

Reports of Independent Auditors and
Financial Statements with
Federal Awards Supplementary Information

Palo Alto Veterans Institute for Research

September 30, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
Palo Alto Veterans Institute for Research

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Palo Alto Veterans Institute for Research (the Organization), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Palo Alto Veterans Institute for Research as of September 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Palo Alto Veterans Institute for Research's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 GAAS. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 January 30, 2026, on our consideration of Palo Alto Veterans Institute for Research'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 Palo Alto Veterans Institute for Research's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Palo Alto Veterans Institute for Research's internal control over financial reporting and compliance.

Other Matter – Prior Period Financial Statements

The financial statements of Palo Alto Veterans Institute for Research as of and for the year ended September 30, 2024, were audited by other auditors whose report thereon dated March 14, 2025, expressed an unmodified opinion on those statements.

Baker Tilly US, LLP

San Francisco, California

January 30, 2026

Financial Statements

Palo Alto Veterans Institute for Research
Statements of Financial Position
September 30, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 7,062,768	\$ 11,412,656
Investments	7,256,285	-
Accounts receivable	3,850,047	4,969,563
Prepaid expenses	131,161	104,137
Equipment, net	846,390	759,833
Total assets	\$ 19,146,651	\$ 17,246,189
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,385,989	\$ 1,864,272
Payroll and payroll related payables	721,557	710,402
Accrued vacation	863,642	840,416
Other accrued liabilities	1,283,833	1,118,615
Refundable advances	6,854,597	7,496,445
Total liabilities	11,109,618	12,030,150
NET ASSETS		
Without donor restrictions	8,015,245	4,883,176
With donor restrictions	21,788	332,863
Total net assets	8,037,033	5,216,039
Total liabilities and net assets	\$ 19,146,651	\$ 17,246,189

See accompanying notes.

Palo Alto Veterans Institute for Research
Statement of Activities and Changes in Net Assets
Year Ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Government grants revenue	\$ 18,366,890	\$ -	\$ 18,366,890
Other program revenue	17,080,321	-	17,080,321
Interest income	367,884	-	367,884
Net realized and unrealized gains on investments	11,777	-	11,777
Other income	23,510	-	23,510
	<u>35,850,382</u>	<u>-</u>	<u>35,850,382</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	311,075	(311,075)	-
	<u>36,161,457</u>	<u>(311,075)</u>	<u>35,850,382</u>
EXPENSES			
Program expenses	26,102,400	-	26,102,400
Management and general expenses	6,926,988	-	6,926,988
	<u>33,029,388</u>	<u>-</u>	<u>33,029,388</u>
Change in net assets	3,132,069	(311,075)	2,820,994
NET ASSETS, at beginning of year	<u>4,883,176</u>	<u>332,863</u>	<u>5,216,039</u>
NET ASSETS, at end of year	<u>\$ 8,015,245</u>	<u>\$ 21,788</u>	<u>\$ 8,037,033</u>

See accompanying notes.

Palo Alto Veterans Institute for Research
Statement of Activities and Changes in Net Assets
Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Government grants revenue	\$ 17,191,987	\$ -	\$ 17,191,987
Other program revenue	13,110,377	706,434	13,816,811
Interest income	602,254	-	602,254
Net realized and unrealized losses on investments	(64,202)	-	(64,202)
Other income	29,413	-	29,413
	30,869,829	706,434	31,576,263
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	2,168,759	(2,168,759)	-
	33,038,588	(1,462,325)	31,576,263
EXPENSES			
Program	27,175,263	-	27,175,263
Management and general	7,179,938	-	7,179,938
	34,355,201	-	34,355,201
Changes in net assets	(1,316,613)	(1,462,325)	(2,778,938)
NET ASSETS, at beginning of year	6,199,789	1,795,188	7,994,977
NET ASSETS, at end of year	\$ 4,883,176	\$ 332,863	\$ 5,216,039

See accompanying notes.

