



Board of Trustees Annual Meeting

Friday, October 23, 2020

8:00-10:00 a.m.

To Be Conducted via Zoom Videoconference and Teleconference ONLY

NOTICE

PLEASE NOTE THAT DUE TO THE COVID-19 RELATED CLOSURES IN EFFECT AT THIS TIME, THERE WILL BE NO IN-PERSON ATTENDANCE AT THIS MEETING. This meeting is being conducted in conformance with the State of Nevada Executive Department Declaration of Emergency Directive 006 dated March 22, 2020. If you desire to listen to this meeting, please utilize one of the following methods:

To join via computer:

<https://us02web.zoom.us/j/81810649907?pwd=SHhSK1ZvZVBURUVKeDFkcGdqZUIwUT09>

To join via telephone: 877-853-5257 Meeting ID: 818 1064 9907 Passcode: 435710

Notice to persons with special needs: For those requiring special assistance or accommodation to participate in this meeting, arrangements for a sign language interpreter should be made as soon as possible, but no later than 72 hours before the scheduled meeting. Please contact the Foundation office at (775) 673-7300 or via email at foundationinfo@dri.edu.

THERE WILL BE NO IN-PERSON ATTENDANCE AT THIS MEETING. If you desire to provide general public comment or public comment on an individual agenda item, please utilize one of the following methods available for this Special Meeting:

To Submit Public Comment on individual agenda items, or for general public comment:	Use this link/email address/ phone number:	Available to use during this period:
By email:	<p>foundationinfo@dri.edu</p> <p>Be sure to include your name, zip code, the agenda item number on which you are providing comment, along with your comment.</p> <p>Please also indicate whether you want your email comment to be read on the record during the live meeting, or added to the backup materials for the record. If not specified, comments will be added to the backup materials for the record.</p>	For comments submitted prior to and during the live special meeting
By Zoom Event:	<p>https://us02web.zoom.us/j/81810649907?pwd=SHhSK1ZvZVBYRUVKedFkcGdqZUlwUT09</p>	For comments submitted during the live special meeting only Note: Due to anticipated processing time, we encourage you to be prepared to provide your comments at the beginning of the Public Comment period rather than waiting until the end to be sure your text message is received and read into the record while the item is being considered.

Individual comments will be limited to three (3) minutes and those representing group comments will be limited to ten (10) minutes. The Chair reserves the right to curtail or decline to read into the record comments that are abusive, offensive, inflammatory or repetitive and that disrupt, disturb or otherwise impede the orderly conduct of the Committee meeting. See [NRS 241.030\(4\)\(a\)](#). Examples of disruptive comments include, without limitation, name calling, use of profanity, personal attacks, intimidation, threats, or any other comments intended to impede the meeting or infringe on the rights of the DRI Research Foundation, DRI staff, or meeting participants.

Backup/supporting materials for agenda items can be found on DRI's website at: <https://www.dri.edu/foundation/for-foundation-trustees>. To request electronic copies of backup/supporting materials, please contact Becky Coleman at (775) 673-7358 or via email at becky.coleman@dri.edu. **PLEASE NOTE THAT DUE TO THE COVID-19-RELATED CLOSURE IN EFFECT AT THIS TIME, ONLY ELECTRONIC BACKUP/SUPPORTING MATERIALS WILL BE AVAILABLE FOR THIS MEETING.**

AGENDA

Note: Below is an agenda of all items scheduled to be considered. Unless otherwise stated, items may be taken out of the order presented at the discretion of the Chair.

- 1. Items may be taken out of order;*
- 2. Two or more items may be combined;*
- 3. Items may be removed from agenda or delayed at any time;*

This agenda incorporates by reference the agendas posted for the following committee meetings. For any items identified in those agendas as "recommendation" or "action" the DRI Foundation Executive Committee may also take action.

- | | | |
|--------------|--|-----------------------------------|
| I. | <i>Call to Order</i>
Tina Quigley, Board Chair | <u>FOR INFORMATION</u> |
| II. | <i>Public Comment</i>
Comments by members of the public will not be restricted based upon the speaker's viewpoint. | |
| III. | <i>FY20 Audit</i>
David Schaper, CPA - Barnard, Vogler & Co | <u>FOR POSSIBLE ACTION</u> |
| IV. | <i>Faculty Presentation</i>
Dr. Monica Arienzo, Assistant Research Professor, Hydrology | <u>FOR INFORMATION</u> |
| V. | <i>Approval of Minutes</i>
a. September 21, 2020 Special Meeting | <u>FOR POSSIBLE ACTION</u> |
| VI. | <i>President's Report</i>
Kumud Acharya, President | <u>FOR INFORMATION</u> |
| VII. | <i>Chair's Report</i>
Tina Quigley, Chair | <u>FOR INFORMATION</u> |
| VIII. | <i>Treasurer's Report</i>
Holger Liepmann, Treasurer | <u>FOR POSSIBLE ACTION</u> |

