Cash	\$ 326,854
Cash, restricted	100,000
Grants receivable	377,393
Other receivable	25,221
Prepaid expenses	<u>79,532</u>
Total current assets	909,000
Property and equipment at cost, net	4,116,905
Other assets	
Deposit	<u>4,270</u>
Total assets	<u>\$ 5,030,175</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 253,425
Accrued salaries and payroll taxes	40,247
Line of credit	44,252
Current portion of long term debt	<u>83,916</u>
Total current liabilities	421,840
Long term debt, less current portion	<u>2,185,133</u>
Total liabilities	<u>2,606,973</u>
Net assets	
Unrestricted	2,323,202
Temporarily restricted	<u>100,000</u>
Total net assets	<u>2,423,202</u>
Total liabilities and net assets	<u>\$ 5,030,175</u>

The accompanying notes are an integral part of this statement.

**OAK CREST INSTITUTE OF SCIENCE, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2017**

PUBLIC SUPPORT AND REVENUE

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support:			
Contributions	\$ 50,253	\$ 100,000	\$ 150,253
Grants from government agencies	5,041,923	-	5,041,923
Consulting	464,833	-	464,833
Other revenue	<u>29,147</u>	<u>-</u>	<u>29,147</u>
Total public support	5,586,156	100,000	5,686,156
Revenues:			
Instrument usage	4,783	-	4,783
Interest	<u>109</u>	<u>-</u>	<u>109</u>
Total public support and revenues	<u>5,591,048</u>	<u>100,000</u>	<u>5,691,048</u>
EXPENSES			
Program services	4,729,936	-	4,729,936
Administrative expenses	<u>432,794</u>	<u>-</u>	<u>432,794</u>
Total expenses	<u>5,162,730</u>	<u>-</u>	<u>5,162,730</u>
Change in net assets	428,318	100,000	528,318
Net assets, beginning of the year	<u>1,894,884</u>	<u>-</u>	<u>1,894,884</u>
Net assets, end of year	<u>\$2,323,202</u>	<u>\$ 100,000</u>	<u>\$2,423,202</u>

The accompanying notes are an integral part of these financial statements.

**OAK CREST INSTITUTE OF SCIENCE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2017**

	<u>Program</u> <u>Expenses</u>	<u>Administrative</u> <u>Expenses</u>	<u>Total</u>
Compensation and related expenses:			
Salaries	\$ 998,866	\$ 149,356	\$1,148,222
Payroll taxes and employee benefits	<u>205,067</u>	<u>34,584</u>	<u>239,651</u>
	1,203,933	183,940	1,387,873
Conferences and meetings	11,293	1,624	12,917
Dues and subscriptions	6,297	-	6,297
Occupancy	-	21,532	21,532
Furniture and equipment	10,241	-	10,241
Insurance	-	33,167	33,167
Interest	112,248	13,369	125,617
Licenses and permits	980	-	980
Research projects	685,060	-	685,060
Printing and reproduction	24,010	-	24,010
Accounting and legal	-	62,191	62,191
Consulting	99,522	3,738	103,260
Donation	1,528	-	1,528
Repairs	29,194	-	29,194
Travel	44,848	4,217	49,065
Utilities	63,131	-	63,131
Fellowships	45,806	-	45,806
Shipping	8,714	-	8,714
Computer accessories and software	-	32,040	32,040
Payroll and human resources processing	-	18,522	18,522
Security	-	1,242	1,242
Sub-contractor	2,036,389	10,913	2,047,302
Laboratory supplies	111,379	13,373	124,752
Taxes	-	7,326	7,326
Office	<u>17,138</u>	<u>9,233</u>	<u>26,371</u>
	4,511,711	416,427	4,928,138
Depreciation expense	<u>218,225</u>	<u>16,367</u>	<u>234,592</u>
Total expenses	<u>\$4,729,936</u>	<u>\$ 432,794</u>	<u>\$5,162,730</u>

The accompanying notes are an integral part of these financial statement.