Palo Alto Veterans Institute for Research
Statement of Functional Expenses
September 30, 2025

	Program	Management and General	Total
Personnel costs	\$ 18,436,373	\$ 5,109,260	\$ 23,545,633
Subawards	4,387,176	-	4,387,176
Supplies	1,653,410	297,750	1,951,160
Outside services	860,507	444,843	1,305,350
Travel	161,311	191,181	352,492
Computer maintenance and supplies	77,431	211,483	288,914
Depreciation	-	221,702	221,702
Comparative medicine	208,123	3,091	211,214
Subject related cost	128,378	14,433	142,811
Professional fees	10,800	105,257	116,057
Meetings and conferences	25,965	72,673	98,638
Printing and publication	41,259	45,772	87,031
Insurance	-	83,527	83,527
Telecommunications	7,675	67,299	74,974
Maintenance and repairs	45,647	2,580	48,227
Dues and subscriptions	2,736	34,200	36,936
VA Services	33,150	-	33,150
Other expenses	2,292	11,183	13,475
Postage and delivery	18,543	4,419	22,962
Office supplies	1,624	6,335	7,959
	<u>\$ 26,102,400</u>	<u>\$ 6,926,988</u>	<u>\$ 33,029,388</u>

See accompanying notes.

Palo Alto Veterans Institute for Research
Statement of Functional Expenses
September 30, 2024

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Personnel costs	\$ 17,201,145	\$ 4,949,769	\$ 22,150,914
Subawards	6,141,808	-	6,141,808
Supplies	1,952,316	434,503	2,386,819
Outside services	1,115,006	441,220	1,556,226
Computer maintenance and supplies	93,061	343,672	436,733
Travel	125,853	262,897	388,750
Depreciation	4,728	228,940	233,668
Comparative medicine	186,613	10,189	196,802
Subject related cost	138,155	13,997	152,152
Meetings and conferences	37,977	107,783	145,760
Professional fees	12,348	123,861	136,209
Insurance	-	81,029	81,029
Maintenance and repairs	70,846	5,914	76,760
Telecommunications	7,542	68,677	76,219
Printing and publication	21,053	42,623	63,676
VA Services	43,421	50	43,471
Dues and subscriptions	2,014	32,227	34,241
Postage and delivery	14,342	9,897	24,239
Other expenses	400	15,565	15,965
Office supplies	6,635	7,125	13,760
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 27,175,263</u>	<u>\$ 7,179,938</u>	<u>\$ 34,355,201</u>

See accompanying notes.

Palo Alto Veterans Institute for Research
Statements of Cash Flows
September 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,820,994	\$ (2,778,938)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	221,702	233,668
Net realized and unrealized (gains) losses on investments	(11,777)	64,202
Accounts receivable	1,119,516	(1,429,084)
Prepaid expenses	(27,024)	36,912
Accounts payable	(478,283)	1,018,797
Payroll and payroll related payables	11,155	60,434
Accrued vacation	23,226	61,390
Other accrued liabilities	165,218	(115,067)
Refundable advances	(641,848)	(1,719,791)
	<u>3,202,879</u>	<u>(4,567,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(308,259)	(258,249)
Purchases of investments	(59,492,139)	(55,925,252)
Proceeds from sales investments	<u>52,247,631</u>	<u>63,912,709</u>
	<u>(7,552,767)</u>	<u>7,729,208</u>
Net cash (used in) provided by investing activities		
	<u>(7,552,767)</u>	<u>7,729,208</u>
Net changes in cash and cash equivalents	(4,349,888)	3,161,731
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,412,656</u>	<u>8,250,925</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 7,062,768</u>	<u>\$ 11,412,656</u>

See accompanying notes.

