

**IUP RESEARCH INSTITUTE**  
**AUDITED FINANCIAL STATEMENTS**  
**AND REPORTS REQUIRED BY UNIFORM GUIDANCE**  
**YEAR ENDED JUNE 30, 2021**

**Clay & Gascoine PLLC**  
**Certified Public Accountants**

## IUP RESEARCH INSTITUTE

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Board of Directors  
IUP Research Institute  
Indiana, Pennsylvania

## **Independent auditors' report**

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, 2021, 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.

### **Management's responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IUP Research Institute as of June 30, 2021, 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.

**Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2021 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.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of IUP Research Institute taken as a whole. The accompanying consolidating schedules (pages 13 and 14) are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards (pages 19 and 20) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also 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.

*Clay & Gascoine PLLC*

September 2, 2021

**IUP RESEARCH INSTITUTE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 1,301,595
Investments	617,804
Accounts receivable	1,290,864
Prepays and other assets	<u>59,005</u>
Total current assets	<u>3,269,268</u>

**Property and equipment**

Furniture and equipment	83,007
Less accumulated depreciation	<u>64,657</u>
Net property and equipment	<u>18,350</u>

**Other assets**

	<u>-</u>
<b>Total assets</b>	<b><u>\$ 3,287,618</u></b>

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	\$ 536,836
Accrued expenses	134,724
Other payables	351,948
Deferred revenue	<u>804,354</u>
Total current liabilities	1,827,862

**Long-term liabilities**

	<u>-</u>
<b>Total liabilities</b>	1,827,862

**Net assets**

Without donor restrictions	<u>1,459,756</u>
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<b>Total liabilities and net assets</b>	<b><u>\$ 3,287,618</u></b>
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See notes to consolidated financial statements.

**IUP RESEARCH INSTITUTE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Changes in net assets without donor restrictions**

**Revenue and other support**

Federal grants and contracts	\$ 1,431,714
Other grants and contracts	1,529,777
Other income	244,948
Fees received	1,087,702
Interest and dividend income	23,394
Realized gain/(loss) on investments	9,003
Unrealized gain/(loss) on investments	<u>102,313</u>
 Total revenue and other support	 <u>4,428,851</u>

**Expenses**

IUP Program	2,666,833
Institute Program	733,397
BTG Program	207,229
Administration	<u>688,653</u>
 Total expenses	 <u>4,296,112</u>

Increase in net assets without donor restrictions before income taxes	132,739
Income tax expense/(benefit)	<u>(12,761)</u>

**Increase in net assets without donor restrictions** 145,500

Net assets at beginning of year 1,314,256

**Net assets at end of year** \$ 1,459,756

See notes to consolidated financial statements.

**IUP RESEARCH INSTITUTE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>IUP</u>	<u>Institute</u>	<u>BTG</u>	<u>Administration</u>	<u>Total</u>
	Program	Program	Program	Program	Total
<b>Expenses</b>					
Salaries and wages	\$ 1,067,882	\$ 434,888	\$ 81,001	\$ 345,535	\$ 1,929,306
Payroll taxes and benefits	261,016	152,086	39,553	137,677	590,332
Rent and utilities	6,825	40,982	11,700	38,660	98,167
Communication	3,194	7,431	3,771	9,483	23,879
Supplies and equipment	349,617	22,336	4,025	17,544	393,522
Travel	157,781	702	688	1,394	160,565
Printing and duplication	1,229	432	-	222	1,883
Professional and contracted services	472,379	42,958	61,181	113,900	690,418
Professional development	-	4,712	537	3,234	8,483
Insurances	890	11,657	1,935	8,909	23,391
Other expenses	71,216	15,213	623	8,772	95,824
IUP indirects	137,283	-	-	-	137,283
Fund close out costs	137,521	-	-	-	137,521
Depreciation	-	-	2,215	3,323	5,538
<b>Total expenses</b>	<u>\$ 2,666,833</u>	<u>\$ 733,397</u>	<u>\$ 207,229</u>	<u>\$ 688,653</u>	<u>\$ 4,296,112</u>

See notes to consolidated financial statements.

