

FINANCIAL STATEMENTS



CGN CPA PLLC

Certified Public Accountants

IUP RESEARCH INSTITUTE
AUDITED FINANCIAL STATEMENTS
AND REPORTS REQUIRED BY UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2022

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Board of Directors
IUP Research Institute
Indiana, Pennsylvania

Independent auditors' report

Opinion

We have audited the accompanying consolidated financial statements of IUP Research Institute (a not-for-profit corporation), a component unit of Indiana University of Pennsylvania, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IUP Research Institute as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 IUP Research Institute 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 these consolidated financial statements in accordance with U.S. generally accepted accounting principles, 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IUP Research Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 U.S. generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with U.S. generally accepted auditing standards 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 consolidated 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 consolidated 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 IUP Research Institute'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IUP Research Institute'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 consolidated financial statements of IUP Research Institute as a whole. The accompanying consolidating schedules (pages 13 and 14) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of federal awards (pages 19 and 20) 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the 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 August 30, 2022 on our consideration of IUP Research Institute'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 IUP Research Institute'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 IUP Research Institute's internal control over financial reporting and compliance.

CGN CPA PLLC

August 30, 2022

IUP RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022

ASSETS

Current assets

Cash and cash equivalents	\$ 1,203,408
Investments	548,380
Accounts receivable	1,094,548
Prepays and other assets	<u>11,354</u>
Total current assets	<u>2,857,690</u>

Total assets \$ 2,857,690

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 529,502
Accrued expenses	131,060
Other payables	328,243
Deferred revenue	<u>696,463</u>
Total current liabilities	<u>1,685,268</u>

Long-term liabilities

Total liabilities 1,685,268

Net assets

Without donor restrictions	<u>1,172,422</u>
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Total liabilities and net assets \$ 2,857,690

IUP RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

Changes in net assets without donor restrictions

Revenue and other support

Federal grants and contracts	\$ 1,884,184
Other grants and contracts	1,806,331
Other income	32,805
Fees received	1,470,536
Interest and dividend income	6,281
Gain/(loss) on disposal of assets	(7,781)
Realized gain/(loss) on investments	15,556
Unrealized gain/(loss) on investments	<u>(90,517)</u>

Total revenue and other support 5,117,395

Expenses

IUP Program	3,406,690
Institute Program	1,020,088
BTG Program	181,776
Administration	<u>798,165</u>

Total expenses 5,406,719

Increase (decrease) in net assets without donor restrictions before income taxes (289,324)

Income tax expense/(benefit) (1,990)

Increase (decrease) in net assets without donor restrictions **(287,334)**

Net assets at beginning of year 1,459,756

Net assets at end of year **\$ 1,172,422**

IUP RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

Expenses	<u>IUP Program</u>	<u>Institute Program</u>	<u>BTG Program</u>	<u>Administration</u>	<u>Total</u>
Salaries and wages	\$ 1,206,194	\$ 474,586	\$ 91,250	\$ 381,359	\$ 2,153,389
Payroll taxes and benefits	323,880	163,000	33,426	134,110	654,416
Rent and utilities	5,000	42,425	11,888	39,687	99,000
Communication	1,106	8,271	6,362	13,802	29,541
Supplies and equipment	206,097	142,300	210	78,924	427,531
Travel	320,278	16,519	640	9,470	346,907
Printing and duplication	2,734	350	-	181	3,265
Professional and contracted services	787,082	107,031	-	100,967	995,080
Professional development	-	13,716	586	7,945	22,247
Insurances	-	21,671	1,458	13,350	36,479
Other expenses	230,765	30,219	422	16,200	277,606
IUP indirects	218,967	-	-	-	218,967
Fund close out costs	104,587	-	-	-	104,587
Bad debts	-	-	34,088	-	34,088
Depreciation	-	-	1,446	2,170	3,616
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 3,406,690</u>	<u>\$ 1,020,088</u>	<u>\$ 181,776</u>	<u>\$ 798,165</u>	<u>\$ 5,406,719</u>

See notes to consolidated financial statements.