Palo Alto Veterans Institute for Research

Notes to Financial Statements

Note 1 – Description of the Organization

Palo Alto Veterans Institute for Research (the Organization) was incorporated in the state of California on November 30, 1988, and is an independent 501(c)(3) tax exempt corporation. The Organization is located at the VA Palo Alto Health Care System (VAPAHCS) facility in Palo Alto, California. The Organization is one of the largest of 78 active Department of Veteran Affairs (VA) affiliated not for profits in the United States. The mission of the Organization is to advance veteran and public health through innovative research.

Program revenues are primarily derived from conducting investigative projects sponsored by public and private funding sources. The Organization receives government grants and contracts as well as awards from private corporations and philanthropic foundations to pursue health and biomedical research and education goals.

The Organization works with a large community of uniquely talented medical researchers across a broad spectrum of research areas. The research activities include major diseases categories, all of which are prevalent in the VA's patient population. They include the following:

- Cardiovascular medicine
- Mental Health – including Traumatic Brain Injury and Post Traumatic Stress Disorder
- Infectious diseases
- Pain management

In addition, the Organization is particularly interested in chronic inflammatory disease, and stem cell/regenerative medicine. A deeper understanding of chronic inflammatory disease, genetic, and other factors influencing veterans' health can provide significant insight into the understanding of an individual's health status.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations. Assets are generally sequenced according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties. The Organization does not have any Board-designated net assets as of September 30, 2025 and 2024.

Palo Alto Veterans Institute for Research

Notes to Financial Statements

Net assets with donor restrictions – Net assets that are subject to donor-imposed stipulations, which can be fulfilled either by actions of the Organization pursuant to those stipulations and/or expire with the passage of time or that they be maintained in perpetuity by the Organization. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization does not have any donor restricted net assets that are perpetual in nature as of September 30, 2025 and 2024.

Cash and cash equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less at the date of purchase, to be cash equivalents. Substantially all cash and cash equivalents are held at financial institutions. Included in cash equivalents are \$3,843,874 and \$8,881,528 of U.S. Treasury bills and money market funds as of September 30, 2025 and 2024, respectively.

Concentration of risk - The Organization maintains cash and cash equivalents at several financial institutions. Accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or insured to \$500,000 by the Securities Investor Protection Corporation (SIPC). The Organization has not experienced any losses in such accounts

Investments – The Organization holds investments in U.S. treasury bills that had an original maturity of more than three months and are carried at fair value. The Organization has both the ability and the intent to hold them to maturity. They are valued using maturity and interest rates as observable inputs.

Fair value of financial instruments – The Organization determines the fair value of assets and liabilities consistent with a fair value framework that defines fair value for financial reporting, establishes a hierarchy for measuring fair value, and requires additional disclosures about the use of fair value measurements. Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments, approximate their carrying values.

Accounts receivable, net – Accounts receivable are stated at the amount management expects to collect from outstanding balances after allowance for expected credit losses, taking into account past experience, contracts, history and other organizations' ability to meet their obligations, current economic conditions, and reasonable and supportable forecasts. The Organization has evaluated the collectability of the accounts receivable and determined that no allowance for expected credit losses was required as of September 30, 2025 and 2024. The opening balance for accounts receivable at October 1, 2023, was \$3,540,479.

Equipment – Equipment is stated at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives ranging from three to seven years. The Organization's capitalization policy is to capitalize equipment purchases of \$5,000 or more.

Accrued vacation – Accrued vacation represents vacation earned but not taken. The maximum vacation time that can be accrued is 240 hours.

Refundable advances – Amounts received prior to incurring qualifying expenditures on federal grants and sub-awards, and foundation grants, are reported as refundable advances in the statements of financial position. Refundable advances were \$6,854,597, \$7,496,445 and \$9,216,236 as of September 30, 2025 and 2024, and October 1, 2023, respectively.