- IX. *Advancement Report*** **FOR INFORMATION**
Robert Gagoisan, Senior Advisor to the President
Becky Coleman, Associate Director of Development
- X. *Nevada Medal Update*** **FOR INFORMATION**
Nora James, Event Chair
- XI. *Trusteeship Committee*** **FOR INFORMATION**
Mike Benjamin, Vice Chair
- XI. *Approval of Nominations*** **FOR POSSIBLE ACTION**
- a. Reappointment of Tina Quigley to a 2nd term 2021-2024
 - b. Reappointment of Richard Ditton to a 2nd term 2021-2024
 - c. Election of Officers
 - a. Chair – Mike Benjamin 1st term 2021-2023
 - b. Vice-Chair – Nora James to complete term ending in December 2021 vacated by Mike Benjamin
 - c. Secretary/Treasurer – Ken Ladd 1st term 2021-2023
- XII. *Administrative*** **FOR POSSIBLE ACTION**
Tina Quigley, Chair
- a. Reminder about Conflict of Interest Statements
 - b. Annual Meeting with Regents on December 3 (agenda and attendance options)
 - c. 2021 Board Meeting Dates
- XIII. *New Business***
Items for consideration at future meetings may be suggested. Any discussion of an item under “New Business” is limited to description and clarification of the subject matter of the item, which may include the reasons for the request.
- XIV. *Public Comment***
Comments by members of the public will not be restricted based upon the speaker’s viewpoint.
- XV. *Adjourn***

This agenda has been posted DRI website www.dri.edu; Nevada Public Notice Website, notice.nv.gov in accordance with State of Nevada Declaration of Emergency Directive 006 dated March 22, 2020.

DRI RESEARCH FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

DRI RESEARCH FOUNDATION
JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
DRI Research Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of the DRI Research Foundation, a component unit of the Desert Research Institute (DRI), which comprise the consolidated statements of net position as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DRI Research Foundation as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the DRI Research Foundation's basic consolidated financial statements. The supplementary information included in the accompanying Schedule of Selected Information on pages 19 through 20 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements.

The Schedule of Selected Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic 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 Selected Information is fairly stated, in all material respects, in relations to the basic 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 22, 2020 on our consideration of DRI Research Foundation'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 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 DRI Research Foundation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The DRI Research Foundation's 2019 financial statements were audited by Cupit, Milligan, Ogden & Williams whose report dated September 24, 2019 expressed an unmodified opinion on those financial statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2019 is presented fairly, in all material respects, with the audited financial statements from which it has been derived.

Barnard Voyles & Co

Reno, Nevada
September 22, 2020



DRI RESEARCH FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020

The DRI Research Foundation (the Foundation) was established in 1983 to solicit support for the Desert Research Institute (DRI). The Foundation is governed by a Board of Trustees appointed by the Board of Regents, Nevada System of Higher Education (NSHE). The Foundation is supported by staff of the Desert Research Institute in Development and the Financial Services Office.

Overview

The Management's Discussion and Analysis is designed to provide an easily readable analysis of the Foundation's financial condition, results of operations, and cash flows based on facts, decisions, and conditions known at the date of the auditors' report. The following discussion and analysis provides an overview of the financial position and activities of the Foundation for the years ended June 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the consolidated financial statements and the notes thereto, which follow this section.

Overview of the Consolidated Financial Statements and Financial Analysis

The Foundation's financial position at June 30, 2020 and 2019 reflects a net position of \$1,818,581 and \$750,740, respectively. Changes in net position represent the activity of the Foundation, which results from revenues, expenses, gains and losses, and are summarized for the years ended June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 899,828	\$ 1,196,256
Total expenses	1,071,479	1,380,680
Minority interest in losses of subsidiary	49,973	44,022
Income from discontinued operations	<u>1,114,915</u>	<u>- -</u>
Change in net position	\$ <u>993,237</u>	\$(<u>140,402</u>)

The total net position of the Foundation increased by \$993,237 during fiscal year 2020.

Using the Consolidated Financial Statements

There are three consolidated financial statements presented: the Consolidated Statement of Net Position; the Consolidated Statement of Revenues, Expenses, and Changes in Net Position; and the Consolidated Statement of Cash Flows. These consolidated financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. During fiscal year 2004, the Foundation adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* and GASB Statement No. 35, *Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37 and No. 38, and applied those standards to the consolidated financial statements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the organization as a whole, with resources classified for accounting and reporting purposes into four net asset categories. Previously, the financial statements focused on the accountability of individual fund groups rather than on the Foundation as a whole.

Consolidated Statement of Net Position

The Consolidated Statement of Net Position is a "point in time" financial statement presenting the financial position of the Foundation. The Consolidated Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Position (assets minus liabilities).

DRI RESEARCH FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(CONTINUED)
JUNE 30, 2020

Consolidated Statement of Net Position (continued)

From the data presented, readers of the Consolidated Statement of Net Position are able to determine the assets available to continue the operations of the Foundation. They are also able to determine how much the Foundation owes vendors, employees, lending institutions and other creditors. Finally, the Consolidated Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the Foundation.

The following table presents condensed financial information from the Foundation's Consolidated Statements of Net Position as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 332,723	\$ 362,416
Noncurrent assets	485,858	485,858
Investment	<u>1,000,000</u>	<u>- -</u>
Total Assets	1,818,581	848,274
Liabilities		
Current liabilities	<u>- -</u>	<u>97,534</u>
Total liabilities	<u>- -</u>	<u>97,534</u>
Net Position		
Invested in capital assets	485,858	485,858
Unrestricted, controlling	1,225,673	339,486
Restricted, controlling	<u>107,050</u>	<u>- -</u>
Total net position, controlling	1,818,581	825,344
Unrestricted, non-controlling	<u>- -</u>	<u>(74,604)</u>
Total net position	\$ <u>1,818,581</u>	\$ <u>750,740</u>

Current assets consist primarily of cash and cash equivalents, prepaid expenses and accounts receivable. As of June 30, 2020 and 2019, cash and cash equivalents totaled \$318,712 and \$362,416, respectively. Assets designated as noncurrent consist of two unimproved lots in North Las Vegas, which were donated to the Foundation in 1985 and approximately 46 acres of undeveloped land in Yerington, Nevada which was donated to the Foundation in December 2010.