IUP RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Cash flows from operating activities	
Cash received from grants and fees	\$ 5,249,476
Cash paid to suppliers and employees	(5,354,077)
Other income received	9,404
Interest and dividend income received	<u>6,281</u>
Net cash provided by (used in) operating activities	<u>(88,916)</u>
Cash flows from investing activities	
Proceeds from sale of property and equipment	6,953
Net purchase of investments	(57,446)
Net proceeds from sale of investments	<u>41,222</u>
Net cash provided by (used in) investing activities	<u>(9,271)</u>
Cash flows from financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(98,187)
Beginning cash and cash equivalents	<u>1,301,595</u>
Ending cash and cash equivalents	<u>\$ 1,203,408</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ (287,334)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities	
Depreciation	3,616
(Gain)/loss on sale of assets	7,781
(Gain)/loss on sale of investments	(15,556)
Bad debts expense	34,088
PPP loan forgiveness	(23,401)
Unrealized (gain)/loss on investments	90,517
(Increase) decrease in deferred tax asset	1,990
(Increase) decrease in accounts receivable	196,316
(Increase) decrease in prepaids and other assets	45,661
Increase (decrease) in accounts payable	(7,334)
Increase (decrease) in accrued expenses	(3,664)
Increase (decrease) in other payables	(23,705)
Increase (decrease) in deferred revenue	<u>(107,891)</u>
Net cash provided by (used in) operating activities	<u>\$ (88,916)</u>
Noncash financing and investing activities	<u>\$ -</u>

See notes to consolidated financial statements.

IUP RESEARCH INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. ORGANIZATION

IUP Research Institute (the Institute) is a not-for-profit corporation engaged in advancing the research agenda and educational objectives of Indiana University of Pennsylvania (IUP) and partner institutions in the Pennsylvania State System of Higher Education and to promote greater collaborations across the system through enhancing the culture of research at IUP and partner institutions.

The Institute operates under a Memorandum of Understanding with IUP and, as such, is considered a component unit of IUP.

The Institute established a wholly owned for profit subsidiary called IUP Research Institute Business and Technology Group, Inc. (BTG). The Institute has included BTG financial information by utilizing a consolidating financial statement with eliminations for transactions between the two entities. The BTG ceased operations effective June 30, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying consolidated financial statements of the Institute have been prepared on the accrual basis of accounting which recognizes revenue when earned and expenses when incurred, in accordance with U.S. generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with U.S. 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.

Cash and cash equivalents

For the purposes of reporting cash flows, the Institute and BTG considers all short-term debt securities with an original maturity of twelve months or less to be cash equivalents. Cash and cash equivalents include all checking, savings, and money market accounts.

Allowance for doubtful accounts

The Institute and BTG will provide for doubtful accounts by the allowance method, if, and when, management feels such an allowance is necessary. As of June 30, 2022, the BTG determined specific accounts were uncollectible and recorded as bad debts of \$34,088 in the consolidated statement of functional expenses.

Revenue recognition

The Institute adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made* to conform to U.S. generally accepted accounting principles when reporting contributions and grants. If grants or promises to make grants are unconditional, revenue is recorded when the amount is deemed collectible. If there are conditions in the grant agreement, revenue is recognized when the entity overcomes the specified barrier(s) the payor has in place. If monies are received prior to overcoming the barriers, the amounts will be recorded as deferred revenue. Expenses are recorded when incurred. For all other types of revenue, revenue is recorded as performance obligations are satisfied. The Institute enters into various types of long-term grants and contracts of which revenue may be based on either a fixed price, time and material, guaranteed maximum price, or cost-plus-fee basis. Grants and contracts are satisfied over time as the Institute transfers the control of the research over the duration of the grant and contract.

IUP RESEARCH INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable consists of billed grants and contracts. The Institute considers grants and contracts to be billable as significant time and resources are spent on the specific research project, and as often as the funding agency permits. The Institute considers grants and contracts to be complete when final acceptance has been received from the funding agency. No additional warranties are available. At the time of completion, the remaining balance is invoiced. As a result, there are generally no significant financing components.