**OAK CREST INSTITUTE OF SCIENCE, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2017**

Cash flows from operating activities

Change in net assets \$ 528,318

Adjustments to reconcile net income to net cash

Provided by operation activities:

Depreciation	234,592
Decrease in grants receivable	188,645
(Increase) in other current assets	( 99,865)
(Decrease) in accounts payable and accrued expenses	<u>(146,593)</u>
Net cash provided by operating activities	<u>705,097</u>

Cash flows (used) by investing activities

(Increase) in restricted cash	( 100,000)
Purchase of property and equipment	<u>( 503,755)</u>
Cash (used) by investing activities	<u>( 603,755)</u>

Cash flows provided (used) by financing activities

Repayment of short term debt	( 19,563)
Proceeds from long term debt	200,000
Repayment of long term debt	<u>( 119,390)</u>
Cash provided by financing activities	<u>61,047</u>

Net increase in cash 162,389

Cash, beginning of year 164,465

Cash, end of the year \$ 326,854

Supplemental Disclosures:

Cash paid for interest was \$121,934.

The accompanying notes are integral part of these financial statements.

**OAK CREST INSTITUTE OF SCIENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Oak Crest Institute of Science, Inc. ("Oak Crest") is a California non-profit public benefit corporation established in 1998. Oak Crest is a unique academic research and education community where faculty, postdoctoral scholars, graduate, and undergraduate students work together on scientific questions of high societal relevance. The research involves projects for environmental improvements and projects related to air pollution and measurements including the development of prototype instruments.

Basis of Presentation

The financial statements of Oak Crest have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation reports information regarding Oak Crest's financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of balance sheet presentation and reporting of cash flows, Oak Crest considers all unrestricted demand deposits, money market funds and highly liquid debt instruments with a maturity date of less than to be cash and cash equivalents.

Grants Receivable

Grants receivable represent grants due from government agencies.

Fixed Assets

Property and equipment are stated at cost and depreciated by the straight-line method over the estimated useful lives of the assets. Expenditures for equipment reimbursed by grants from government agencies are capitalized. Even though the equipment is owned by the grantor agency, management believes that it is probable that Oak Crest will be permitted to keep the assets when the contract terminates.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Materials and Supplies

Non cash donations of materials and supplies are recorded as contributions at their estimated fair market value at the date of donation.

Donated Services

Individuals volunteer their time and perform a variety of services that assist Oak Crest in its programs. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Oak Crest.

**OAK CREST INSTITUTE OF SCIENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Research and Development Costs

The costs of research and development are charged to expenses as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported net income during the reporting period. Actual results could differ from those estimates.

Income Tax Status

Oak Crest is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from the California Franchise Tax under Section 2301(d) of the State Revenue and Taxation Code.

Financial Instruments

The Oak Crest's financial instruments consist of accounts receivable, accounts payable and loans payable. It is the management's opinion that Oak Crest is not exposed to significant credit risk arising from any of the aforementioned instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

Subsequent Events

Management has evaluated subsequent events through September 28, 2018 the date the financial statements were available to be issued.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or management's estimate of cost as follows:

Land	\$ 190,848
Building and improvements	3,433,803
Office equipment	8,021
Computer equipment	24,839
Research equipment	<u>1,042,202</u>
	4,699,713
Less accumulated depreciation	<u>(582,808)</u>
Net equipment	<u>\$4,116,905</u>

Oak Crest incurred \$234,592 of depreciation expense during the year ended December 31, 2017.

**OAK CREST INSTITUTE OF SCIENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

NOTE 3: LINE OF CREDIT

Oak Crest has a \$100,000 business line of credit which matures December 7, 2019, of which \$55,748 was available at December 31, 2017. The line is secured by all inventory, chattel paper, accounts, equipment and general intangibles. Subsequent to the date of the financial statements the line of credit was \$27,093.

NOTE 4: LONG TERM DEBT

Long term debt consists of:

\$1,080,000 note payable, dated December 14, 2014, due December 1, 2029: \$5,530 interest at 4.5% and principal payable monthly for 5 years, \$4,674 interest at 4.75% and principal payable monthly for 5 years, and 58 payments of \$5,645 principal and interest calculated at the US Treasury 1 year rate plus 4.55%, and one payment of \$733,775 on December 1, 2019, secured by real property	\$ 923,221
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\$200,000 Promissory Note a solar electric system dated December 31, 2016, For a solar electric system, interest at 5.5%, monthly payments of interest and principal of \$3,821, due January 1, 2022	164,886
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\$1,240,000 Promissory Note for building improvements, dated September 23, 2015, interest at 5.5%, due October 1, 2022, monthly payments of interest and principal of \$7,844, secured by real property	<u>1,180,942</u> 2,269,049
Less current portion:	<u>( 83,916)</u> <u>\$2,185,133</u>