Palo Alto Veterans Institute for Research
Notes to Financial Statements

The refundable advances were comprised of the following for the years ended September 30:

	2025	2024
Refundable advances, beginning of year	\$ 7,496,445	\$ 9,216,236
Add: Increase in refundable advances due to cash received during the year	5,438,968	4,007,639
Less returns to sponsor	(13,730)	(8,800)
Less refundable advances recognized during the year	(6,067,086)	(5,718,630)
Refundable advances, end of year	\$ 6,854,597	\$ 7,496,445

Government grants revenue – The Organization receives cost-reimbursable federal and international government grants. Grant revenue is recognized as net assets without donor restrictions as services are recognized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08. Government grants are considered to be conditional contribution, and the conditions are met when the services are performed and/or expenses are incurred.

Other program revenue – Other program revenue includes both grants and contracts from public and private sources. Revenue is recognized as unrestricted or restricted as specified by the donor, either when received, when costs are incurred, or when milestones are reached based on the individual grant or contract provisions.

Contributions revenue – Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and net assets as net assets without donor restrictions.

Other revenue – The Organization records certain revenue from contracts with customers in accordance with Topic 606, *Revenue from Contracts with Customers* (Topic 606). Under Topic 606, the Organization must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Organization satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods. Certain sources of revenue derived from unrealized and realized gains and losses and interest are not within the scope of Topic 606

Functional allocation of expenses – Directly identifiable expenses are charged to program services. Certain categories of expenses are attributable to program services or supporting services administration and are allocated on a reasonable basis that is consistently applied. The major expenses that are allocated are personnel costs and outside services, which are allocated on the basis of actual effort (allocated on the basis of time spent), and supplies, which is allocated on the basis of usage. There were no fundraising activities for the years ended September 30, 2025 or 2024.

Palo Alto Veterans Institute for Research

Notes to Financial Statements

Income taxes – The Organization operates as a nonprofit organization and has been notified by the taxing authorities that it is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California, respectively. The Organization files exempt organization returns and, if applicable, unrelated business income tax returns in the U.S. federal and California jurisdictions. There is no unrelated business income tax for the years ended September 30, 2025 and 2024. Accordingly, no provision for income taxes is included in the financial statements. The Organization had no unrecognized tax benefits at September 30, 2025 and 2024.

Note 3 – Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and accounts receivable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Organization's financial assets available to meet cash needs for general expenditures within one year as of September 30:

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 7,062,768	\$ 11,412,656
Investments	7,256,285	-
Accounts receivable, net	3,850,047	4,969,563
Total financial assets	18,169,100	16,382,219
Less those unavailable for general expenditure within one year, due to		
Donor restricted assets	(21,788)	(332,863)
	\$ 18,147,312	\$ 16,049,356

Palo Alto Veterans Institute for Research
Notes to Financial Statements

Note 4 – Equipment, net

Equipment, net was comprised of the following as of September 30:

	<u>2025</u>	<u>2024</u>
Laboratory and medical equipment	\$ 3,639,246	\$ 3,357,807
Computer and software	526,993	514,419
	4,166,239	3,872,226
Less accumulated depreciation	<u>(3,319,849)</u>	<u>(3,112,393)</u>
Equipment, net	<u>\$ 846,390</u>	<u>\$ 759,833</u>

Note 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of September 30:

	<u>2025</u>	<u>2024</u>
Research activities	\$ 6,788	\$ 317,863
Educational activities	15,000	15,000
Net assets with donor restrictions	<u>\$ 21,788</u>	<u>\$ 332,863</u>

Net assets with donor restrictions are released from restrictions upon the actions taken by the Organization to fulfill the stipulations specified by the donors and are expected to be released or returned within a year.

Net assets were released from donor restrictions during the years ended September 30, 2025 and 2024, by incurring expenses to satisfy the purpose of the restriction, by the passage of time, or by the occurrence of other specific events as shown in the table below:

	<u>2025</u>	<u>2024</u>
Research activities	<u>\$ 311,075</u>	<u>\$ 2,168,759</u>

Palo Alto Veterans Institute for Research

Notes to Financial Statements

Note 6 – Retirement Plan

The Organization's retirement plan (under IRC section 401(k)) is a defined contribution retirement plan, which includes matching contributions and profit-sharing contributions. Regular full-time, part-time, and temporary employees are eligible to participate in the plan. Eligible employees may elect to defer a percentage of their salary into the plan. The plan year is a calendar year plan. A Safe Harbor plan was implemented and the organization's match for 401(k) deferrals is 6%, and the organization's profit sharing contribution is 3%. Employees are eligible for company match and profit sharing contributions after one year of service with the Organization.