Property and equipment

Property and equipment used in the Institute's and BTG's operations will be recorded at cost of purchase or at fair value of donation. The Institute's policy is to capitalize all property and equipment with a cost of \$5,000 or more. BTG's policy is to capitalize all property and equipment with a cost of \$2,500 or more. Depreciation will be provided using the straight-line method over the estimated useful lives of the assets. Significant renewals and betterments will be capitalized. Maintenance and repairs are charged to expenses and losses.

Property and equipment used in the grant projects will be expensed as incurred. The Institute will maintain an inventory of this property and equipment unless IUP or other contracted entities are required to maintain this property and equipment inventory.

Net assets with donor restrictions

The Institute reports gifts and donations of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets. Donor restricted net assets have been limited by donors for a specific time period or purpose. When a donor restriction expires, donor restricted net assets are reclassified as net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

The Institute does not have any donor restricted net assets as of June 30, 2022.

Income taxes

The Institute is organized under the nonprofit corporation laws of Pennsylvania and under Internal Revenue Code Section 501(c)(3) which exempts the Institute from state and federal income taxes. BTG is a for profit corporation and therefore subject to state and federal income taxes.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes) and compensated absences (deductible for financial statement purposes but not for income tax purposes). The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

Uncertain tax positions

The Institute and BTG have adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Institute and BTG will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Institute and BTG evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

The Institute's and BTG's evaluation on June 30, 2022, revealed no uncertain tax positions that would have a material impact on the financial statements. The 2018 through 2020 tax years remain subject to examination by the Internal Revenue Service. The Institute and BTG do not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

IUP RESEARCH INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional expenses

The Institute reports expenses by natural expense classification and allocates these to various functions within the organization. Most expenses are directly incurred and traceable to the specific function. However, some expenses are required to be allocated. The allocation for these shared costs are based on number of personnel within each area.

Advertising expenses

Advertising costs are expensed as incurred. There were no advertising expenses incurred during the fiscal year.

Compensated absences

Employees of the Institute and BTG are entitled to paid vacation days, which may be carried over to future periods if not used currently. The Institute's and BTG's policy is to recognize the cost of these compensated absences in the year which they are earned by the employees. Accordingly, a liability for compensated absences in the amount of \$76,170 has been included with accrued expenses on the consolidated statement of financial position for the year ended June 30, 2022. Of this amount \$67,002 is for the Institute and \$9,168 is for BTG.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. All other investments without readily determinable fair values are reported at cost. Realized and unrealized gains and losses are included in the changes in net assets in the statement of activities.

Subsequent events

Management has evaluated subsequent events through August 30, 2022, the date the financial statements were available to be issued.

3. CONCENTRATION OF CREDIT RISK

The Institute maintains cash accounts at several financial institutions and BTG maintains cash accounts at one financial institution. The amount of cash deposits at each financial institution insured by the Federal Deposit Insurance Corporation is \$250,000. In the normal course of business, the Institute and BTG may have deposits with one of these financial institutions in excess of federal insurance coverage. On June 30, 2022, cash deposits did not exceed the federal insurance coverage.

A significant portion of the Institute's contracted services is with IUP as disclosed in Note 9 and a loss of these services could have a materially adverse effect on the Institute's ability to continue its operations and research and development projects.

4. LONG-TERM DEBT

The Institute and BTG currently have no long-term debt.

5. LINE OF CREDIT

The Institute currently has no line of credit. BTG has a \$100,000 line of credit with a local bank for which the Institute is the guarantor. There were no borrowings on this line of credit for the year ended June 30, 2022.

IUP RESEARCH INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

6. RETIREMENT PLAN

The Institute and BTG have a 401(k) profit-sharing plan for employees who are at least 21 years of age and who have at least 1,000 hours in a year of service. Eligible employees can contribute up to the maximum allowed by law. The Institute and BTG contribute 10% of each eligible employee's compensation into the retirement plan. The 401(k) expense for the year ended June 30, 2022, was \$74,419, of which \$66,602 was for the Institute and \$7,817 was for BTG.