Long-term debt expected to mature over the next five years is as follows:

Year ending December 31, 2018	\$ 83,916
2019	88,945
2020	83,666
2021	88,375
2022	1,055,053
Thereafter	<u>869,094</u>
Total	<u>\$2,269,049</u>

NOTE 5: CONTINGENCIES

Oak Crest receives a significant amount of its support from the federal government. If a significant reduction in the level of this support were to occur, Oak Crest's programs could be adversely impacted. These programs are subject to audit by the granting agencies. Management believes that any questioned costs arising from these audits would not have a significant effect on the financial statements.

**OAK CREST INSTITUTE OF SCIENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

NOTE 6: Commitments

In January and April, 2018 Oak Crest entered into two leases for additional facilities in Monrovia, CA. The leases expire in 2020 and 2022 and required monthly payments of \$9,650.

NOTE 7: LITIGATION

In November 2016 a complaint was filed against Oak Crest alleging misappropriation of trade secrets under the Defend Trade Secrets Act, misappropriation of trade secrets under the California Uniform Trade Secrets Act, and breach of contract. The complaint was assigned to arbitration in December 2017. Oak Crest was determined to have not misappropriated trade secrets or breach of contract, and is not liable for any monetary awards. A motion to confirm the final award has been filed and was approved June 12, 2018.

NOTE 8: TAX-DEFERRED ANNUITY PLAN

Oak Crest provides a tax-deferred annuity plan under Section 401(k) of the Internal Revenue Code. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The plan requires Oak Crest to match 1% to 4% of employee salary. Oak Crest incurred an employer contribution of \$39,845 to the plan during the year ended December 31, 2017.

NOTE 9: NET ASSETS

Oak Crest's unrestricted net assets are used for the general activities of the organization.

Oak Crest's temporarily restricted net assets are restricted as to time or purpose by the donor. The donations are reported as restricted support if they are received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2017 Oak Crest's temporarily restricted net assets consisted of \$100,000 restricted for community college students during 2018 and 2019.

NOTE 10: CONCENTRATION OF CREDIT RISK

A majority of Oak Crest's revenue consists of research grants from the United States government.

The Oak Crest maintains cash deposits at banks and at times the balances are in excess of federally insured limits.

**OAK CREST INSTITUTE OF SCIENCE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor/Pass through Grantor Program or Cluster Title</u>	<u>Pass through Identifying number</u>	<u>Federal CFDA#</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
US Department of Health and Human Services:				
Direct programs:				
National Institute of Health				
Intravaginal Ring Microbicide				
Formulations Comprising multiple				
anti-HIV Agents				
HIV Prophylaxis Core A	U-AI113048A	93.855	200,506	
HIV Prophylaxis Core B	U-AI113048A	93.855	265,780	
HIV Prophylaxis Project 1	U-AI113048A	93.855	519,612	
HIV Prophylaxis Project 2	U-AI113048A	93.855	695,951	
HIV Prophylaxis Project 3	U-AI113048A	93.855	866,821	
HIV Prophylaxis Project 4	U-AI113048A	93.855	577,300	
HIV Prophylaxis Project 5	U-AI113048A	93.855	711,345	
TAF for HIV	RO1-AI120748	93.855	<u>1,004,666</u>	
Subtotal, Department of Health and Human Services Direct Program			<u>4,841,981</u>	\$ 1,940,346
Pass through program from:				
University of Massachusetts				
Drug Resistant Neisseria gonorrhea	RO1-AI132296	93.855	84,527	
Sialic Acid to treat rstnt gonorrhea	R33-AI119327	93.855	29,835	
Harvard-Dana Farber Cancer Institute				
HIV CD4 mimetic inhibitors	RO1-AI134494	93.855	45,376	
Tulane University				
Microbicides-sustained release	RO1-AI131433	93.855	<u>50,234</u>	
Total Subawards			209,972	
TOTAL CFDA# 93.855 National Institute of Health			<u>5,051,953</u>	<u>1,940,346</u>
Total expenditures of federal awards			<u>\$ 5,051,953</u>	<u>\$ 1,940,346</u>

See accompanying notes to schedule of expenditures of federal awards

**OAK CREST INSTITUTE OF SCIENCE, INC**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule includes federal grant activity of OAK CREST INSTITUTE OF SCIENCE, INC. under programs of the federal government for the year ended December 31, 2017. This is in accordance with CFR part 200. Because the schedule presents only a selected portion of the operations of OAK CREST INSTITUTE OF SCIENCE, INC., it is not intended to and does not present the financial position, changes in net assets, or cash flows of OAK CREST INSTITUTE OF SCIENCE, INC.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Pass-through entity identifying numbers are presented where available.

