

**Oak Crest Institute of Science**  
**Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**  
**and**  
**Independent Auditor's Report**

**Oak Crest Institute of Science**  
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**As of and for the Year Ended December 31, 2021**

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## Independent Auditor's Report

Board of Directors  
Oak Crest Institute of Science

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Oak Crest Institute of Science (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Oak Crest Institute of Science as of December 31, 2021, 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.

#### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Oak Crest Institute of Science and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oak Crest Institute of Science's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Oak Crest Institute of Science's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022 on our consideration of the Oak Crest Institute of Science’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 Oak Crest Institute of Science’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 Oak Crest Institute of Science’s internal control over financial reporting and compliance.

*Lawrence R. Mitchell & Company*

Lawrence R. Mitchell & Company  
Certified Public Accountants  
*A Professional Corporation*  
El Segundo, California

September 20, 2022

**Oak Crest Institute of Science**  
**Consolidated Statement of Financial Position**  
**December 31, 2021**

**Assets**

<b>Current assets:</b>	<b>Amount</b>
Cash	\$ 414,612
Receivables	539,604
Prepaid expenses	59,236
Total current assets	1,013,452
<b>Property and equipment:</b>	
Property and equipment, net	3,853,324
<b>Other assets:</b>	
Investment in a limited liability company	2
Organization costs, net	3,725
Security deposits	15,250
Other assets	8,395
Total other assets	27,372
Total assets	\$ 4,894,148

**Liabilities and Net Assets**

<b>Current liabilities:</b>	
Accounts payable	\$ 173,426
Line of credit	32,155
Accrued and other current liabilities	98,527
Current portion of long-term note payable	32,947
Current portion of capital lease payable	49,377
Total current liabilities	386,432
<b>Long-term liabilities:</b>	
Note payable	\$ 1,885,959
Capital lease payable	5,814
Total long-term liabilities	1,891,773
Total liabilities	2,278,205
<b>Net assets:</b>	
Without donor restrictions	2,615,943
With donor restrictions	-
Total net assets	2,615,943
Total liabilities and net assets	\$ 4,894,148

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

**Oak Crest Institute of Science**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2021**

	<u>Donor Restrictions</u>		<u>Amount</u>
	<u>Without</u>	<u>With</u>	
<b>Public support:</b>			
Contributions and grants	\$ 37,128	\$ -	\$ 37,128
<b>Revenue and other income:</b>			
Program fees and contract service revenue	4,122,047	-	4,122,047
Consulting fees	433,995	-	433,995
Laboratory facilities loan-out	77,922	-	77,922
Miscellaneous income	243	-	243
Total revenue and other income	4,634,207	-	4,634,207
<b>Net assets released from restrictions:</b>			
Restrictions satisfied by payments	-	-	-
Total public support, revenue, and other income	4,671,335	-	4,671,335
<b>Operating expenses:</b>			
Program services	4,072,552	-	4,072,552
Management and general	768,470	-	768,470
Total operating expenses	4,841,022	-	4,841,022
Net decrease in net assets	(169,687)	-	(169,687)
<b>Net assets:</b>			
Net assets, beginning of year	2,785,630	-	2,785,630
Net assets, end of year	\$ 2,615,943	\$ -	\$ 2,615,943

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

**Oak Crest Institute of Science**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

<b>Description</b>	<b>Program Services</b>	<b>Mgt. &amp; General</b>	<b>Total</b>
Salaries and wages	\$ 1,096,259	\$ 296,299	\$ 1,392,558
Payroll taxes and employee benefits	197,399	53,353	250,752
Conferences and meetings	4,761	155	4,916
Dues and subscription	4,039	4,299	8,338
Occupancy	130,779	69,067	199,846
Furniture and equipment	11,329	-	11,329
Insurance	4,117	81,991	86,108
Interest and finance charges	93,293	7,085	100,378
Miscellaneous	3,052	5,425	8,477
Research project	376,590	-	376,590
Printing and reproduction	2,730	790	3,520
Professional fees and contract services	248,273	177,348	425,621
Subcontractors	1,124,987	-	1,124,987
Repairs and maintenance	67,287	9,892	77,179
Travel	2,524	3,443	5,967
Utilities	98,918	26,328	125,246
Fellowships	4,384	-	4,384
Postage and delivery	15,966	204	16,170
Computer accessories and software	24,509	2,504	27,013
Supplies	82,091	9,564	91,655
Depreciation and amortization	479,265	20,723	499,988
	<u>\$ 4,072,552</u>	<u>\$ 768,470</u>	<u>\$ 4,841,022</u>
	<u>84%</u>	<u>16%</u>	<u>100%</u>