7. LEASES

The Institute and BTG lease facilities for their offices which are currently leased on a month-to-month basis. The BTG lease was terminated effective June 30, 2022.

Total office rent expense for the year ended June 30, 2022, was \$84,620, of which \$60,620 was for the Institute's facility and \$24,000 was for BTG's facility.

8. INCOME TAXES

Deferred taxes are computed based on the expected tax liability or benefit in future years of the reversal of temporary differences in the recognition of income or deduction of expenses between financial and tax reporting purposes. The items resulting in the timing differences are accelerated depreciation and compensated absences. The net difference between tax expense and taxes currently payable is reflected in the balance sheet as deferred taxes. Deferred tax benefits and/or liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting purposes, or based on the expected reversal date for deferred taxes that are not related to an asset or liability.

Amounts for deferred tax benefit and liabilities are as follows:

Long-term deferred tax asset	\$ -
Long-term deferred tax liability	<u>-</u>
Net long-term deferred tax asset (liability)	<u>\$ -</u>

Summaries of the provisions for income taxes are as follows:

Current income tax expense (benefit)	\$ -
Deferred tax expense (benefit)	<u>(1,990)</u>
Total provision for income tax expense (benefit)	<u>\$ (1,990)</u>

9. RELATED PARTY

The Institute contracts with IUP to provide services for various research grant projects. These contracted services are in the normal course of business for both the Institute and IUP. For the year ended June 30, 2022, the Institute paid IUP for contracted services in the amount of \$1,571,349. The Institute owed IUP \$360,748 as of June 30, 2022, which is included in accounts payable. IUP pays a fee to the Institute for managing research grants on behalf of IUP and also pays the Institute for other services. For the year ended June 30, 2022, the total amounts paid by IUP to the Institute were \$988,880. IUP owed the Institute \$136,266 as of June 30, 2022, which is included in accounts receivable.

IUP RESEARCH INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

10. CONTINGENT LIABILITIES

The Institute receives funding for various federal, state, and private research grants, which are subject to grant compliance requirements. The Institute is potentially liable for any expenses or transactions which may be disallowed pursuant to the grant compliance requirements. Management is not aware of any material items of noncompliance, which would result in the disallowance of any costs.

The Institute and BTG did not engage in any risk financing activities during the year ended June 30, 2022.

11. CASH HELD FOR OTHERS

The Institute holds cash for IUP faculty, deans, chairs, and centers. The cash is reserved for the use of these individuals or centers. The amount of cash held for others by the Institute on June 30, 2022, was \$328,243 which was included in cash and cash equivalents. The Institute has also recorded an offsetting liability in the same amount included in other payables.

12. PAYROLL PROTECTION PROGRAM

During 2021, the BTG received amounts from the Small Business Administration's (SBA) Payroll Protection Program (PPP). If the amounts received are spent according to the program's purposes, the amounts would be forgiven. The amount received totaled \$23,401 and was forgiven by the SBA. The related income is included in other income of the consolidated statement of activities and changes in net assets.

13. SUPPORT OF IUP RESEARCH MISSION

The Institute supports IUP Research Mission. This includes paying for faculty travel and training that will help improve their contacts, professional development, and experience. The Institute also recognizes and rewards principal investigators for successful submissions. For the year ended June 30, 2022, the Institute has spent \$0 in this support because of the pandemic.

14. AVAILABLE RESOURCES AND LIQUIDITY

During the year, the Institute depends on cash flows from operations to cover costs. As of June 30, 2022, the following tables show the total financial assets held by the Institute and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end

Cash and cash equivalent	\$1,203,408
Investments	548,380
Accounts receivable	<u>1,094,548</u>

Total financial assets at year-end \$2,846,336

Financial assets available to meet general expenditures over the next 12 months

Cash and cash equivalent, less cash held for others	\$ 875,165
Investments	548,380
Accounts receivable	<u>1,094,548</u>

Total financial assets available \$2,518,093

IUP RESEARCH INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

15. INVESTMENTS

The Institute uses multiple institutions to professionally manage its investment portfolio. The money market and other short term debt securities portion of one of the Institute's investment accounts is included with cash and cash equivalents on the balance sheet as per the Institute's cash and cash equivalents policy. This amount totaled \$820,381 as of June 30, 2022.

