

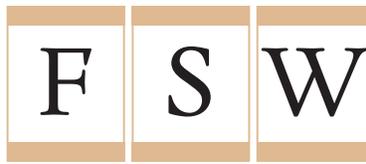
# NEUROPSYCHIATRIC RESEARCH INSTITUTE

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

<u>Table Of Contents:</u>	<u>Page:</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-9



FIEBIGER ■ SWANSON ■ WEST  
& Co., PLLP

CPAs & Consultants

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*

Independent Auditors' Report

November 21, 2016

To the Board of Directors of  
Neuropsychiatric Research Institute

We have audited 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, the financial statements of Neuropsychiatric Research Institute, which comprise the statement of financial position as of June 30, 2016, and the related statements of change in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 21, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Neuropsychiatric Research Institute'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 Neuropsychiatric Research Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Neuropsychiatric Research Institute'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.

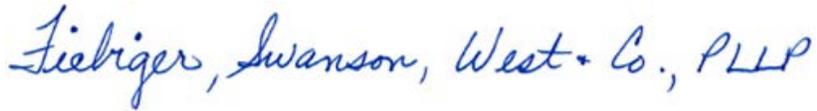
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 Neuropsychiatric Research Institute's 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Fiebiger, Swanson, West & Co., PLLP". The signature is written in a cursive, flowing style.

FIEBIGER, SWANSON, WEST & CO., PLLP  
Certified Public Accountants



FIEBIGER ■ SWANSON ■ WEST  
& Co., PLLP  
CPAs & Consultants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

November 21, 2016

To the Board of Directors of  
Neuropsychiatric Research Institute

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

We have audited Neuropsychiatric Research Institute's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Neuropsychiatric Research Institute's major federal programs for the year ended June 30, 2016. Neuropsychiatric Research Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Neuropsychiatric Research Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neuropsychiatric Research 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Neuropsychiatric Research Institute's compliance.

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

In our opinion, Neuropsychiatric Research Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of Neuropsychiatric Research Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Neuropsychiatric Research Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neuropsychiatric Research Institute's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Neuropsychiatric Research Institute as of and for the year ended June 30, 2016, and have issued our report thereon dated November 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Fiebigler, Swanson, West & Co., PLLP*

FIEBIGER, SWANSON, WEST & CO., PLLP  
Certified Public Accountants

NEUROPSYCHIATRIC RESEARCH INSTITUTE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Dollars</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services National Institute of Mental Health (R&D Programs):			
Alcohol-Related Impairment and Reinforcement after Gastric Bypass Surgery (Direct)	93.273	\$ 110,354	\$ 359,687
Longitudinal Assessment of Bariatric Surgery (LABS) (Direct)	93.847		93,658
Acceptance-based Behavior Treatment for Obesity: Maintenance and Mechanisms (Passed through from Drexel University, #4R01DK95069-05)	93.847		5,119
Psychosocial Issues and Bariatric Surgery (Direct)	93.847	203,036	390,676
Adolescent Bariatric Surgery: Weight and Psychosocial Risk in Young Adulthood (Passed through from Cincinnati Children's Hospital Medical Center, #5R01DK080020-07)	93.847		27,806
Total Digestive Disease and Nutrition Cluster		\$ 203,036	\$ 517,259
Integrative Cognitive Affective Therapy for Binge Eating Disorder (Direct)	93.242		\$ 185,892
Affective and Neurocognitive Dimensions across Eating Disorder Psychopathology (Direct)	93.242		108,678
Regional Postdoctoral Training Grant in Eating Disorders Research (Passed through from Regents of the University of Minnesota, #2T32MH082761-07)	93.242		141,128
Total Mental Health Research Cluster			\$ 435,698
Total Expenditures of Federal Awards		\$ 313,390	\$ 1,312,644

NEUROPSYCHIATRIC RESEARCH INSTITUTE  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2016

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Neuropsychiatric Research Institute (NRI) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements.

**NOTE 2 SUBRECIPIENT MONITORING**

NRI passes through certain federal assistance received from the U.S. Department of Health and Human Services National Institute of Mental Health to other nonprofit agencies (subrecipients). As described in Note 1, NRI records expenditures of federal awards to subrecipients on the accrual basis. Of the federal expenditures presented in the schedule, NRI provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
U.S. Department of Health and Human Services National Institute of Mental Health (R&D Programs):		
Alcohol-Related Impairment and Reinforcement after Gastric Bypass Surgery	93.273	\$ 110,354
Psychosocial Issues and Bariatric Surgery	93.847	<u>203,036</u>
Total Provided to Subrecipients		<u><u>\$ 313,390</u></u>

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under the Uniform Guidance, NRI is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provision of contracts or grant agreements, and that performance goals are achieved.

**NOTE 3 INDIRECT COST RATE**

Neuropsychiatric Research Institute has not elected the minimum indirect cost rate provided for by the Uniform Guidance, which allows for the allocation of 10% of modified total direct costs (direct salaries and wages, applicable fringe benefits, materials and supplies, services and travel).

**NEUROPSYCHIATRIC RESEARCH INSTITUTE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes  X  No

Identification of major program:

CFDA Number(s)	-	Name of Federal Program(s) or Cluster(s)
93.847	-	Longitudinal Assessment of Bariatric Surgery (LABS)
93.847	-	Acceptance-based Behavior Treatment for Obesity: Maintenance and Mechanisms
93.847	-	Psychosocial Issues and Bariatric Surgery
93.847	-	Adolescent Bariatric Surgery: Weight and Psychosocial Risk in Young Adulthood

Dollar threshold used to distinguish between

Type A and Type B programs: \$  750,000

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

NEUROPSYCHIATRIC RESEARCH INSTITUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

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**Section II - Financial Statement Findings**

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**None**

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**Section III - Federal Awards Findings**

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**None**