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

**Oak Crest Institute of Science  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2021**

<b>Cash flows from operating activities:</b>	<b>Amount</b>
Decrease in net assets	\$ (169,687)
<b>Adjustments to reconcile decrease in net assets to net cash provided by operating activities:</b>	
Depreciation and amortization expense	499,988
Loan fee amortization (interest expense)	987
<b>(Increase) decrease in:</b>	
Receivables	110,367
Prepaid expenses	(5,949)
<b>Increase (decrease) in:</b>	
Accounts payable	(145,100)
Accrued and other current liabilities	(8,294)
Total adjustments	451,999
Net cash provided by operating activities	282,312
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	(296,578)
Net cash used by investing activities	(296,578)
<b>Cash flows from financing activities:</b>	
Net repayments under line of credit agreement	(15,812)
Principal payments on long-term notes payable	(31,381)
Principal payments on capital lease payable	(46,506)
Net cash used by financing activities	(93,699)
Net decrease in cash	(107,965)
Cash at beginning of year	522,577
Cash at end of year	\$ 414,612
<b>Supplemental disclosures of cash flow information:</b>	
<i>Cash paid during year for:</i>	
Interest	\$ 99,391
Income taxes	\$ -

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

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**1. Summary of significant accounting policies**

This summary of significant accounting policies of Oak Crest Institute of Science (the Organization) is presented to assist in understanding the Organization's financial statements.

***Nature of the Organization***

Oak Crest Institute of Science is a non-profit public benefit corporation established in 1998. The Organization is a unique academic research and education center, where Faculty, postdoctoral scholars, graduate, and undergraduate students work together on scientific questions of high societal relevance, primarily in medicinal and environmental science. The research involves basic and applied science, for example understanding the roles of microbes in extreme environmental niches and the development of novel intravaginal rings for HIV prevention in resource-limited regions. The rigorous research activities also serve as an educational platform to engage young aspiring scientists, particularly from underrepresented groups, in science, technology, engineering, and mathematics. The Organization's support comes primarily from federal funding.

***Principles of consolidation***

The accompanying consolidated financial statements include the accounts of the Oak Crest Institute of Science and Oak Crest Holdings LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Basis of accounting***

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

***Net Assets***

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

- *Without Donor Restrictions:* Net assets not subject to donor-imposed stipulations. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**1. Summary of significant accounting policies (continued)**

*Net Assets (continued)*

- *With Donor Restrictions:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets with donor restrictions 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Revenue and revenue recognition*

*Third party reimbursements*

Revenue derived from cost-reimbursable federal and pass-through agency contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

*Contributions*

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

*Consulting and laboratory facilities loan-out*

Revenue is recognized from *consulting services and facilities loan-out* when the performance obligations of providing the services are met.

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**1. Summary of significant accounting policies (continued)**

***Revenue and revenue recognition (continued)***

*Donated materials and services*

Contributions of noncash assets are recorded at their fair values in the period received. The Organization recognizes donated services and materials, that create or enhance nonfinancial assets, or that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Organization occasionally receives donated materials used in connection with its service programs. During the year ended December 31, 2021, the Organization did not receive any donated materials and services.

***Cash and cash equivalents***

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. There were no cash equivalents at December 31, 2021.

***Receivables***

Contributions, grants, and cost reimbursement contract receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for uncollectible accounts at December 31, 2021.

***Credit risk***

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of temporary cash investments and receivables.

*Temporary cash investments*

The Organization places its cash and temporary cash investments with high credit quality institutions. The balances in these accounts may at times exceed the FDIC federally insured amount of \$250,000. At December 31, 2021, the Organization has uninsured cash deposits of approximately \$110,000.

***Receivables***

Credit risk with respect to receivables is also limited due to the Organization's interaction with government entities on a contractual basis; and the fact that the Organization's grant receivables are from reputable foundations.

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**1. Summary of significant accounting policies (continued)**

***Property and equipment***

Property and equipment are recorded at cost. The Organization's policy is to capitalize assets with a cost of \$2,500 or more, and with estimated useful lives in excess of one year.