Investments recorded at their fair value consisted of the following as of June 30, 2022:

	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 6,058	\$ 6,058
Mutual funds	273,135	246,478
Marketable securities	197,805	229,085
Fixed income	56,518	51,182
Other	<u>15,976</u>	<u>15,577</u>
	<u>\$549,492</u>	<u>\$548,380</u>

Investment management fees for the year totaled \$1,292 and are included in other expenses on the consolidated statement of functional expenses.

	<u>Fair Value</u>	<u>Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
June 30, 2022		
Money market	\$ 6,058	\$ 6,058
Mutual funds	246,478	246,478
Marketable securities	229,085	229,085
Fixed income	51,182	51,182
Other	<u>15,577</u>	<u>15,577</u>
Total	<u>\$548,380</u>	<u>\$548,380</u>

Accounting standards for Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Institute uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair value of investment funds is based on quoted net asset values of the shares held by the Broker at year-end.

IUP RESEARCH INSTITUTE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2022

	<u>IUP Research Institute</u>	<u>IUP Research Institute Business and Technology Group, Inc.</u>	<u>Adjustments</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,174,482	\$ 28,926	\$ -	\$ 1,203,408
Investments	548,380	-		548,380
Accounts receivable	1,081,948	12,600	-	1,094,548
Prepays and other assets	<u>11,354</u>	<u>-</u>	<u>-</u>	<u>11,354</u>
Total current assets	<u>2,816,164</u>	<u>41,526</u>	<u>-</u>	<u>2,857,690</u>
Property and equipment				
Furniture and equipment	-	-	-	-
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other assets				
Investment in subsidiary	<u>32,358</u>	<u>-</u>	<u>(32,358)</u>	<u>-</u>
Total other assets	<u>32,358</u>	<u>-</u>	<u>(32,358)</u>	<u>-</u>
Total assets	<u>\$ 2,848,522</u>	<u>\$ 41,526</u>	<u>\$ (32,358)</u>	<u>\$ 2,857,690</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 529,502	\$ -	\$ -	\$ 529,502
Accrued expenses	121,892	9,168	-	131,060
Other payables	328,243	-	-	328,243
Deferred revenue	<u>696,463</u>	<u>-</u>	<u>-</u>	<u>696,463</u>
Total current liabilities	1,676,100	9,168	-	1,685,268
Long-term liabilities				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets				
Without donor restrictions	<u>1,172,422</u>	<u>32,358</u>	<u>(32,358)</u>	<u>1,172,422</u>
Total liabilities and net assets	<u>\$ 2,848,522</u>	<u>\$ 41,526</u>	<u>\$ (32,358)</u>	<u>\$ 2,857,690</u>

See independent auditors' report.