Contributions made to the plan by the Organization were \$1,120,934 and \$1,039,498 for the years ended September 30, 2025 and 2024, respectively. Plan assets are not reflected in the accompanying financial statements.

Note 7 – Related Party Transactions

In 1988, Congress passed Public Law 100-322 (now codified as Section 7361-66 of Title 38, United States Code) that allowed VA medical centers to establish nonprofit corporations (NPCs), forming a unique partnership that dramatically broadened the VA's ability to benefit from private and non-VA public support for research and education conducted at VA medical centers.

Accordingly, the Organization provides a flexible funding mechanism for the conduct of approved research and education at the VAPAHCS facility. Furthermore, as stipulated by statute, the persons holding the positions of Director, Chief of Staff, Associate Chief of Staff for Research and Development, and Associate Chief of Staff for Education of VAPAHCS are permanent Board members of the Organization. The majority of the Organization's Board of Directors are employed or affiliated with the VA.

The Organization reimburses the VA for various services. Expenses incurred for services received from the VA were \$263,804 and \$417,293 for the years ended September 30, 2025 and 2024, respectively.

Additionally, the Organization charges the VA for some personnel costs via the Intergovernmental Personnel Act (IPA) of 1970. Costs expended include salaries and wages, as well as payroll taxes and other benefit costs. Reimbursements for these costs were \$4,279,767 and \$3,754,540 for the years ended September 30, 2025 and 2024, respectively. These costs were included in personnel costs on the statements of functional expenses. As of September 30, 2025 and 2024, the VA was indebted to the Organization in the amount of \$774,243 and \$1,059,432, respectively, which is included in the accounts receivable balance. In addition, the VA provides office space utilities to the Organization at no cost. This is not recorded as an in-kind donation, as management has deemed it insignificant to the financial statements. As of September 30, 2025 and 2024, the Organization owed the Veterans Affairs Palo Alto Healthcare System \$52,549 and \$0, respectively.

Palo Alto Veterans Institute for Research

Notes to Financial Statements

Note 8 – Concentrations

Major funding – For the year ended September 30, 2025, the Organization received approximately 40% and 9% of its revenue from the U.S. Department of Health and Human Services and the Department of Defense, respectively. For the year ended September 30, 2024, the Organization received approximately 44% and 7% of its revenue from the U.S. Department of Health and Human Services and the Department of Defense, respectively. The Organization has long-term agreements with these federal agencies and does not anticipate a decrease in funding from these sources.

As of September 30, 2025, the Organization had receivables from the U.S. Department of Veteran Affairs of \$774,243 (or 20% of total accounts receivable); the U.S. Department of Health and Human Services of \$875,472 (or 23% of total accounts receivable); and Stanford University of \$364,608 (or 9% of total accounts receivable).

As of September 30, 2024, the Organization had receivables from the U.S. Department of Veteran Affairs of \$1,059,432 (or 21% of total accounts receivable); the U.S. Department of Health and Human Services of \$972,078 (or 19% of total accounts receivable); and Stanford University of \$475,755 (or 9% of total accounts receivable).

Major vendor – The Organization incurred expenses of \$5,124,274 (or 20%) of program expenses from one vendor for the year ended September 30, 2025. The Organization incurred expenses of \$4,771,228 (or 18%) of program expenses from one vendor for the year ended September 30, 2024. The Organization accounts payable balance includes amounts due to two major vendors, representing approximately 48% of the total accounts payable balance.