Current liabilities consist primarily of accounts payable to the Desert Research Institution.

Net Position is divided into four major categories:

- Net Investment in capital assets represents the Foundation's total investment in capital assets, net of outstanding debt obligations which are currently zero.
- Unrestricted, controlling net position is available to the Foundation for any lawful purpose.
- Restricted, controlling net position is available for expenditure by the Foundation but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- Unrestricted, non-controlling net position represents the minority ownership of subsidiary assets.

DRI RESEARCH FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(CONTINUED)
JUNE 30, 2020

Consolidated Statements of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Consolidated Statements of Net Position are based on the activity presented in the Consolidated Statements of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the Foundation, both operating and non-operating, and the expenses incurred by the Foundation. A summary of these main categories for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Total operating revenues	\$ 899,828	\$ 1,196,256
Total operating expenses	<u>1,071,479</u>	<u>1,380,680</u>
Operating loss	(171,651)	(184,424)
Income taxes	<u>- -</u>	<u>- -</u>
Change in net position after income taxes	(171,651)	(184,424)
Attributable to non-controlling interest	<u>49,973</u>	<u>44,022</u>
Change in net position, controlling	\$(<u>121,678</u>)	\$(<u>140,402</u>)

Operating revenues include gifts, contributions and special event revenues generated in accomplishing the Foundation's purpose of providing support to DRI. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the Foundation.

Some highlights of the information presented on the Consolidated Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020 and 2019 are as follows:

Operating Revenues

	<u>2020</u>	<u>2019</u>
Gifts and contributions	\$ 631,201	\$ 975,128
Special events and other operating revenues	- -	40,485
Desert Research Institute support	259,323	175,121
Other additions	<u>9,304</u>	<u>5,522</u>
Total operating revenues	\$ <u>899,828</u>	\$ <u>1,196,256</u>

- Gifts and contributions, the primary source of revenue for the Foundation, decreased by 35% over the prior year. The detail of these gifts and contributions is provided in the supplementary information to the consolidated financial statements.
- Special events and other operating consist of the admission fees collected for the DRI 60th Anniversary Fundraising event held in Las Vegas, Nevada in 2019. Special events and other operating revenues decreased to zero from the prior year as a result of not holding any special events in 2020.
- DRI support consists primarily of the salary and benefits of DRI employees who administer the programs and activities of the Foundation. Support from DRI increased by 48% primarily as a result of the addition of the Director of Advancement position and an increase in support from the Office of Advancement.

DRI RESEARCH FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(CONTINUED)
JUNE 30, 2020

Expenses

A summary of the Foundation's operating expenses for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Contributed salaries and benefits	\$ 259,323	\$ 171,730
Salaries and benefits	139,864	--
Supplies and services	76,686	174,176
Consulting fees	39,722	37,623
Payments to or on behalf of DRI	512,676	938,058
Research and development expenses	<u>43,208</u>	<u>59,093</u>
Total operating revenues	<u>\$ 1,071,479</u>	<u>\$ 1,380,680</u>

- Contributed salaries and benefits consist of costs incurred by DRI for employees who devote portions of their time to support Foundation activities. These contributions increased by 51% over the previous year primarily as a result of an increase in support from the Office of Advancement, and additional fundraising efforts by DRI's president.
- Salaries and benefits consist of costs incurred by a DRC subsidiary.
- Supplies and services consist of operating expenses incurred by the Foundation and operating expenses incurred by DRI in direct support of the Foundation. These decreased by 56% from the previous year primarily due to no fundraising events being held in 2020.
- Payments to or on behalf of the Desert Research Institute primarily consist of transfers or expenditures of monies raised for the benefit of DRI. Payments decreased by 45% from the prior year, this is largely a result of reduced gifts and contributions passing through the Foundation to DRI.
- Research & development expenses consist of laboratory material, labor, and supply costs incurred by a DRC subsidiary.

Consolidated Statements of Cash Flows

The final statement presented is the Consolidated Statements of Cash Flows. The Consolidated Statements of Cash Flows presents detailed information about the cash activity of the Foundation during the year. The statement is divided into three parts.

- The first part reports the operating cash flows and shows the net cash provided (used) by the operating activities of the Foundation.
- The second section reflects the cash flow from noncapital financing activities and shows the proceeds from borrowing for noncapital purposes and repayments and interest payments on the amounts borrowed.
- The third section reconciles the net cash provided (used) by operating activities to the operating income reflected on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

DRI RESEARCH FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(CONTINUED)
JUNE 30, 2020

Cash flows for the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents provided (used) by:		
Operating activities	\$(167,872)	\$(716,115)
Investing activities	(425,832)	--
Financing activities	<u>550,000</u>	<u>--</u>
Net change in cash and cash equivalents	(43,704)	(716,115)
Cash and cash equivalents - beginning of year	<u>362,416</u>	<u>1,078,531</u>
Cash and cash equivalents - end of year	<u>\$ 318,712</u>	<u>\$ 362,416</u>

The following items represent the significant factors that affected the Foundation's cash flows:

- Operating activities represent gift, contribution and event revenue, and expenditures related to the generation of such revenue and the transfer of funds to DRI.
- Subsidiary activity includes investing, equity financing and operating expenses.