Expenditures for major renewal and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in the statement of activities as a change in restricted or unrestricted net assets, as appropriate.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated (amortized) over the lesser of the lengths of the related leases or the estimated useful lives of the assets. Depreciation expense is computed using the straight-line method over the respective estimated useful lives of assets, as follows:

Building	39 Years
Building and improvements	5 - 15 Years
Leasehold improvements	4 Years
Machinery and equipment	5 - 7 Years
Office equipment	5 - 7 Years
Software	5 Years

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 the Organization will be permitted to keep the assets when the contract terminates.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies with donor restrictions net assets to without donor restrictions net assets at that time.

***Fair value measurements***

The carrying amounts of the Organization's financial instruments, including cash, receivables, accounts payable, line of credit and accrued and other current liabilities approximate their respective fair values due to their short-term nature. The carrying amount of the Organization's long-term notes and capital lease payable approximate their respective fair values based on interest rates available to the Organization for similar debt instruments and similar remaining maturities.

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**1. Summary of significant accounting policies (continued)**

***Income tax status***

The Organization is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1986 and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

***Functional allocation of expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Management and general expense include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll related expenses	Time and effort
Occupancy and depreciation	Asset usage - utilization by square feet
Insurance	Time and effort

***Estimates***

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

***New accounting standards***

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease.

However, unlike current GAAP—which requires only capital leases to be recognized on the statement of financial position—the new ASU will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 and for interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments in this ASU is permitted; however, the Organization has not yet made such election.

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**1. Summary of significant accounting policies (continued)**

***Subsequent events***

The Organization has evaluated subsequent events through September 20, 2022 the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in these financial statements.

**2. Receivables**

Following is a summary of receivables at December 31, 2021:

	<b>Amount</b>
Expense reimbursement contract receivables	\$ 539,604
Less: Allowance for bad debt	-
	\$ 539,604

**3. Prepaid expenses**

Following is a summary of prepaid expenses at December 31, 2021:

	<b>Amount</b>
Prepaid insurance	\$ 42,227
Prepaid rent	16,783
Other prepayments	226
	\$ 59,236

**4. Property and equipment**

Following is a summary of property and equipment – at cost, less accumulated depreciation, at December 31, 2021:

	<b>Property and equipment</b>	<b>Capital lease equipment</b>	<b>Total</b>
Land	\$ 190,848	\$ -	\$ 190,848
Building	3,235,971	-	3,235,971
Building improvements	205,967	-	205,967
Leasehold improvements	174,256	-	174,256
Machinery and equipment	2,169,289	217,922	2,387,211
Office equipment	8,021	-	8,021
Software	52,358	-	52,358
	6,036,710	217,922	6,254,632
Less: Accumulated depreciation	(2,234,236)	(167,072)	(2,401,308)
	\$ 3,802,474	\$ 50,850	\$ 3,853,324

Depreciation expense charged to operations \$499,688 for the year ended December 31, 2021.

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**5. Investment in a limited liability company**

The Organization is collaborating with the City of Monrovia in developing the local science ecosystem, in accordance with its mission. This includes supporting local science startup companies (e.g., workforce development, teaching/training) through a laboratory loan out agreement – similar to incubation, but with full lab infrastructure/support, in two leased buildings adjacent to the Organization. As such, in May 2019, the Organization incorporated and became the sole member of Oak Crest Holdings LLC (the Subsidiary).

The Subsidiary partnered with Newton World Enterprises LLC to fulfill this mission and is invested in 4.5% of Class F units and 15% of Class A units for a total investment of \$4,600 (investment made in 2019).

**6. Line of credit**

Under the terms of a line of credit agreement with a bank, the Organization may borrow up to \$100,000 at an interest rate of 8.5% through October 30, 2019. This agreement renews annually (through October 2022) and is secured by a UCC filing on substantially all assets of the Organization.

At December 31, 2022, the Organization had \$67,845 of unused line of credit, in connection with this agreement to be drawn upon as needed. Interest expense, in connection with this agreement, was \$2,563 for the year ended December 31, 2021.

**7. Accrued and other current liabilities**

Following is a summary of accrued and other current liabilities at December 31, 2021:

	<b>Amount</b>
Accrued vacation	\$ 62,274
Insurance contract payable	25,825
Laboratory loan out deposit	1,250
Accrued interest payable	8,032
Other current liabilities	1,146
	\$ 98,527

**8. Note payable**

Following is a summary of the note payable at December 31, 2021:

	<b>Amount</b>
4.75% note payable to a bank in monthly installments of \$10,394, including principal and interest, through August 2030, and one final principal payment of \$1,577,500. This note is secured by the land, building and solar electric system of the Organization.	\$ 1,918,906
Less: Current maturities included in current liabilities	(32,947)
	\$ 1,885,959

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**8. Note payable (continued)**

Interest expense, in connection with this note payable, was \$93,245, for the year ended December 31, 2021, which is included in interest expense.