IUP RESEARCH INSTITUTE
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>IUP Research Institute</u>	<u>IUP Research Institute Business and Technology Group, Inc.</u>	<u>Adjustments</u>	<u>Total</u>
Change in net assets without donor restrictions				
Revenue and other support				
Federal grants and contracts	\$ 1,884,184	\$ -	\$ -	\$ 1,884,184
Other grants and contracts	1,594,248	250,248	(38,165)	1,806,331
Other income	9,192	23,613	-	32,805
Fees received	1,470,536	-	-	1,470,536
Interest and dividend income	6,169	112	-	6,281
Income (loss) from subsidiary	(186,257)	-	186,257	-
Gain/(loss) on disposal of assets	-	(7,781)	-	(7,781)
Realized gain/(loss) on investments	15,556	-	-	15,556
Unrealized gain/(loss) on investments	(90,517)	-	-	(90,517)
Total revenue and other support	<u>4,703,111</u>	<u>266,192</u>	<u>148,092</u>	<u>5,117,395</u>
Expenses				
Salaries and wages	1,925,263	228,126	-	2,153,389
Payroll taxes and benefits	570,850	83,566	-	654,416
Rent and utilities	69,281	29,719	-	99,000
Communication	13,637	15,904	-	29,541
Supplies and equipment	421,704	5,827	-	427,531
Travel	345,306	1,601	-	346,907
Printing and duplication	3,265	-	-	3,265
Professional and contracted services	987,416	45,829	(38,165)	995,080
Professional development	20,783	1,464	-	22,247
Insurances	32,834	3,645	-	36,479
Other expenses	276,552	1,054	-	277,606
IUP indirects	218,967	-	-	218,967
Fund close out costs	104,587	-	-	104,587
Bad debts	-	34,088	-	34,088
Depreciation	-	3,616	-	3,616
Total expenses	<u>4,990,445</u>	<u>454,439</u>	<u>(38,165)</u>	<u>5,406,719</u>
Increase (decrease) in net assets without donor restrictions before income taxes	(287,334)	(188,247)	186,257	(289,324)
Income tax expense/(benefit)	-	(1,990)	-	(1,990)
Increase (decrease) in net assets without donor restrictions	(287,334)	(186,257)	186,257	(287,334)
Net assets at beginning of year	<u>1,459,756</u>	<u>218,615</u>	<u>(218,615)</u>	<u>1,459,756</u>
Net assets at end of year	<u>\$ 1,172,422</u>	<u>\$ 32,358</u>	<u>\$ (32,358)</u>	<u>\$ 1,172,422</u>

See independent auditors' report.

IUP RESEARCH INSTITUTE
REPORTS REQUIRED BY UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2022



CGN CPA PLLC

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Board of Directors
IUP Research Institute
Indiana, Pennsylvania

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*

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of IUP Research Institute (a not-for-profit corporation) which comprise the consolidated statement of financial position as of June 30, 2022 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and related notes to the consolidated financial statements, and have issued our report thereon dated August 30, 2022.

Report on internal control over financial reporting

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

Report of compliance and other matters

As part of obtaining reasonable assurance about whether IUP 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 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.

CGN CPA PLLC

August 30, 2022



CGN CPA PLLC

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Independent auditors' report on compliance for each major federal program and on internal control over compliance required by the Uniform Guidance

Opinion on each major federal program

We have audited IUP Research Institute's compliance with the types of compliance requirement identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of IUP Research Institute's major federal programs for the year ended June 30, 2022. IUP Research Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, IUP 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, 2022.

Basis for opinion on each major federal program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 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 IUP Research Institute 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 each major federal program. Our audit does not provide a legal determination of IUP Research Institute'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 IUP Research Institute'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 IUP Research Institute'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 generally accepted auditing standards, *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 IUP Research Institute's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 IUP Research Institute'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 IUP Research Institute'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 IUP Research Institute'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.