Note 9 – Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3). The following methods and assumptions were used to estimated fair value of financial instruments:

Level 1 – Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. The Organization's treasury bills as of September 30, 2025, fall under Level 2, as their inputs are other than quoted market prices.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about the risk). Unobservable inputs are developed based on the best information available in the circumstance and may include the Organization's own data.

All investments were in treasury bills as of September 30, 2025, which are considered Level 2 investment under the fair value hierarchy table. There were no investments as of September 30, 2024.

Palo Alto Veterans Institute for Research

Notes to Financial Statements

Note 10 – Commitments and Contingencies

The Organization has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant and contract terms, management believes the Organization is in substantial compliance with current laws and regulations and that any potential liability arising from compliance issues will not be material to the Organization's financial position and changes in net assets as of and for the years ended September 30, 2025 and 2024.

The Organization receives federal assistance, which is subject to review and audit by the United States Office of Management and Budget. Subsequent to year-end, potential changes to federal funding and availability of federal assistance including changes in the indirect rates allowed were introduced. The Organization does not know the impact potential changes could have on the Organization because the changes are not finalized.

Note 11 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

The Organization has performed an evaluation of subsequent events through January 30, 2026, which is the date the financial statements are available to be issued.

Supplementary Information

**Palo Alto Veterans Institute for Research
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster				
U.S. Department of Defense:				
Military Medical Research and Development	12.420		\$ 466,383	\$ 1,750,650
Subtotal direct programs			<u>466,383</u>	<u>1,750,650</u>
Pass-through programs from:				
Tampa Veterans Research & Education Foundation				
- Military Medical Research and Development	12.U01	DHA J-9 TBICoE		72,710
Nova Southeastern University - Military Medical Research and Development	12.420	W81XWH-18-2-0062		32,933
San Jose State University Research Foundation - Military Medical Research and Development	12.420	W81XWH-21-1-0866		(52,324) *
Stanford University - Military Medical Research and Development	12.420	W81XWH-20-1-0747		26,333
The Henry M. Jackson Foundation for the Advancement of Military Medicine				
- Military Medical Research and Development	12.420	HT94252320053		424,451
Northern California Institute for Research and Education				
- Military Medical Research and Development	12.420	HT94252410720		183,224
The Roskamp Institute Inc. - Military Medical Research and Development	12.420	W81XWH-21-1-0655		492
University of California, Irvine - Military Medical Research and Development	12.420	W81XWH-22-1-0172		1,957
San Diego State University - Military Medical Research and Development	12.420	HT94252410549		25,880
University of Texas Health Science Center at San Antonio				
- Military Medical Research and Development	12.420	W81XWH-21-2-0044		356,990
University of Texas Health Science Center at San Antonio				
- Military Medical Research and Development	12.420	HT94252411026		21,000
Washington University - Military Medical Research and Development	12.420	W81XWH-22-1-0908		15,575
The Henry M. Jackson Foundation for the Advancement of Military Medicine				
- Uniform Services University Medical Research Projects	12.750	HU00012220006		45,440
The Henry M. Jackson Foundation for the Advancement of Military Medicine				
- Uniform Services University Medical Research Projects	12.750	HU00012420059		<u>367,654</u>
Subtotal pass-through programs				<u>1,522,315</u>
Total U.S. Department of Defense			<u>466,383</u>	<u>3,272,965</u>

* The negative expenditure amount reflects the re-allocation of prior-year effort and corresponding expenses that were incorrectly charged to the federal award and identified and corrected during the current fiscal year.

See accompanying notes to schedule of expenditures of federal awards.