**NOTE C – AWARDS TO SUBRECIPIENTS**

<u>Sub recipient</u>	<u>Program</u>	<u>Contract #</u>	<u>CFDA#</u>	<u>Amount</u>
University of Texas, Medical Branch	Intravaginal Ring Microbicide Formulations Comprising Multiple anti-HIV Agents	U19-AI113048	93.855	\$ 781,256
Miriam Hospital	Intravaginal Ring Microbicide Formulations Comprising Multiple anti-HIV Agents	U19-AI113048	93.855	208,618
University of California, Los Angeles	Intravaginal Ring Microbicide Formulations Comprising Multiple anti-HIV Agents	U19-AI113048	93.855	42,655
Vanderbilt University	Intravaginal Ring Microbicide Formulations Comprising Multiple anti-HIV Agents	RO1-AI100744 & U19-AI113048	93.855	61,964
John Hopkins Medial Branch	Intravaginal Ring Microbicide Formulations Comprising Multiple anti-HIV Agents	R01-AI00744 and U-AI13048A	93.855	135,465
Scripps Research Institute	Intravaginal Ring Microbicide Formulations Comprising Multiple anti-HIV Agents	RO1-AI100744 & U19-AI113048	93.855	609,250

**OAK CREST INSTITUTE OF SCIENCE, INC**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE C – AWARDS TO SUBRECIPIENTS (continued)

University of California, San Diego	Intravaginal Ring Microbicide Formulations Comprising Multiple anti-HIV Agents	U19-AI113048	93.855	<u>101,138</u>
	Total Subrecipients			<u>\$1,940,346</u>

NOTE D – INDIRECT COST RATE

OCIS did not elect to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

**NEELY ACCOUNTANCY CORP.  
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17037 Chatsworth St, Suite 208A  
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**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***

Board of Directors  
Oak Crest Institute of Science, Inc.  
Monrovia, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States, the financial statements of Oak Crest Institute of Science, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report then ended dated September 28, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Oak Crest Institute of Science, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oak Crest Institute of Science, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Oak Crest Institute of Science, Inc.'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 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 over financial reporting 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 financial reporting 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 Oak Crest Institute of Science, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Neely Accountancy Corp.*

Granada Hills, CA  
September 28, 2018

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

Board of Directors  
Oak Crest Institute of Science, Inc.  
Monrovia, California

**Report on Compliance for Each Major Federal Program**

We have audited Oak Crest Institute of Science, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oak Crest Institute of Science, Inc.'s major federal programs for the year ended December 31, 2017. Oak Crest Institute of Science, Inc.'s major federal programs are 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 the 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 each of Oak Crest Institute of Science, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oak Crest Institute of Science, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Oak Crest Institute of Science, Inc. 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 December 31, 2017.

**Report on Internal Control Over Compliance**

Management of Oak Crest Institute of Science, Inc. 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 Oak Crest Institute of Science, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the

Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oak Crest Institute of Science, Inc.'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.

*Neely Accountancy Corp.*

Granada Hills, CA

September 28, 2018

**OAK CREST INSTITUTE OF SCIENCE, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2017**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Oak Crest Institute of Science, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of Oak Crest Institute of Science, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported. No material weaknesses are reported.
5. The auditor's report on compliance for major federal award programs for Oak Crest Institute of Science, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs include:  
    Intravaginal Ring Microbicide Formulations Comprising Multiple Anti-HIV Agents, CFDA 93.855
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Oak Crest Institute of Science, Inc. is a low risk auditee.

**FINDINGS-FINANCIAL STATEMENTS AUDIT**

None.

**FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**OAK CREST INSTITUTE OF SCIENCE, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2017**

There were not any prior audit findings.