Factors Impacting Future Periods

The DRI Research Foundation's primary sources of revenue are donor contributions and trustee annual dues. Several factors will likely impact future periods for the DRI Research Foundation, including:

The postponement of several donor cultivation events, including the Nevada Medal Dinner due to the Coronavirus pandemic negatively impacted gifts received in fiscal year 2020. The Foundation is in the process of rescheduling these in-person functions as virtual events to increase outreach and broaden the base of donors. Fundraising in FY21 will focus on fulfilling a match and funding new research initiatives. The Board of Trustees expects to add several new members in the upcoming year which will expand the Foundation's support to DRI.

Continuing the expansion of the Board of Trustees to a nationally broad-based group with a higher level of consistent unrestricted financial support is expected to bring long-term benefits for the Foundation's fundraising capacity.

Requests for Information

Questions concerning any of the information provided in this report should be addressed to the Desert Research Foundation, c/o Desert Research Institute, Financial Services Office, 2215 Raggio Parkway, Reno, Nevada 89512-1095.

DRI RESEARCH FOUNDATION
CONSOLIDATED STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

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	2020	2019
ASSETS		
Cash and cash equivalents		
In custody of the Foundation	\$ 290,952	\$ 273,390
In custody of Foundation subsidiaries	27,760	89,026
Accounts receivable	14,011	-
Total current assets	332,723	362,416
 Capital assets		
Land	485,858	485,858
 Investment in TuBiomics	1,000,000	-
 Deferred tax position		
Deferred tax asset	11,540	85,126
Deferred tax asset - valuation allowance	(11,540)	(85,126)
 Total noncurrent assets	1,485,858	485,858
 Total assets	\$ 1,818,581	\$ 848,274
 LIABILITIES		
Current liabilities		
Accounts payable	\$ -	\$ 32,857
Due to the Desert Research Institute	-	64,677
Total liabilities	-	97,534
 NET POSITION		
Net investment in capital assets	485,858	485,858
Unrestricted, controlling	1,225,673	339,486
Restricted, controlling	107,050	-
Total net position, controlling	1,818,581	825,344
Unrestricted, non-controlling	-	(74,604)
 Total net position	\$ 1,818,581	\$ 750,740

See accompanying notes

DRI RESEARCH FOUNDATION
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
REVENUES		
Operating revenues		
Gifts and contributions	\$ 631,201	\$ 975,128
Special events and other operating revenues	-	40,485
Desert Research Institute support	259,323	175,121
Other additions	9,304	5,522
Total operating revenues	899,828	1,196,256
EXPENSES		
Operating expenses		
Contributed salaries and services	259,323	171,730
Salaries and benefits	139,864	-
Supplies and services	76,686	174,176
Consulting fees	39,722	37,623
Payments to or on behalf of the Desert Research Institute	512,676	938,058
Research and development	43,208	59,093
Total operating expenses	1,071,479	1,380,680
Operating Loss	(171,651)	(184,424)
Attributable to non-controlling interest	49,973	44,022
Change in net position from continuing operations	(121,678)	(140,402)
Gain from discontinued operations	1,114,915	-
Change in net position, controlling	993,237	(140,402)
NET POSITION, CONTROLLING, beginning of year	825,344	965,746
NET POSITION, CONTROLLING, end of year	\$ 1,818,581	\$ 825,344

See accompanying notes

DRI RESEARCH FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	\$ 631,201	\$ 975,128
Special events and other operating revenues	-	40,485
Other additions	9,304	6,070
Payments for services and supplies	(164,061)	(92,973)
Payments for salaries and benefits	(39,755)	-
Payments for event expenses	-	(88,652)
Payments to or on behalf of the Desert Research Institute	(577,353)	(1,354,507)
Payments for research and development expenses	(27,208)	(201,666)
Net cash used by operating activities	(167,872)	(716,115)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash surrendered on divestiture of TuBiomics	(425,832)	-
Net cash used by investing activities	(425,832)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of stock	550,000	-
Net cash provided by financing activities	550,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(43,704)	(716,115)
CASH AND CASH EQUIVALENTS, beginning of year	362,416	1,078,531
CASH AND CASH EQUIVALENTS, end of year	\$ 318,712	\$ 362,416
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (171,651)	\$ (184,424)
Adjustments to reconcile change in net position to net cash used by operating activities, net of effects of divestitures		
Accounts receivable	(14,011)	548
Accounts payable	(17,642)	22,174
Accrued payroll and benefits	100,109	-
Due to Desert Research Institute	(64,677)	(554,413)
Net cash used by operating activities	\$ (167,872)	\$ (716,115)

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DRI RESEARCH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DRI Research Foundation (the Foundation) is a nonprofit organization, incorporated in the State of Nevada on November 22, 1983. This mission of the Foundation is to aid, support and assist in the maintenance, promotion, growth and improvement of the Desert Research Institute (DRI), a division of the Nevada System of Higher Education (NSHE). The Foundation is a component unit of DRI which is a component unit of NSHE.

The Desert Research Corporation (DRC) is a wholly owned subsidiary of the DRI Research Foundation. The DRC is a for-profit company incorporated by trustees of the DRI Foundation in the state of Nevada in 1983. The DRC serves as the commercial companion to DRI, where DRI's applied science innovation may be commercialized.