**IUP RESEARCH INSTITUTE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<b>Cash flows from operating activities</b>	
Cash received from grants and fees	\$ 3,996,661
Cash paid to suppliers and employees	(4,125,256)
Other income received	2,255
Interest and dividend income received	<u>23,394</u>
Net cash provided by (used in) operating activities	<u>(102,946)</u>
<b>Cash flows from investing activities</b>	
Net purchase of investments	(99,410)
Net proceeds from sale of investments	<u>80,422</u>
Net cash provided by (used in) investing activities	<u>(18,988)</u>
<b>Cash flows from financing activities</b>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(121,934)
Beginning cash and cash equivalents	<u>1,423,529</u>
<b>Ending cash and cash equivalents</b>	<b><u>\$ 1,301,595</u></b>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$ 145,500
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities	
Depreciation	5,538
(Gain)/loss on sale of investments	(9,003)
Unrealized (gain)/loss on investments	(102,313)
(Increase) decrease in deferred tax asset	3,550
(Increase) decrease in accounts receivable	(564,973)
(Increase) decrease in prepaids and other assets	25,723
Increase (decrease) in accounts payable	101,570
Increase (decrease) in accrued expenses	1,561
Increase (decrease) in other payables	(222,540)
Increase (decrease) in deferred revenue	<u>512,441</u>
Net cash provided by (used in) operating activities	<b><u>\$ (102,946)</u></b>
<b>Noncash financing and investing activities</b>	<b><u>\$ -</u></b>

See notes to consolidated financial statements.



**IUP RESEARCH INSTITUTE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

1. **ORGANIZATION**

IUP Research Institute (the Institute) is a not-for-profit corporation which was founded to promote the interests of, operate for the benefit of, and support of Indiana University of Pennsylvania (IUP). As such, the Institute is to engage in, foster, and support research related to fields of study at IUP and to provide development and administrative services for such research. The Institute is also to disseminate information related to research to the academic community and to the public and to offer programs and services related to the procurement of funding for the actual conduct of its research and development projects.

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.

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. Currently, there are no bad debts or doubtful accounts included in accounts receivable.

**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. GAAP 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.

**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.

**IUP RESEARCH INSTITUTE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2021.

**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, 2021, revealed no uncertain tax positions that would have a material impact on the financial statements. The 2017 through 2019 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.

**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.

**IUP RESEARCH INSTITUTE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 \$73,710 has been included with accrued payroll on the consolidated statement of financial position for the year ended June 30, 2021. Of this amount \$64,811 is for the Institute and \$8,899 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 September 2, 2021, 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, 2021, cash deposits did not exceed the federal insurance coverage. The Institute also maintains a financial account with Edward Jones Investments. These funds are invested in accounts that are either insured by the FDIC or are guaranteed by U.S. Treasury obligations.

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, 2021.

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, 2021, was \$74,705, of which \$55,113 was for the Institute and \$19,592 was for BTG.

**IUP RESEARCH INSTITUTE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

7. **LEASES**

The Institute and BTG lease facilities for their offices which are currently leased on a month-to-month basis.

Total office rent expense for the year ended June 30, 2021, 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 sheets 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>(1,990)</u>
Net long-term deferred tax asset (liability)	<u><u>\$ (1,990)</u></u>

Summaries of the provisions for income taxes are as follows:

Current income tax expense (benefit)	\$ (20,662)
Deferred tax expense (benefit)	<u>7,901</u>
Total provision for income tax expense (benefit)	<u><u>\$ (12,761)</u></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, 2021, the Institute paid IUP for contracted services in the amount of \$1,981,965. The Institute owed IUP \$441,468 as of June 30, 2021, 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, 2021, the total amounts paid by IUP to the Institute were \$1,021,673. IUP owed the Institute \$117,977 as of June 30, 2021, which is included in accounts receivable.

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, 2021.

**IUP RESEARCH INSTITUTE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

11. CASH HELD FOR OTHERS

The Institute holds cash for IUP faculty, deans, chairs, and centers. This cash is reserved for the use of these individuals or centers. The amount of cash held for others by the Institute on June 30, 2021, was \$326,556 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 2020, both the Institute and 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. Both the Institute and BTG spent the amounts accordingly, and the amounts were forgiven and reclassified to other income from other payables. The Institute and BTG received \$167,387 and \$75,307, respectively, of PPP proceeds.