Following are maturities of the long-term note payable for each of the next five years and in the aggregate:

<i>Year ending December 31,</i>	<b>Amount</b>
2022	\$ 32,947
2023	34,570
2024	36,018
2025	38,045
2026	39,918
Thereafter	1,737,408
	<u>\$ 1,918,906</u>

**9. Capital lease**

The Organization is the lessee of research equipment under a capital lease agreement expiring in March 2023. The asset and liability under a capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is being depreciated over the lower of the related lease term or its estimated productive life.

Depreciation of the asset under capital lease was \$43,584 for the year ended December 31, 2021, which is included in depreciation expense.

Minimum future lease payments under this capital lease as of December 31, 2021 for each of the next three years and in the aggregate are:

<i>Year ending December 31,</i>	<b>Amount</b>
2022	\$ 50,733
2023	5,840
Thereafter	-
Total minimum lease payments	<u>56,573</u>
Less: Amount representing interest	<u>(1,382)</u>
Present value of net minimum lease payment	<u>\$ 55,191</u>

Interest rate on capitalized lease approximates 6.2% and is imputed based on the lower of Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return. Interest expense, in connection with the capital lease, was \$4,228 for the year ended December 31, 2021.

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**10. Revenue from contracts with customers**

Following is a summary of revenue from contracts with customers and deferred revenue at December 31, 2021:

	<b>Revenue</b>	<b>Accrued and other current liabilities</b>
Consulting fees	\$ 433,995	\$ -
Laboratory facilities loan out	77,922	1,250
	\$ 511,917	\$ 1,250

**11. Leases**

The Organization leases two operations facilities under non-cancellable operating lease agreements. Minimum future rental payments under long-term operating leases having initial terms in excess of one year as of December 31, 2021, for each of the next three years, and in the aggregate are:

<i>Year ending December 31, 2021</i>	<b>Amount</b>
2022	\$ 208,431
2023	213,658
2024	60,216
Thereafter	-
	\$ 482,305

Following is a summary of long-term operating leases and renewal options at December 31, 2021:

<b>Description of Property</b>	<b>Minimum Annual Rental</b>	<b>Expiration Date</b>	<b>Renewal Option</b>	
			<b>Term</b>	<b>Rent</b>
Operations and administrative facility	\$ 45,850	January 2024	2 years	3%
Operations facility	162,581	April 2024	N/A	N/A
	\$ 208,431			

In the normal course of business, operating leases are generally renewed or replaced by other leases.

Rental expense under all operating leases totaled \$199,845 for the year ended December 31, 2021.

**Oak Crest Institute of Science**  
**Notes to the Consolidated Financial Statements**  
**As of and for the Year Ended December 31, 2021**

**12. Tax deferred annuity plan**

The Organization provides a tax-deferred annuity plan under Section 401(k) of the Internal Revenue Code (IRC). Employees may make contributions to the plan up to the maximum annual limit provided by the IRC. The plan requires the Organization to match 1% to 4% of the employee salaries. During the year ended December 31, 2021, the Organization made matching contributions to the plan of \$37,389.

**13. Related party transactions**

During the year ended December 31, 2021, the Organization made working capital advances to Oak Crest Holdings LLC of \$4,188, which is included in receivables in the statement of financial position.

**14. Concentrations**

*Customer*

The Organization received support from one contract agency during 2021, which constituted 81% of total public support, revenue, and other income. At December 31, 2020, the Organization has a receivable balance of \$213,677 from this contract agency.

**15. Liquidity and reserves**

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of December 31, 2021, reduced by amounts not available for general expenditures within one year.

	<b>Amount</b>
Cash	\$ 414,612
Receivables	539,604
Total financial assets	954,216
Less: financial assets unavailable for general expenditure within one year due to purpose and time restrictions	-
Financial assets available to meet cash needs for general general expenditure within one year	\$ 954,216

**16. Commitments and contingencies**

*Federal funding*

The Organization has received federal funds for specific purposes that are subject to compliance requirements. The Organization is subject to review and audit by such grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements and/or receivable adjustments would not be material.