Tu Biomics was a majority owned subsidiary of DRC until April 24, 2020, which is described in Note 7 – Discontinued Operations. Tu Biomics is a for-profit company incorporated by the DRC in the state of Nevada in 2017. Tu Biomics serves the express purpose of entering into an exclusive global option agreement with DRI that grants Tu Biomics the exclusive right to guide research in the application of specific findings published by DRI and the right to negotiate an exclusive or non-exclusive licensing agreement upon establishing commercial feasibility.

A summary of the Foundation's significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Foundation has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Statement No. 35 establishes a fundamentally new financial reporting model for all public colleges and universities.

Basis of Accounting

The consolidated financial statements of the Foundation have been prepared on an accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred. In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounts. This is a procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying consolidated financial statements, funds have been combined to report by classification and only the net position is shown.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly owned or majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

DRI RESEARCH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents that are not controlled by the Foundation almost exclusively consist of the bank accounts of Tu Biomics and the DRC. Cash and cash equivalents are held in institutions which provide insurance of up to \$250,000 per depositor. Cash in excess of insured limits amounted to \$42,203 at June 30, 2020.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Donated assets are recorded at their estimated fair market value on the date donated. The cost of maintenance and repairs is charged to income as incurred.

Investments

Investments are stated at fair market value in accordance with GASB 72. Fair value of investments is determined based upon the latest valuation for the Foundation's investment in Tu Biomics, Inc.

Net Position Classification

The DRI Research Foundation's net position is classified as follows:

- *Net investment in capital assets* - consists of capital asset balances reduced by outstanding balances of debt obligations, which are currently zero.
- *Restricted net position, expendable* – consists of resources which must be expended in accordance with restrictions imposed by external third parties.
- *Unrestricted net position, controlling* - consists of resources derived from unrestricted fundraising activities and events and may be used to meet current expenses for any purpose.
- *Unrestricted net position, non-controlling* – consists of the balance of the minority shareholders that are included in the consolidated financial statements.

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as needed. As of June 30, 2020, there was \$107,050 of restricted net position for funds received for the Innovative Research Program not yet spent.

Operating and Non-operating Revenues and Expenses

Revenue and expenses are classified as operating if they are a result of the primary missions of the Foundation which is to raise resources for the Desert Research Institute. Contributions, gifts and revenues from fundraising activities and their related expenses are considered operating revenues and expenses, respectively.

Contributions and gifts are recognized as revenue in the period in which they are received; unless they are received as part of a campaign which is specifically designated as being for a future period or the donor has specified that they be used in a specific future period. In the latter cases, they are initially recorded as unearned revenue and support and then reclassified as revenue in the period for which they were designated.

DRI RESEARCH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and Development Costs

Research and development costs are expensed as incurred. Intangible assets acquired from third parties that have alternative uses are capitalized at cost. Intangible assets purchased for specific research projects with no alternative future uses are charged to expense as incurred.

Income Taxes

The Foundation is classified under Section 501(c)(3) of the Internal Revenue Code. The Foundation is exempt from federal income tax and is classified as a public charity under section 509(a)(1) of the Internal Revenue Code.

DRC operates as a for-profit corporation in the State of Nevada, and is subject to federal income taxation. Nevada does not impose a state income tax. DRC recognizes the amount of taxes payable or refundable for the current year and recognizes deferred tax liabilities and assets for the expected future tax consequences of events and transactions that have been recognized in its financial statements or tax returns.

Donated Assets and Services

Donated assets are recorded at fair market value at the date of donation. Donated assets are not recorded if their current use by the Foundation has been denied until later periods. The Foundation recognizes the donation of services only if the services received (a) would be performed by salaried personnel if not contributed; (b) are controlled similar to employment; (c) have a clearly measurable basis; and (d) are not intended for the benefit of its members. The value of the donated services provided by Desert Research Institute personnel in support of Foundation activities is reflected in the accompanying consolidated financial statements. The members of the board of trustees donate their services to the Foundation. The consolidated financial statements do not reflect the value of these services, as there is no objective basis by which to measure the value of such services.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

In preparing the consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 22, 2020, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

DRI RESEARCH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

NOTE 2 - FAIR VALUE OF INVESTMENTS

GASB 72, Fair Value Measurement and Application, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth, by level within the fair value hierarchy, the Foundation’s investments at fair value as of June 30, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in Tu Biomics, Inc.	\$1,000,000	\$ --	\$ --	\$ <u>1,000,000</u>

NOTE 3 - LAND

The land consists of two unimproved lots in North Las Vegas, Nevada, with an appraised value of \$16,000 at the date of gift on December 20, 1985 and approximately 46 acres of undeveloped land in Yerington, Nevada which was donated to the Foundation in December 2010 with an appraised value of \$469,858. Management currently estimates the market value of the land to be approximately \$1,229,522.

NOTE 4 - DONATED MATERIALS, SERVICES AND EQUIPMENT

The estimated fair market values of donated materials, services and equipment included in the consolidated financial statements for the years ended June 30, are as follows:

	<u>2020</u>	<u>2019</u>
In-kind administrative and support labor	\$ 259,323	\$ 175,121

DRI RESEARCH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

NOTE 5 - DRC MAJORITY OWNED ENTITIES

DRC serves as the technology commercialization partner to DRI and seeks to structure an innovation pipeline that replicates industrial research and development, extending from basic science to commercialization. To that end, DRC assists in the formation of new companies often becoming the majority owner. Companies that are majority owned by DRC include the following:

Predira – Predira is a Nevada corporation formed in July 2017 for the purpose of creating an intelligence platform to provide localized pest and disease forecasts for industrial scale farming. Predira had no significant activity during the year ended June 30, 2020.