During 2021, the BTG received amounts from the SBA PPP second round of funding. The amount totaled \$23,401, and if spent accordingly, will be forgiven. The BTG believes these amounts were spent accordingly and will be forgiven. However, the amounts are included in other payables on the statement of financial position as of June 30, 2021, until that position is approved by the SBA.

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, 2021, 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, 2021, 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	\$1,301,595
Investments	617,804
Accounts receivable	<u>1,290,864</u>

Total financial assets at year-end \$3,210,263

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

Cash and cash equivalent, less cash held for others	\$ 975,039
Investments	617,804
Accounts receivable	<u>1,290,864</u>

Total financial assets available \$2,883,707

**IUP RESEARCH INSTITUTE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

15. INVESTMENTS

The Institute uses multiple institutions to professionally manage its investment portfolio. The money market portion of one of the Institute's investment account is included with cash and cash equivalents on the balance sheet as per the Institute's cash and cash equivalents policy. This amount totaled \$826,362 as of June 30, 2021. Investments recorded at their fair value consisted of the following as of June 30, 2021:

	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 12,621	\$ 12,621
Mutual funds	265,613	290,370
Marketable securities	183,484	250,045
Fixed income	56,519	57,109
Other	<u>7,172</u>	<u>7,659</u>
	<u>\$525,409</u>	<u>\$617,804</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</u> Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)
<b>June 30, 2021</b>		
Money market	\$ 12,621	\$ 12,621
Mutual funds	290,370	290,370
Marketable securities	250,045	250,045
Fixed income	57,109	57,109
Other	<u>7,659</u>	<u>7,659</u>
Total	<u>\$617,804</u>	<u>\$617,804</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, 2021**

	<u>IUP Research Institute</u>	<u>IUP Research Institute Business and Technology Group, Inc.</u>	<u>Adjustments</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,131,866	\$ 169,729	\$ -	\$ 1,301,595
Investments	617,804	-		617,804
Accounts receivable	1,231,664	59,200	-	1,290,864
Prepays and other assets	<u>36,904</u>	<u>22,101</u>	-	<u>59,005</u>
Total current assets	<u>3,018,238</u>	<u>251,030</u>	-	<u>3,269,268</u>
<b>Property and equipment</b>				
Furniture and equipment	-	83,007	-	83,007
Less accumulated depreciation	<u>-</u>	<u>64,657</u>	-	<u>64,657</u>
Net property and equipment	<u>-</u>	<u>18,350</u>	-	<u>18,350</u>
<b>Other assets</b>				
Deferred tax asset	-	-	-	-
Investment in subsidiary	<u>218,615</u>	-	<u>(218,615)</u>	-
Total other assets	<u>218,615</u>	-	<u>(218,615)</u>	-
<b>Total assets</b>	<b><u>\$ 3,236,853</u></b>	<b><u>\$ 269,380</u></b>	<b><u>\$ (218,615)</u></b>	<b><u>\$ 3,287,618</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 527,980	\$ 8,856	\$ -	\$ 536,836
Accrued expenses	118,206	16,518	-	134,724
Other payables	326,557	25,391	-	351,948
Deferred revenue	<u>804,354</u>	-	-	<u>804,354</u>
Total current liabilities	1,777,097	50,765	-	1,827,862
<b>Long-term liabilities</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	1,777,097	50,765	-	1,827,862
<b>Net assets</b>				
Without donor restrictions	<u>1,459,756</u>	<u>218,615</u>	<u>(218,615)</u>	<u>1,459,756</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,236,853</u></b>	<b><u>\$ 269,380</u></b>	<b><u>\$ (218,615)</u></b>	<b><u>\$ 3,287,618</u></b>

See independent auditors' report.