CGN CPA PLLC

August 30, 2022

IUP RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal grantor/Pass-through grantor/project title	Contract/Award Number	Federal CFDA Number	Expenditures	Amount Provided to Subrecipients
U.S. Department of Agriculture				
Assessments of SILVAH for Private Forestlands	NR193A750010C001	10.902 (1)	\$ 11,970	\$ 4,116
Pesticide Impact Assessment	20-DG-11094200-198	10.680 (1)	21,217	
Passed through Natural Resources Conservation Services				
CEAP Assessing Wildlife Resonse	68-3A75-17-337	10.902 (1)	59,833	32,957
CEAP Wisconsin and Minnesota Assess Whippoorwill	NR203A50023C1016	10.902 (1)	100,389	41,296
Passed through Louisiana State University				
Mitigating Drought Stress of Midrotation Pine	2018-67014-27507	10.310 (1)	724	
Passed through Pheasants Forever				
Decision Support Tool for Managing Working Forests	69-3A75-17-438	10.912 (1)	219,250	137,705
Passed through National Fish and Wildlife Foundation				
Improving Forest Health on Private Lands	68-3A75-17-262	10.912 (1)	244,053	
Dynamic Forests NFWF/USDA	19-CA-11132422-155	10.683 (1)	84,020	84,020
Passed through American Bird Conservancy				
RCPP Monitoring Plan in Western Great Lakes	2245-A-0216	10.924 (1)	207	
PA Wilds 3	19-CA-11132422-155	10.683 (1)	4,556	
PA Wilds 4 - 2021 Monitoring	19-CA-11132422-155	10.683 (1)	6,084	-
			752,303	300,094
U.S. Fish and Wildlife Services				
Delaware 4 Monitoring	F18AC00707	15.670 (1)	21,768	
Passed through American Bird Conservancy				
Delaware 4 - Project Coordination	0403.20.069725	15.670 (1)	7,092	
PA Wilds 4.1 Monitoring Jan 2022-Sept 2023	F20AP00233	15.663 (1)	3,110	
ABC Delaware V Monitoring	F21ACO151400	15.670 (1)	17,555	
			49,525	
US Department of Defense				
Passed through National Security Agency				
GenCyber 2020 Student Program	H98230-20-1-0060	12.903	2,630	
GenCyber Camp Summer 2022	H98230-21-1-0076	12.903	63,042	
Fostering a Strong Cybersecurity Culture in Western PA	H98230-21-1-0092	12.903	100,299	
Passed through Henry Jackson Foundation				
Forensic Archeological Field School in Germany	HQ0761-18-2-001	12.740 (1)	99,427	
2022 Forensic Archaeological Field School in Germany-HJ	HQ761-18-2-001	12.740 (1)	103,032	
			368,430	
U.S. Department of Interior				
Utah Protect & Inspect: Paleoenvironmental Analysis	L21AC10371	15.248 (1)	17,281	
National Park Service				
Flight 93 Reforestation Summer 2022	P220C00772-00	15.945 (1)	16,211	
U.S. Department of State				
Passed through IREX				
Fulbright DAI 2021	S-ECAGD-20-CA-005	19.408	252,594	
IREX Fulbright Fall 2022	S-ECAGD-21-CA-3005	19.408	3,965	
			256,559	

See independent auditors' report.

IUP RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal grantor/Pass-through grantor/project title	Contract/Award Number	Federal CFDA Number	Expenditures	Amount Provided to Subrecipients
National Science Foundation				
What Biases Expert Opinions	1754049	47.075 (1)	38,491	
NSF Teaching and Assessing Teamwork	1625429	47.076 (1)	112,663	
Scanning Electron Microscope	182716	47.050 (1)	16,061	
1516-049 Participant Support	1625429	47.076 (1)	19,220	
Building on Inclusive Geology Field Camp	FAIN1848414	47.050 (1)	3,294	
Designing a Sustainable Coffee Production System	2120767	47.074 (1)	6,572	
Linking Marine & Terrestrial Sedimentary Evidence	2114786	47.078 (1)	<u>34,842</u>	
			<u>231,143</u>	
U.S. Department of Energy				
Passed through University of Texas at Austin				
Phase Transitions in Mesoscopic Systems	DE-SC0013599	81.049 (1)	<u>180,610</u>	
Appalachian Regional Commission				
Passed through East Tennessee State University				
Appalachian Teach Proj-COVID Effects on Local Commun	CO-12600-F-C19-21	23.011	<u>3,919</u>	
			<u>3,919</u>	
Total federal awards			<u>\$ 1,875,981</u>	<u>\$ 300,094</u>

(1) Denotes a research grant included in the research and development cluster totalling \$1,211,761

Total expenditures for CFDA Number 10.902	<u>\$ 172,192</u>
Total expenditures for CFDA Number 10.912	<u>\$ 463,303</u>
Total expenditures for CFDA Number 10.683	<u>\$ 94,660</u>
Total expenditures for CFDA Number 47.050	<u>\$ 19,355</u>
Total expenditures for CFDA Number 47.076	<u>\$ 131,883</u>
Total expenditures for CFDA Number 15.670	<u>\$ 46,415</u>
Total expenditures for CFDA Number 12.903	<u>\$ 165,971</u>
Total expenditures for CFDA Number 15.954	<u>\$ 202,459</u>
Total expenditures for CFDA Number 19.408	<u>\$ 256,559</u>

See independent auditors' report.