Tu Biomics – Tu Biomics is a Nevada corporation formed in July 2017 and is a development stage agricultural pharmaceutical company that targets industrial scale farming. DRC held 8,000,000 shares of common stock in Tu Biomics which represented a 76.9% ownership interest through April 24, 2020. At this date DRC became a minority shareholder as described in Note 7 – Discontinued Operations.

Tu Biomics and DRI maintain an ongoing cost reimbursement agreement, primarily for research services with DRI, who is a related party as described in Note 8. The cost reimbursement agreement is for an estimated total cost of \$200,000. For the year ended June 30, 2020, the costs incurred were \$106,644 of which \$0 was due to DRI. For the year ended June 30, 2019, the costs incurred were \$121,977 of which \$52,252 was due to DRI.

NOTE 6 - INCOME TAXES

DRC had cumulative net operating losses of \$54,954 as of June 30, 2020 for federal income tax purposes resulting in a deferred tax asset of \$11,540 as of June 30, 2020, a decrease of 86% over the \$85,126 deferred tax asset recorded at June 30, 2019. The ability to realize deferred tax assets is reviewed at least annually and a full valuation allowance was established due to the uncertainty of realizing the deferred tax asset based on conditions existing at June 30, 2020.

DRC files income tax returns in the United States. These tax returns are subject to examination by taxation authorities provided the years remain open under the relevant statutes of limitations, which may result in the payment of income taxes and/or a decrease in the net operating losses available for carryforwards. Although DRC believes that its tax filings do not include uncertain tax positions, the results of potential examinations or the effect of changes in tax law cannot be ascertained. DRC currently has no tax years under examination.

NOTE 7 - DISCONTINUED OPERATIONS

On April 24, 2020, Tu Biomics, Inc. and DRC completed a stock exchange agreement whereby DRC exchanged their 8,000,000 shares of Common Stock in Tu Biomics, Inc. in exchange for 2,554,931 shares of Series Seed 2b Preferred Stock in Tu Biomics, Inc. This agreement decreased DRC's interest in Tu Biomics from 79.9% to 21.86%. Therefore, as of April 24, 2020, Tu Biomics is no longer consolidated and is recorded as an investment. The operating results of Tu Biomics is included in the consolidated statement of revenues, expenses and changes in net position through the stock exchange agreement date.

DRI RESEARCH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

NOTE 7 - DISCONTINUED OPERATIONS (Continued)

The transaction resulted in a gain of \$1,114,915 to adjust and record the Series Seed 2b Preferred Stock in Tu Biomics, Inc. at fair market value. Total operating expenses through April 24, 2020 of \$216,334 have been included in the financial statements.

The following table presents the aggregate carrying amounts of the assets and liabilities divested:

	2020
Assets	
Cash and Cash equivalents	\$ 425,832
Patent	<u>14,105</u>
Total assets	<u>\$ 439,937</u>
Liabilities	
Accounts payable	\$ 121,190
Payroll liabilities	<u>8,239</u>
Total liabilities	<u>\$ 129,429</u>

NOTE 8 - RELATED PARTY TRANSACTIONS

DRI provided the Foundation with administrative services and support for the years ended June 30, 2020 and 2019 in the amounts of \$259,323 and \$175,121, respectively. The Foundation and its subsidiaries made payments or incurred expenses to or on behalf of the Desert Research Institute in the amount of \$512,676 and \$938,058 for the years ended June 30, 2020 and 2019, respectively. The amounts due to DRI were \$0 and \$64,677 as of June 30, 2020 and 2019, respectively.

NOTE 9 - RISKS AND UNCERTAINTIES

In March of 2020, the COVID-19 coronavirus was declared a pandemic and the state of Nevada made an emergency declaration which resulted in various businesses being shut down across the state. As a result, economic uncertainties have arisen which are likely to negatively impact operating results of the Foundation and its subsidiaries. While the related financial impact and duration cannot be reasonably estimated at this time, management continues to monitor the evolving situation and evaluate the impact of this pandemic on its results.

SUPPLEMENTARY INFORMATION

DRI RESEARCH FOUNDATION
SCHEDULE OF SELECTED INFORMATION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
SCHEDULE OF GIFTS AND CONTRIBUTIONS		
Unrestricted		
Outright Gifts	\$ 73,813	\$ 104,120
Restricted		
Center for Watersheds and Environmental Sustainability	50,000	51,671
Development office support	-	23,650
Division of Atmospheric Sciences	-	290,000
Division of Earth and Ecosystem Sciences	10,101	20,000
Division of Hydrological Sciences	300	300
Innovative Research Program	291,808	55,450
Kelly Redmond Memorial Fund	-	5,500
National Atomic Testing Museum	66,667	66,667
Rogers Center for Environmental Remediation and Monitoring Endowment	66,667	66,667
Rogers Science and Technology Building	66,666	66,666
Science Alive/Green Power Program	2,207	221,501
Stories in the Snow	2,472	2,936
Wagner Scholarship Endowment	500	-
Total restricted gifts and contributions	557,388	871,008
Total Gifts and Contributions	\$ 631,201	\$ 975,128