**IUP RESEARCH INSTITUTE**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	IUP Research Institute	IUP Research Institute Business and Technology Group, Inc.	<u>Adjustments</u>	<u>Total</u>
<b>Change in net assets without donor restrictions</b>				
<b>Revenue and other support</b>				
Federal grants and contracts	\$ 1,326,290	\$ 105,424	\$ -	\$ 1,431,714
Other grants and contracts	1,280,750	249,027	-	1,529,777
Other income	168,842	76,106	-	244,948
Fees received	1,091,884	-	(4,182)	1,087,702
Interest and dividend income	23,031	363	-	23,394
Income (loss) from subsidiary	(74,390)	-	74,390	-
Realized gain/(loss) on investments	9,003	-	-	9,003
Unrealized gain/(loss) on investments	<u>102,313</u>	<u>-</u>	<u>-</u>	<u>102,313</u>
Total revenue and other support	<u>3,927,723</u>	<u>430,920</u>	<u>70,208</u>	<u>4,428,851</u>
<b>Expenses</b>				
Salaries and wages	1,726,804	202,502	-	1,929,306
Payroll taxes and benefits	491,449	98,883	-	590,332
Rent and utilities	68,918	29,249	-	98,167
Communication	14,453	9,426	-	23,879
Supplies and equipment	383,460	10,062	-	393,522
Travel	158,845	1,720	-	160,565
Printing and duplication	1,883	-	-	1,883
Professional and contracted services	541,649	152,951	(4,182)	690,418
Professional development	7,140	1,343	-	8,483
Insurances	18,552	4,839	-	23,391
Other expenses	94,266	1,558	-	95,824
IUP indirects	137,283	-	-	137,283
Fund close out costs	137,521	-	-	137,521
Depreciation	<u>-</u>	<u>5,538</u>	<u>-</u>	<u>5,538</u>
Total expenses	<u>3,782,223</u>	<u>518,071</u>	<u>(4,182)</u>	<u>4,296,112</u>
Increase (decrease) in net assets without donor restrictions before income taxes	145,500	(87,151)	74,390	132,739
Income tax expense/(benefit)	<u>-</u>	<u>(12,761)</u>	<u>-</u>	<u>(12,761)</u>
<b>Increase (decrease) in net assets without donor restrictions</b>	145,500	(74,390)	74,390	145,500
Net assets at beginning of year	<u>1,314,256</u>	<u>293,005</u>	<u>(293,005)</u>	<u>1,314,256</u>
<b>Net assets at end of year</b>	<u>\$ 1,459,756</u>	<u>\$ 218,615</u>	<u>\$ (218,615)</u>	<u>\$ 1,459,756</u>

See independent auditors' report.



**IUP RESEARCH INSTITUTE**  
**REPORTS REQUIRED BY UNIFORM GUIDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2021**

# CLAY & GASCOINE PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2021 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 September 2, 2021.

**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.

**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.

*Clay & Gascoine PLLC*

September 2, 2021

# CLAY & GASCOINE PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
IUP Research Institute  
Indiana, Pennsylvania

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

### Report on compliance for each major federal program

We have audited IUP Research Institute's compliance with the types of compliance requirements described 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, 2021. IUP Research Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's responsibility

Management is responsible for compliance with the federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

### Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of IUP Research Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IUP Research Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of IUP Research Institute's compliance.

### Opinion on each major federal program

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, 2021.

### Report on internal control over compliance

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

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

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

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

*Clay & Gascoine PLLC*

September 2, 2021

**IUP RESEARCH INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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)	\$ 31,750	\$ 31,219
Pesticide Impact Assessment	20-DG-11094200-198	10.680 (1)	33,085	
Passed through Natural Resources Conservation Services				
CEAP Assessing Wildlife Resonse	68-3A75-17-337	10.902 (1)	104,213	5,643
CEAP Wisconsin and Minnesota Assess Whippoorwill	NR203A50023C1016	10.902 (1)	52,620	16,290
Passed through Louisiana State University				
Mitigating Drought Stress of Midrotation Pine	2018-67014-27507	10.310 (1)	12,592	
Passed through Pheasants Forever				
Decision Support Tool for Managing Working Forests	69-3A75-17-438	10.912 (1)	109,311	34,371
Passed through National Fish and Wildlife Foundation				
Improving Forest Health on Private Lands	68-3A75-17-262	10.912 (1)	278,213	
Passed through American Bird Conservancy				
Restoring Dynamic Forest Structure for Priority Birds	17-CA-11132422-109	10.683 (1)	1,985	
PA Wilds II Restoring Multiple Forest Stages	18-CA-11132422-180	10.683 (1)	2,379	
PA Wilds 3	19-CA-11132422-155	10.683 (1)	10,037	
PA Wilds 4 - 2021 Monitoring	19-CA-11132422-155	10.683 (1)	14,963	-
			651,148	87,523
U.S. Fish and Wildlife Services				
Delaware 4 Monitoring	F18AC00701	15.670 (1)	12,324	
Passed through American Bird Conservancy				
Delaware 4 - Project Coordination	0403.20.069725	15.670 (1)	4,405	
Delaware 3 - ABC #19119A	F18AC00707	15.663 (1)	33,010	14,720
Passed through National Fish and Wildlife Foundation				
Dynamic Forests NFWF/USDA	19-CA-11132422-155	10.683 (1)	4,450	4,450
			54,189	19,170
US Department of Defense				
Passed through National Security Agency				
GenCyber 2020 Student Program	H98230-20-1-0060	12.903	83,097	
Fostering a Strong Cybersecurity Culture in Western PA	H98230-21-1-0092	12.903	7,294	
Passed through Henry Jackson Foundation				
Forensic Archeological Field School in Germany	HQ0761-18-2-001	12.740 (1)	84,421	
			174,812	
U.S. Department of Interior				
Passed through PA Game Commission				
Population Survey of Allegheny Woodrats	F18AF0060	15.611 (1)	728	
Passed through 400 Years of African-American History Commission				
I Fear for My Life		15.954 (1)	40,109	8,173
Pen or Pencil Collegiate Expansion		15.954 (1)	12,752	4,168
			53,589	12,341