**Oak Crest Institute of Science  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

Federal Grantor / Pass - Thru Grantor / Program Title	Federal CFDA #	Agency or Pass-thru #	Federal Expenditures	Expenditures to Subrecipients
<u>Research and development cluster</u>				
<b>Federal awards</b>				
<i>Department of Health &amp; Human Services</i>				
Direct programs:				
National Institute of Health				
Systematic Development of Antiretroviral				
Intravaginal Rings for HIV Prevention *	93.855	U19AI113048		
HIV Prophylaxis Core A			\$ 38,574	\$ -
HIV Prophylaxis Core B			138,080	-
HIV Prophylaxis Project 1			137,081	47,908
HIV Prophylaxis Project 2			103,377	-
HIV Prophylaxis Project 3			171,101	171,101
HIV Prophylaxis Project 4			80,815	77,196
Systemic Sustained Release Delivery of				
Antiretroviral Agents for HIV Prevention *	93.855	5R01AI120748	323,179	102,171
A Bioresorbable Subdermal Implant for Sustained Delivery of				
Novel Maturation Inhibitor to Prevent HIV Infection *	93.855	R01AI154561	632,882	298,574
Next Generation Multipurpose Prevention Technology: An Intravaginal				
Ring for HIV Prevention and Nonhormonal Contraception*	93.865	R01HD101344	713,419	401,355
Systemic Sustained Release Delivery of Antiretroviral				
Agents for HIV Prevention *	93.855	1R01AI162151-01A1	215,759	26,137
Total direct programs			\$ 2,554,267	\$ 1,124,442

(continued next page)

**Oak Crest Institute of Science  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

Federal Grantor / Pass - Thru Grantor / Program Title	Federal CFDA #	Agency or Pass-thru #	Federal Expenditures	Expenditures to Subrecipients
<i>(continued from previous page)</i>				
<u>Research and development cluster</u>				
<b>Federal awards</b>				
Pass-through programs:				
University of Massachusetts				
Novel Immunotherapeutics Against Multidrug-Resistant				
Neisseria Gonorrhoea *	93.855	R01AI132296	\$ 160,216	\$ -
Sialic Acid Analogs as Novel Immunotherapeutics		R33AI119324		
Against Multidrug-Resistant Gonorrhea *	93.855	R01AI160247	170,316	-
Gonorrhea and HIV Prevention with Intravaginal Ring				
Drug Delivery *	93.855	R61AI136007	146,399	-
Harvard University - Dana Farber Cancer Institute, Inc.				
Prevention of HIV-1 Transmission by Small-Molecule				
CD4-Mimetic Entry Inhibitors *	93.855	R01AI134494	144,323	-
Tulane University				
Testing Novel Microbicide in Sustained Release Formulations *	93.855	R01AI131433	157,687	-
DFH Pharma				
Preclinical Dev't of 2nd Generation HIV Maturation Inhibitors *	93.855	R42AI155312	115,040	-
Planet Biotech				
An Immunotherapeutic to Prevent Gonorrhea *	93.855	R44AI147930	127,077	-
University of Texas Galveston				
Cervicovaginal Vaccine Delivery by Novel Pod Intravaginal				
Rings for Therapeutic Immunization Against HSV-2 *	93.855	R21AI15375802	10,595	-
The Population Council				
An ETG/EE/GRFT IVR to Prevent Pregnancy and HIV *	93.855	1R01AI150360	125,861	-
Subtotal <i>(continued next page)</i>			\$ 1,157,514	\$ -

**Oak Crest Institute of Science  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

Federal Grantor / Pass - Thru Grantor / Program Title	Federal CFDA #	Agency or Pass-thru #	Federal Expenditures	Expenditures to Subrecipients
<i>(continued from previous page)</i>				
<u>Research and development cluster</u>				
<b>Federal awards</b>				
Pass-through programs:				
University of Southern California				
Molecular Mechanism Re: Homeostatic Control of Synaptic Strength *	93.853	R01NS091546	\$ 9,574	\$ -
Stanford University				
Estrogen Reverses Progestin-Mediated Loss of Genital Mucosal Barrier Function *	93.865	R01HD094634	83,360	-
Total pass-through programs			1,250,448	-
Total Department of Health and Human Services			3,804,715	1,124,442
 <i>National Science Foundation</i>				
Pass-through programs:				
Pasadena City College				
The Micro Nano Technology Education Center *	47.076	2000281	103,869	-
Citrus Community College				
Cross Sector Partnerships, Experiential Learning and Professional Development *	47.076	1959594	6,760	-
Total pass-through programs			110,629	-
Total National Science Foundation			110,629	-
Total research and development cluster programs			\$ 3,915,344	\$ 1,124,442