See accompanying notes

DRI RESEARCH FOUNDATION
SCHEDULE OF SELECTED INFORMATION (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
PAYMENTS TO OR ON BEHALF OF THE DESERT RESEARCH INSTITUTE		
Center for International Water and Sustainability	\$ 50,000	\$ 51,671
Center for Environmental Remediation and Monitoring	-	-
Development office support	-	23,650
Division of Atmospheric Sciences	-	290,000
Division of Earth and Ecosystem Sciences	10,100	20,000
Division of Hydrological Sciences	300	250
Innovation Research Program	240,208	-
Kelly Redmond Memorial Fund	-	5,500
Nevada Atomic Testing Museum	66,667	-
Microplastics	2,043	-
Science Alive/Green Power Program	97	221,172
Rogers Center for Environmental Remediation and Monitoring Endowment	66,667	133,333
Rogers Science and Technology Building	66,666	66,667
Rising Researcher	6,780	-
Stories in the Snow	2,648	3,838
Wagner Scholarship Endowment	500	-
R&D per the option agreement between both entities	-	121,977
	<u>\$ 512,676</u>	<u>\$ 938,058</u>
SUPPLIES AND SERVICES		
Insurance	\$ 7,228	\$ 2,760
Licenses and fees	2,100	1,950
Events	-	74,254
Office and meeting	18,726	3,771
Professional fees	22,264	77,905
Other supplies and services	26,368	13,536
Total Supplies and Services	<u>\$ 76,686</u>	<u>\$ 174,176</u>

See accompanying notes

REPORT ON INTERNAL CONTROL AND COMPLIANCE



BARNARD VOGLER & CO.
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
DRI Research Foundation
Reno, Nevada

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 the of DRI Research Foundation, a component unit of the Desert Research Institute (DRI), which comprise the consolidated statement of net position as of June 30, 2020, and the related consolidated statements of revenues, expenses and changes in net position 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 22, 2020.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bernard Vogler + Co

Reno, Nevada
September 22, 2020





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September 22, 2020

To the President of the Board of Directors
DRI Research Foundation

We have audited the financial statements of DRI Research Foundation as of and for the year ended June 30, 2020 *and* have issued our report thereon dated September 22, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 4, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of DRI Research Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by DRI Research Foundation is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the financial statements were:

Management's estimate of labor provided by the Desert Research Institute. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole, including the estimate of employee hours performed for the Foundation.

Management's estimate of the value of the investment in Tu Biomics, Inc. owned by the Desert Research Corporation. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole. This included reviewing the assumptions used in the valuation report prepared by Newbean Capital in November 2019 and amounts paid by investors during the TuBiomics, Inc. reorganization for the similar Series Seed 2 stock that Desert Research Corporation owns.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting DRI Research Foundation's financial statements relates to: Note 2 – Fair Value of Investments and Note 7 – Discontinued Operations.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to DRI Research Foundation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated September 22, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with DRI Research Foundation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as DRI Research Foundation's auditors.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the Board of Directors and management of DRI Research Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Barnard Vogler & Co





Foundation Board of Trustees Meeting Minutes

DATE: 9/21/20	TIME: 1:00 p.m.
MEETING CALLED TO ORDER	Meeting was called to order at 1:00 p.m. by Chair Quigley.
NOTE TAKER	Becky Coleman
BOARD OF TRUSTEES PRESENT	Soraya Aguirre, Linda Brinkley, Chuck Creigh, Lauren Fletcher, Tom Gallagher, Nora James, Starla Lacy, Ken Ladd, Holger Liepmann, Janet Lowe, Tina Quigley, Javier Saenz, Ron Smith, Elise Zoli
BOARD OF TRUSTEES NOT PRESENT	Richard Ditton, John Entsminger, Srikant Reganti, Ian Rogoff, Ory Zik
FELLOWS PRESENT	Mike Benjamin (Trustee Emeritus)
STAFF AND GUESTS PRESENT	Kumud Acharya, Vic Etyemezian, Iris Stewart, Tracy Bower, Becky Coleman, Bob Gagosian, Justin Broglio, Lindsay Sessions, Naresh Kumar, Sean McKenna

AGENDA TOPICS

AGENDA ITEM	CALL TO ORDER	PRESENTER: QUIGLEY
DISCUSSION	Meeting was called to order at 1:00 p.m. by Chair Quigley.	
AGENDA ITEM	PUBLIC COMMENT	
DISCUSSION	No members of the public addressed the Board.	
CONCLUSION	Informational Only	
AGENDA ITEM	APPROVAL OF MINUTES <i>*VOTE REQUIRED</i>	PRESENTER: QUIGLEY
DISCUSSION	Minutes from Foundation Meeting held on June 5, 2020 and July 28, 2020 Special Meeting were presented for approval.	
CONCLUSION	Ladd made a motion to approval minutes as presented, second by Creigh. <i>*The motion passed unanimously.</i>	