Palo Alto Veterans Institute for Research
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
National Science Foundation				
Computer and Information Science and Engineering	47.070			\$ 98,957
Engineering Grants	47.041			128,916
Total National Science Foundation				<u>227,873</u>
U.S. Department of Homeland Security				
Federal Emergency Management Agency - Assistance to Firefighters Grant	97.044		\$ 277,848	341,739
Total Department of Homeland Security			<u>277,848</u>	<u>341,739</u>
U.S. Department of Health and Human Services:				
Research and Training in Complementary and Alternative Medicine	93.213		-	11,005
Mental Health Research Grants	93.242		-	65,780
Drug Abuse and Addiction Research Programs	93.279		142,199	368,271
Minority Health and Health Disparities Research	93.307		528,420	597,756
Cancer Cause and Prevention Research	93.393		70,933	716,151
Cancer Detection and Diagnosis Research	93.394		95,945	392,457
Cardiovascular Diseases Research	93.837		421,319	946,214
Lung Diseases Research	93.838		27,751	667,897
Blood Diseases and Resources Research	93.839		-	339,636
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		174,135	1,194,876
COVID-19 - Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		84,488	657,376
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		-	770,772
COVID-19 - Allergy and Infectious Diseases Research	93.855		158,221	175,367
Allergy and Infectious Diseases Research	93.855		147,283	2,541,982
Aging Research	93.866		426,887	987,493
Subtotal direct programs			<u>2,277,581</u>	<u>10,433,033</u>

See accompanying notes to schedule of expenditures of federal awards.

**Palo Alto Veterans Institute for Research
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Pass-through programs from:				
Department of Veterans Affairs - Research and Development	93.U02	IAA# AOD16037	\$ 386,705	\$ 1,062,166
Department of Veterans Affairs - Cancer Epidemiology and Genetics	93.U03	IAA# ACP21001		42,957
Boston VA Research Institute - NCI and VA Interagency Group to Accelerate Trials Enrollment (NAVIGATE)	93.U04	ACO17011		33,463
Stanford University - Human Genome Research	93.172	R01 HG011432		10,496
Yale University - Human Genome Research	93.172	RM1 HG011558		29,312
Stanford University - Human Genome Research	93.172	U01 HG011762		35,386
University of Texas Health Science Center at Houston - Research and Training in Complementary and Alternative Medicine	93.213	R34 AT011530		23,430
University of Pennsylvania - Research on Healthcare Costs, Quality and Outcomes	93.226	R01 HS027600		10,047
University of California, San Diego - Mental Health Research Grants	93.242	R01 MH125785		5,034
Northern California Institute for Research and Education - Mental Health Research Grants	93.242	R01 MH132617		210,904
Stanford University - Mental Health Research Grants	93.242	R01 MH120126		39,957
University of Michigan - Mental Health Research Grants	93.242	R01 MH125857		8,795
Florida International University - Occupational Safety and Health Program	93.262	U01 OH012773		23,506
COVID-19 - University of California, San Francisco - Alcohol Research Programs	93.273	R01 AA029312		102,957
University of Southern California - Alcohol Research Programs	93.273	R34 AA030868		85,342
Michigan State University - Alcohol Research Programs	93.273	R01 AA028213		41,200
Stanford University - Drug Abuse and Addiction Research Programs	93.279	UG3 DA061616		143,571
Beth Israel Deaconess Medical Center - Trans-NIH Research Support	93.310	U54 HL165440		3,332
Duke University - Cancer Cause and Prevention Research	93.393	R01 CA244172		2,093
Medical University of South Carolina - ACL Nat'l Institute on Disability, Independent Living, and Rehabilitation Research	93.433	90DPCP0009		45,240
Medical University of South Carolina - ACL Nat'l Institute on Disability, Independent Living, and Rehabilitation Research	93.433	90DPEM0006		27,070
Medical University of South Carolina - ACL Nat'l Institute on Disability, Independent Living, and Rehabilitation Research	93.433	90DPHF0009		49,228
Boston University - Cardiovascular Diseases Research	93.837	R01 HL127564		46,356
Stanford University - Cardiovascular Diseases Research	93.837	R01 HL171515		34,756
Fred Hutchinson Cancer Center - Cardiovascular Diseases Research	93.837	R01 HL151152		115,205
Serina Therapeutics - Cardiovascular Diseases Research	93.837	R41 HL170875		102,520

See accompanying notes to schedule of expenditures of federal awards.

