

***SEATTLE INSTITUTE FOR BIOMEDICAL  
AND CLINICAL RESEARCH***

Single Audit Reports

September 30, 2008

## *Table of Contents*

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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	1 - 2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3 - 4
Schedule of Expenditures of Federal Awards	5 - 6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	9

***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  
Seattle Institute for Biomedical and Clinical Research  
Seattle, Washington***

We have audited the financial statements of Seattle Institute for Biomedical and Clinical Research (the Institute) as of and for the year ended September 30, 2008, and have issued our report thereon dated February 5, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Institute's internal control over financial reporting as a basis for designing our auditing procedures 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 Institute's internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

# CLARK NUBER

Certified Public  
Accountants  
and Consultants

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute'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*.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clark Nuber P.S.*

Certified Public Accountants  
Bellevue, Washington  
February 5, 2009

***Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133***

***Board of Directors  
Seattle Institute for Biomedical and Clinical Research  
Seattle, Washington***

**Compliance**

We have audited the compliance of Seattle Institute for Biomedical and Clinical Research (the Institute) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

**Internal Control over Compliance**

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

# CLARK NUBER

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Institute as of and for the year ended September 30, 2008, and have issued our report thereon dated February 5, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clark Nuber P.S.*

Certified Public Accountants  
Bellevue, Washington  
February 5, 2009

SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2008

<i>Federal Grantor/Pass-through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Expenditures</i>
<b>Department of Agriculture</b>			
Agricultural Research - Competitive Research Grants	10.206		<b>\$ 75,299</b>
<b>Department of Defense</b>			
Military Medical Research and Development	12.420		<b>447,434</b>
<b>Department of Health and Human Services</b>			
<b>National Institutes of Health</b>			
<b>National Human Genome Research Institute</b>			
<b>Passed through University of Rochester</b>			
Human Genome Research	93.172	5R01 HG0002449	15,132
<b>National Institute of Mental Health</b>			
Mental Health Research Grants	93.242		308,260
<b>Passed through University of North Carolina, Chapel Hill</b>			
Mental Health Research Grants	93.242	N01MH90001	20,676
<b>Passed through University of Washington</b>			
Mental Health Research Grants	93.242	N01MH90001	81,078
<b>National Institute on Alcohol Abuse and Alcoholism</b>			
Alcohol Research Programs	93.273		71,241
<b>National Cancer Institute</b>			
Cancer Treatment Research	93.395		393,430
<b>Passed through Southwest Oncology Group - Swedish Hospital</b>			
Cancer Treatment Research	93.395	CA32102	1,568
<b>Passed through Fred Hutchinson Cancer Research Center</b>			
Cancer Treatment Research	93.399	2 P50 CA097186	5,743
<b>National Heart, Lung, and Blood Institute</b>			
<b>Passed through Axio Research Corporation</b>			
Heart and Vascular Diseases Research	93.837	5U01 HL081649	70,445
<b>Passed through University of Washington</b>			
Heart and Vascular Diseases Research	93.837	R01 HL074098	4,312
<b>National Institute of Arthritis and Musculoskeletal and Skin Diseases</b>			
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		229,063
<b>National Institute of Diabetes and Digestive and Kidney Diseases</b>			
Diabetes, Endocrinology and Metabolism Research	93.847		1,547,827
<b>Passed through Kaiser Foundation Research Institute</b>			
Diabetes, Endocrinology and Metabolism Research	93.847	K01 DK066308	5,123
<b>Passed through University of Michigan</b>			
Diabetes, Endocrinology and Metabolism Research	93.847	1K01 DK066308	16,410
<b>Passed through University of Washington</b>			
Diabetes, Endocrinology and Metabolism Research	93.847	K01 DK074404 / P30 DK017047 / U01 DK061055	106,316
Digestive Diseases and Nutrition Research	93.848	U01 DK048413	72,358
<b>National Institute of Neurological Disorders and Stroke</b>			
<b>Passed through University of Washington</b>			
Neurological Research Programs	93.853	R01 N5057567	1,835
<b>National Institute on Aging</b>			
Aging Research	93.866		1,195,916
<b>Passed through Columbia University</b>			
Aging Research	93.866	1 U24 AG026395	243,702
<b>Passed through University of Washington</b>			
Aging Research	93.866	5 P50 AG005136 / 1 R01 AG025515	105,934

The accompanying notes are an integral part of this schedule.

**SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH**

**Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2008**

<i>Federal Grantor/Pass-through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Expenditures</i>
<b>National Institute on Aging</b>			
<b>Passed through University of California, San Diego</b>			
Aging Research	93.866	U01 AG10483	19,377
<b>Passed through Wisconsin</b>			
Aging Research	93.866	1 R01 AG029624	28,022
<b>National Vaccine Program Office</b>			
Unmet Needs Program	93.GPH-A-00-01-00005-00		64,227
<b>Total Department of Health and Human Services</b>			<b>4,607,995</b>
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 5,130,728</b>

**SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2008**

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**Note 1 - Method of Accounting**

This schedule includes the federal grant activity of the Institute and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 - Sub-Recipients**

Of the federal expenditures presented in the schedule, the Institute provided federal awards to sub-recipients as follows:

<b>Digestive Diseases and Nutrition Research</b>	<b>93.847</b>	
University of Washington		\$ 116,140
VA Puget Sound Health Care System		\$ 16,562
<b>Aging Research</b>	<b>93.866</b>	
Group Health Cooperative		\$ 185,467
University of California - Los Angeles		\$ 11,161
Northern California Institute for Research and Education		\$ 53,327
University of Washington		\$ 106,079
Mayo Clinic		\$ 1,019
Banner Alzheimer's Institute		\$ 13,803
<b>Military Medical Research Development</b>	<b>12.420</b>	
Henry M. Jackson Foundation		\$ 131,033
<b>Cancer Research</b>	<b>93.395</b>	
University of Washington		\$ 29,818
<b>Alcohol Research</b>	<b>93.273</b>	
University of Washington		\$ 1,324

**SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH**

***Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2008***

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**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of Major Programs:

<i>CFDA Number(s)</i>			<i>Name of Federal Program or Cluster</i>
10.206	93.395	93.848	Research and Development Cluster
12.420	93.399	93.853	
93.172	93.837	93.866	
93.242	93.846	93.GPH-A-00-01-00005-00	
93.273	93.847		

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee?  Yes  No

**Reportable Financial Statement Findings**

No matters were reported.

**Reportable Findings and Questioned Costs for Federal Awards**

No matters were reported.

***SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH***

***Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2008***

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There were no prior audit findings; therefore, no matters are reportable.