**Oak Crest Institute of Science  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

Federal Grantor / Pass - Thru Grantor / Program Title	Federal CFDA #	Agency or Pass-thru #	Federal Expenditures	Expenditures to Subrecipients
<i>(continued from previous page)</i>				
<u>Other programs</u>				
<b>Federal awards</b>				
Pass-through programs:				
US Department of Commerce				
Monrovia - Oak Crest Science and Technology				
Incubator Program	11.020	ED19HDQ200079	\$ 118,690	-
US Small Business Administration				
Growth Accelerator Fund Competition	59.065	N/A	50,000	-
US Agency for International Development				
USAID Foreign Assistance for Programs Overseas	98.001	7200AA22CA00002	38,013	-
Total other programs			206,703	-
Total federal awards			\$ 4,122,047	\$ 1,124,988

\* Denotes a major federal program (Research and Development cluster)

See accompanying notes to schedule of expenditures of federal awards.

**Oak Crest Institute of Science**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

**1. Basis of presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Oak Crest Institute of Science under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Oak Crest Institute of Science, 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.

**2. Summary of significant accounting policies**

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

**3. Awards to subrecipients**

Following is the summary of subrecipients for the year ended December 31, 2021:

<b>Subrecipient</b>	<b>Contract Number</b>				<b>Total</b>
	<b>U19AI 113048</b>	<b>5R01AI 120748</b>	<b>R01AI 154561</b>	<b>R01DH 101344</b>	
DFH Pharma Inc.	\$ -	\$ -	\$ 77,550	\$ -	\$ 77,550
John Hopkins University	47,908	-	-	-	47,908
Scripps Research Institute	62,841	48,301	-	-	111,142
The Miriam Hospital	5,673	-	-	-	5,673
University of North Carolina	-	-	-	396,855	396,855
University of Texas Medical Branch	179,784	26,137	152,229	-	358,150
Vanderbilt University	-	54,416	68,795	4,499	127,710
	<b>\$ 296,206</b>	<b>\$ 128,854</b>	<b>\$ 298,574</b>	<b>\$ 401,354</b>	<b>\$ 1,124,988</b>

**4. Indirect cost rate**

Oak Crest Institute of Science has elected *not* to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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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 CONSOLIDATED FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

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Board of Directors  
Oak Crest Institute of Science

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Oak Crest Institute of Science (a nonprofit organization), which comprise the statement of consolidated financial position as of December 31, 2021, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 20, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Oak Crest Institute of Science's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oak Crest Institute of Science's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oak Crest Institute of Science'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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oak Crest Institute of Science's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

*Lawrence R. Mitchell & Company*

Lawrence R. Mitchell & Company  
Certified Public Accountants  
*A Professional Corporation*  
El Segundo, California

September 20, 2022

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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***

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Board of Directors  
Oak Crest Institute of Science

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

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

We have audited Oak Crest Institute of Science’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Oak Crest Institute of Science’s major federal programs for the year ended December 31, 2021. Oak Crest Institute of Science’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Oak Crest Institute of Science 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, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Oak Crest Institute of Science's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Oak Crest Institute of Science's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Oak Crest Institute of Science's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Lawrence R. Mitchell & Company*

Lawrence R. Mitchell & Company  
Certified Public Accountants  
*A Professional Corporation*  
El Segundo, California

September 20, 2022

**Oak Crest Institute of Science  
Summary of Findings and Questioned Costs  
For the Year Ended December 31, 2021**

**A. Summary of audit 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   reported

Noncompliance material to financial statements noted?      Yes   x   No

*Federal awards*

Internal control over major federal programs:

- Material weakness(es) identified?      Yes   x   No
- Significant deficiency(ies) identified?      Yes   x   reported

Type of auditor's report issued on compliance for major federal programs: 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 programs

Name of Federal Program or Cluster	CFDA No.
Research and development cluster	93.853
Research and development cluster	93.855
Research and development cluster	93.865
Research and development cluster	47.076

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   x   Yes      No

**Oak Crest Institute of Science  
Summary of Findings and Questioned Costs  
For the Year Ended December 31, 2021**

***B. Findings – financial statement audit***

None.

***C. Findings and questioned costs-major federal program audit***

None.