

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

Single Audit Reports

For the Year Ended
September 30, 2010

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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***

***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, 2010, and have issued our report thereon dated March 3, 2011. 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.

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 control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

CLARK NUBER

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
March 3, 2011

Certified Public
Accountants
and Consultants

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditors' Report

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

Compliance

We have audited Seattle Institute for Biomedical and Clinical Research's (the Institute) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Institute's major federal programs for the year ended September 30, 2010. 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. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Institute's compliance with those requirements.

In our opinion, the Institution complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

CLARK NUBER

Certified Public
Accountants
and Consultants

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.

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 deficiencies, 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 financial statements as of and for the year ended September 30, 2010, and have issued our report thereon dated March 3, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Directors, other 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
March 3, 2011

SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
Research and Development Cluster:			
Department of Defense			
Military Medical Research and Development	12.420		635,951
Passed through Geneva Foundation			
Military Medical Research and Development	12.420	W81XWH-08-2-0174	27,856
Passed through Palo Alto Institute for Research and Education			
Military Medical Research and Development	12.420	W81XWH-08-2-0096	3,796
Passed through Veterans Medical Research Foundation			
Military Medical Research and Development	12.420	W81XWH-10-2-0104	9,753
Total Department of Defense / CFDA 12.420			677,356
Department of Health and Human Services			
National Institutes of Health			
National Human Genome Research Institute			
Passed through University of Rochester			
Human Genome Research	93.172	5 R01 HG0002449	6,138
National Institute of Health			
Mental Health Research Grants	93.242		177,446
Passed through University of North Carolina, Chapel Hill			
Mental Health Research Grants	93.242	N01MH90001	400
Total for CFDA 93.242			177,846
National Institute of Health			
Alcohol Research Programs	93.273		616,515
Centers for Disease Control and Prevention			
Passed through State of Washington			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	N17493	28,863
National Institute of Health			
Passed through University of Washington			
National Center for Research Resources	93.389	5 UL1 RR025014	12,996
National Institute of Health			
Cancer Treatment Research	93.395		500,581
Passed through Fred Hutchinson Cancer Research Center			
Cancer Cause and Prevention Research	93.393	5 R01 CA131255	16,355
Passed through University of North Carolina, Chapel Hill			
Cancer Detection and Diagnosis Research	93.394	3 R01 CA124400-04S1	1,023
Passed through University of Michigan			
Cancer Treatment Research	93.395	CA32102	2,484
Passed through Fred Hutchinson Cancer Research Center			
Cancer Control	93.399	2 P50 CA097186	196,673
National Institute of Health			
ARRA - Trans-NIH Recovery Act Research Support	93.701		2,459,907
Passed through University of Washington			
ARRA - Trans-NIH Recovery Act Research Support	93.701	1 R01 AG031892	9,456
ARRA - Trans-NIH Recovery Act Research Support	93.701	3 P30 DK17047-33S3	31,395
Total for CFDA 93.701			2,500,758

See notes to schedule of expenditures of federal awards.

SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2010**

<i>Federal Grantor/Pass-through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Expenditures</i>
National Institute of Health			
Cardiovascular Diseases Research	93.837		144,340
Passed through Axio Corporation			
Cardiovascular Diseases Research	93.837	5U01 HL081649	55,668
Passed through University of Washington			
Cardiovascular Diseases Research	93.837	1 R01 HL088214	428
Cardiovascular Diseases Research	93.837	1 R01 HL089504	54
Total for CFDA 93.837			200,490
National Institute of Health			
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		2,541,961
Passed through University of Washington			
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	K 01 DK74404	19,775
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	P30 DK017047-31	30,249
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	R01 DK083471	25,567
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	R21 DK077545	24,406
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	0015374P#117862-3	2,136
Total for CFDA 93.847			2,644,094
National Institute of Health			
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		257,784
Passed through University of Washington			
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	RO1 NS057567	19,448
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1 P50 NS062684	259,490
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1 RO1 NS065070	204,753
Total for CFDA 93.853			741,475

See notes to schedule of expenditures of federal awards.

SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2010**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
National Institute of Health			
Aging Research	93.866		1,506,173
Passed through University of Washington			
Aging Research	93.866	2 P50 AG005136	155,156
Aging Research	93.866	R01 AG027156	10,464
Aging Research	93.866	R01 AG025515	6,510
Aging Research	93.866	1 R01 AG033693	214,021
Aging Research	93.866	R37 SG010880	5,121
Passed through Columbia University			
Aging Research	93.866	1 U24 AG026395	213,056
Passed through University of Wisconsin			
Aging Research	93.866	1 R01 AG029624	22,945
Passed through University of California, San Diego			
Aging Research	93.866	U01 AG10483	12,647
Passed through University of Louisville			
Aging Research	93.866	5 R01 AG024040	1,300
Passed through University of Pennsylvania			
Aging Research	93.866	1 U01 AG030644	148,090
Total for CFDA 93.866			2,295,483
Office of Public Health and Science			
National Vaccine Program Office			
Passed through Program for Appropriate Technology in Health (PATH)			
Unmet Needs Program	93.GPH-A-00-01-0005-00	GPH-A-00-01-0005-00	75
Total Department of Health and Human Services			9,941,849
Total Research and Development Cluster / Total Federal Expenditures			\$ 10,619,205

See notes to schedule of expenditures of federal awards.

SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010**

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:

<u>Program Title/Sub-Recipient</u>	<u>CFDA Number</u>	<u>Amount Provided</u>
Military Medical Research and Development Henry M. Jackson Foundation	12.420	\$ 115,801
Mental Health Research Grants VA Puget Sound Health Care System	92.242	8,877
Alcohol Research Programs University of Indiana University of Washington	93.273	79,017 <u>27,463</u>
Total CFDA 93.273		106,480
Cardiovascular Diseases Research University of Washington VA Puget Sound Health Care System	93.837	6,934 <u>21,618</u>
Total CFDA 93.837		28,552
Diabetes, Digestive, and Kidney Diseases Extramural Research University of Hawaii University of Washington VA Puget Sound Health Care System	93.847	206,430 130,058 <u>6,900</u>
Total CFDA 93.847		343,388
Extramural Research Programs in the Neurosciences Neurological Disorders VA Puget Sound Health Care System	93.853	17,723

SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010**

Note 2 - Continued

Aging Research	93.866	
Group Health Cooperative		337,073
Northern California Institute for Research and Education		44,478
Banner Alzheimer's Institute		25,838
University of Washington		19,100
University of Kentucky		<u>7,582</u>
Total CFDA 93.866		<u>434,071</u>
Total Federal Expenditures to Sub-Recipients		<u>\$ 1,054,892</u>

SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

***Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010***

Summary of Auditors' Results

Financial Statements

Type of auditor's 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 None reported

Identification of Major Programs:

CFDA Numbers

12.420 93.389 93.701
93.172 93.393 93.837
93.242 93.394 93.847
93.273 93.395 93.853
93.283 93.399 93.866
93.GPH-A-00-01-0005-00

Name of Federal Program or Cluster

Research and Development Cluster
including CFDA 93.701 which contains
ARRA funding

Dollar threshold used to distinguish between Type A and Type B programs: \$ 318,576

Auditee qualified as low-risk auditee? Yes No

SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH

***Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010***

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

***Schedule of Prior Audit Findings
For the Year Ended September 30, 2010***

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