**Palo Alto Veterans Institute for Research
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
University of California, Merced - Cardiovascular Diseases Research	93.837	R21 HL172096		\$ 76,544
Stanford University - Cardiovascular Diseases Research	93.837	R01 HL141712		52,981
Stanford University - Cardiovascular Diseases Research	93.837	R01 HL152256		83,664
Stanford University - Cardiovascular Diseases Research	93.837	R01 HL162260		35,554
Stanford University - Cardiovascular Diseases Research	93.837	R33 HL146835		39,597
Vanderbilt University Medical Center - Cardiovascular Diseases Research	93.837	R01 HL158884		103,732
Stanford University - Lung Disease Research	93.838	R01 HL138473		118,381
Joan & Sanford I. Weill Medical College of Cornell University - Blood Diseases and Resources Research	93.839	R01 HL167139		217,277
Stanford University - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	U01 DK140939		117,543
Stanford University - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	R01 DK101674		96,703
Stanford University - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	R01 DK128881		128,063
Drexel University - Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	RF1 NS130481		21,055
Johns Hopkins University - Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	R37 NS054791		132,060
Stanford University - Allergy and Infectious Diseases Research	93.855	R01 AI173189		15,410
University of California, San Francisco - Allergy and Infectious Diseases Research	93.855	R01 AI170863		32,686
Stanford University - Biomedical Research and Research Training	93.859	R35 GM137936		92,833
Boston University - Child Health and Human Development Extramural Research	93.865	R01 HD107282		3,986
Boston Medical Center Corporation - Aging Research	93.866	R01 AG066892		41,991
Stanford University - Aging Research	93.866	P30 AG059307		75,194
University of Pennsylvania - Aging Research	93.866	R01 AG071610		20,586
Subtotal pass-through programs			<u>386,705</u>	<u>3,840,163</u>
Total U.S. Department of Health and Human Services			<u>2,664,286</u>	<u>14,273,196</u>
Total Research and Development Cluster and Expenditures of Federal Awards			<u>\$ 3,408,517</u>	<u>\$ 18,115,773</u>

See accompanying notes to schedule of expenditures of federal awards.

Palo Alto Veterans Institute for Research
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Palo Alto Veterans Institute for Research (the Organization), under programs of the federal government for the year ended September 30, 2025. The information in this Schedule is presented in accordance with the cost principles contained in the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization recognizes grants to the extent that eligible grant costs are incurred. The Organization elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Subrecipients

Certain funds are passed through to subrecipient organizations or institutes by the Organization. Expenditures incurred by the subrecipients, and reimbursed by the Organization, are included in the Schedule of Expenditures of Federal Awards. The Organization is also the subrecipient of federal funds, which are reported as expenditures and listed separately as federal pass-through funds.

Report of Independent Auditors 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*

The Board of Directors
Palo Alto Veterans Institute for Research

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 (*Government Auditing Standards*), the financial statements of Palo Alto Veterans Institute for Research, which comprise the statement of financial position as of September 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Palo Alto Veterans Institute for Research's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Palo Alto Veterans Institute for Research's internal control. Accordingly, we do not express an opinion on the effectiveness of Palo Alto Veterans Institute for Research'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Baker Tilly US, LLP

San Francisco, California

January 30, 2026

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Palo Alto Veterans Institute for Research

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Palo Alto Veterans Institute for Research's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Palo Alto Veterans Institute for Research's major federal program for the year ended September 30, 2025. Palo Alto Veterans Institute for Research's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Palo Alto Veterans Institute for Research complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2025.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

Baker Tilly US, LLP

San Francisco, California
January 30, 2026

**Palo Alto Veterans Institute for Research
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2025**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)?

Yes No

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for the Major Federal Program</i>
Various	Research and Development Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs:

\$1,000,000

Auditee qualified as low-risk auditee?

Yes No

**Palo Alto Veterans Institute for Research
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2025**

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

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