IUP RESEARCH INSTITUTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of IUP Research Institute under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of IUP Research Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of IUP Research Institute.

2. BASIS OF ACCOUNTING

The expenditures reported on the accompanying schedule of expenditures of federal awards have been recorded on the accrual basis of accounting which recognizes expenditures when incurred, in accordance with U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

3. DEMINIMIS INDIRECT COST RATE

IUP Research Institute as elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

IUP RESEARCH INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Summary of the auditors' results

1. The type of report the auditors issued on the consolidated financial statements was an unmodified opinion.
2. No significant deficiencies in the internal control were disclosed by the audit of the basic consolidated financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies in internal control over major federal programs were disclosed by the audit.
5. The auditors' report on compliance for major federal programs was an unmodified opinion.
6. The audit did not disclose any audit findings required to be reported in accordance with the Uniform Guidance.
7. The major federal programs as part of the Research and Development cluster were:
 - Assessments of SILVAH for Private Forestlands, CFDA No. 10.902
 - Pesticide Impact Assessment, CFDA No. 10.680
 - CEAP Assessing Wildlife Response, CFDA No. 10.902
 - Mitigating Drought Stress of Midrotation Pine, CFDA No. 10.310
 - Decision Support Tool for Managing Working Forests, CFDA No. 10.912
 - Improving Forest Health on Private Lands, CFDA No. 10.912
 - Phase Transitions in Mesoscopic Systems, CFDA No. 81.049
 - What Biases Expert Opinions, CFDA No 47.075
 - Scanning Electron Microscope, CFDA No. 47.050
 - Participant Support, CFDA No. 47.076
 - NSF Teaching and Assessing Teamwork, CFDA No. 47076
 - PA Wilds 4 – 2021 Monitoring, CFDA No. 10.683
 - PA Wilds 3, CFDA No. 10.683
 - Delaware 4 Monitoring, CFDA No. 15.670
 - Delaware 4 Project Coordination, CFDA No. 15.670
 - Forensic Archeological Field School in Germany, CFDA No. 12.740
 - CEAP Wisconsin and Minnesota Assess Whippoorwill, CFDA No. 10.902
 - Dynamic Forests NFWF/USDA, CFDA No. 10.683
 - RCPP Monitoring Plan in Western Great Lakes, CFDA No. 10.924
 - PA Wilds 4.1 Monitoring Jan 2022-Sept 2023, CFDA No. 15.663
 - ABC Delaware V Monitoring, CFDA No. 15.670
 - 2022 Forensic Archaeological Field School in Germany-HJF, CFDA No. 12.740
 - Utah Protect & Inspect: Paleoenvironmental Analysis, CFDA No. 15.248
 - Flight 93 Reforestation Summer 2022, CFDA No. 15.945
 - Appalachian Teach Proj-COVID Effects on Local Community, CFDA No. 23.011
 - Building on Inclusive Geology Field Camp, CFDA No. 47.050
 - Designing a Sustainable Coffee Production System, CFDA No. 470.74
 - Linking Marine & Terrestrial Sedimentary Evidence, CFDA No. 47078
8. The dollar threshold used to distinguish between Type A and Type B programs is \$750,000.
9. IUP Research Institute was considered a low-risk auditee.

IUP RESEARCH INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Findings Relating to the Financial Statements Required to be Reported in Accordance with Government Auditing Standards

Compliance Findings – None
Internal Control Findings – None

Findings and Questioned Costs for Federal Awards in Accordance with the Uniform Guidance

Compliance Findings and Questioned Costs – None
Internal Control Findings – None

IUP RESEARCH INSTITUTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Compliance Findings

There were no prior audit compliance findings.

Internal Control Findings

There were no prior audit internal control findings.