AGENDA ITEM	PRESIDENT'S REPORT	PRESENTER: ACHARYA
DISCUSSION	Dr. Acharya accepted congratulations on his permanent appointment as DRI President. He introduced new Division Directors Naresh Kumar (DAS) and Sean McKenna (DHS). The majority of DRI continues to work remotely, though Dr. Acharya has begun traveling back and forth to Reno. Dr. Monica Arienzo presented about her microplastics research during the Tahoe Summit. Her work was initially funded by the Innovation Research Program. The Healthy NV Project published results in the journal Nature. A new project to work with tribal communities in the Four Corners area was funded by the USDA. The Office of Education's virtual event on the NASA Mars Rover Launch was well-attended. Chair Quigley recently participated in the Science Distilled program, sharing her expertise in sustainable transportation. Two staff members at DRI tested positive for COVID-19. The response plan was effective, both employees quarantined and recovered, and it did not spread to any other staff members.	
CONCLUSION	Informational only	
AGENDA ITEM	TREASURER'S REPORT	PRESENTER: LIEPMANN
DISCUSSION	The treasurer's report was presented and approved by the Executive Committee on 9/14/20. The report was presented to the board for information only. The presentation of the annual audit and discussion of FY20 numbers will occur during the annual meeting scheduled for October 23, 2020.	
CONCLUSION	Informational Only	
AGENDA ITEM	APPROVAL OF NEW TRUSTEE: MICHAEL BENJAMIN <i>*VOTE REQUIRED</i>	PRESENTER: QUIGLEY
DISCUSSION	Dr. Acharya has nominated Mike Benjamin to serve as trustee. Mr. Benjamin is currently a Trustee Emeritus and a former chairman of the Foundation.	
CONCLUSION	Liepmann made a motion to approve Mike Benjamin as trustee, second by Aguirre. <i>*The motion passed unanimously.</i>	
AGENDA ITEM	VOTE ON FOUNDATION VICE-CHAIR <i>*VOTE REQUIRED</i>	PRESENTER: QUIGLEY/GALLAGHER
DISCUSSION	Gallagher announced he is resigning as Vice-Chair of the Foundation but will remain on the board as a trustee. Dr. Acharya, per the bylaws, nominated Mike Benjamin to fulfill the remainder of the term vacated by Gallagher, ending December 2021.	
CONCLUSION	Liepmann made a motion to approve Mike Benjamin as Vice-Chair, second by Creigh. <i>*The motion passed unanimously.</i>	
AGENDA ITEM	OUTCOMES AND RECOMMENDATIONS FROM WORKING GROUP <i>*VOTE REQUIRED</i>	PRESENTER: QUIGLEY
DISCUSSION	Quigley outlined the clarified roles of the Foundation Board, Advancement Office, and President's Council. She also presented proposed updates to the Articles of Incorporation, Bylaws, and Proposed Chairs of Standing Committees for the board's consideration. The board also discussed the appointment of Janet Lowe to the Desert Research Corporation (DRC) Board of Directors, to replace Mike Benjamin.	

CONCLUSION	<ol style="list-style-type: none"> 1. Ladd made a motion to approve the changes to the DRI Foundation Articles of Incorporation as presented, second by Brinkley. <i>*The motion passed unanimously.</i> 2. Aguirre made a motion to approve the changes to the DRI Foundation Bylaws as presented, second by James. <i>*The motion passed unanimously.</i> 3. Ladd made a motion to approve Janet Lowe as a director of the DRC Board, second by Liepmann <i>*The motion passed unanimously.</i> 4. Benjamin made a motion to approve Linda Brinkley as Faculty Engagement Committee Chair, Nora James as Communications/Marketing Committee Chair, and Ken Ladd as Finance/Audit Committee chair, second by Gallagher. <i>*The motion passed unanimously.</i> 	
AGENDA ITEM	PUBLIC COMMENT	
DISCUSSION	No members of the public addressed the Board.	
CONCLUSION	Informational Only	
NEXT MEETING	October 23, 2020 at 8:00 a.m.	
ADJOURNMENT	The meeting was adjourned at 2:13 p.m.	



Treasurer's Report
 Foundation Board of Trustees Executive Committee Meeting

As of September 30, 2020

	FY 2020 Budget	FY 2020 Actual	FY 2021 Budget	Year-To- Date
Beginning Cash Balance July 1, 2020		\$ 217,940		\$ 213,519
Revenue				
Unrestricted Donations – Trustees Obligation	\$ 120,000	\$ 39,900	\$ 85,000	\$ 9,120
Unrestricted Donations – Other	18,000	6,310	10,000	1,050
Nevada Medal Sponsorships	452,000	27,603	-	-
Property Tax Refund	-	-	-	14,011
Total Revenue	590,000	73,813	95,000	24,181
Expenses				
Operating Expenses	(44,800)	(35,526)	(33,000)	(843)
Nevada Medal Dinner Expenses	(195,000)	(20,596)	-	-
Payment of Accrued Legal Bills	-	(15,332)	-	-
Program Support - Researcher Awards, Transfers to DRI, etc	(307,000)	(6,780)	(8,000)	-
Total Expenses	(546,800)	(78,234)	(41,000)	(843)
Revenues Over (Under) Expenses	43,200	(4,421)	54,000	23,338
Ending Unrestricted Cash Balance		\$ 213,519		\$ 236,857

<u>Restricted Activity</u>	<u>FY 2020 Budget</u>	<u>FY 2020 Actual</u>	<u>FY21 Budget</u>	<u>Year-To- Date</u>
Innovation Research Program	\$ 250,000	\$ 291,808	\$ 250,000	\$ 25,000
Stories in the Snow		2,472	-	-
Earth & Ecosystem Sciences		10,101	-	-
Hydrologic Sciences		300	-	75
Other Restricted		252,707	-	58,100
Total Restricted Gifts Received		\$ 557,388		\$ 83,175

Innovation Research Program Balance (including carryover)	\$ 76,591
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