See independent auditors' report.

**IUP RESEARCH INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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)	49,613	
NSF Teaching and Assessing Teamwork	1625429	47.076 (1)	34,767	
Scanning Electron Microscope	FAIN 1848414	47.050 (1)	3,344	
Post Expedition Activity	OCE1450528	47.050 (1)	481	
1516-049 Participant Support	1625429	47.076 (1)	49,412	
MRI 3D Printer	2018468	47.050 (1)	43,398	
Passed through Rutgers University				
IUSE Geopaths Extra	1701013	47.050 (1)	<u>252</u>	
			<u>181,267</u>	
National Endowment for the Arts				
Passed through PA Council on the Arts				
Recoup Revenue Cost from Ticket Sales	C960002723	45.024	<u>1,930</u>	
U.S. Department of Energy				
Passed through University of Texas at Austin				
Phase Transitions in Mesoscopic Systems	DE-SC0013599	81.049 (1)	<u>170,969</u>	
U.S. Department of Health and Human Services				
Passed through AIC Drug-Alcohol Commission				
Anti Stigma Campaign II	1GA1RH33485-01-00	93.912 (1)	928	
Passed through PA Dept. of Drug -Alcohol Programs				
DDAP-Prevention and Reduction of Opioid Use & Misuse	5H79T1081692-02	93.788 (1)	<u>15,250</u>	
			<u>16,178</u>	
Appalachian Regional Commission				
Passed through East Tennessee State University				
ATB Opioid Use Disorder and COVID 19	CO-12600-F-C18-20	23.001	<u>4,750</u>	<u>4,750</u>
			<u>4,750</u>	<u>4,750</u>
U.S. State Department				
IREX Fulbright/DAI for FY 19/20	S-ECAGD-19-CA-0030	19.408	<u>11,013</u>	
<b>Total federal awards</b>			<b><u>\$ 1,319,845</u></b>	<b><u>\$ 123,784</u></b>

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

Total expenditures for CFDA Number 10.902	<u>\$ 188,583</u>
Total expenditures for CFDA Number 10.912	<u>\$ 387,524</u>
Total expenditures for CFDA Number 10.683	<u>\$ 33,814</u>
Total expenditures for CFDA Number 47.050	<u>\$ 47,475</u>
Total expenditures for CFDA Number 47.076	<u>\$ 84,179</u>
Total expenditures for CFDA Number 15.670	<u>\$ 16,729</u>
Total expenditures for CFDA Number 12.903	<u>\$ 90,391</u>
Total expenditures for CFDA Number 15.954	<u>\$ 52,861</u>

See independent auditors' report.

**IUP RESEARCH INSTITUTE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. 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, 2021**

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
  - Restoring Dynamic Forest Structure for Priority Birds, CFDA No 10.683
  - 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
  - MRI 3D Printer, CFDA No. 47.050
  - IUSE Geopaths Extra, CFDA No. 47.050
  - NSF Teaching and Assessing Teamwork, CFDA No. 47076
  - Anti Stigma Campaign II, CFDS No. 93.912
  - PA Wilds 4 – 2021 Monitoring, CFDA No. 10.683
  - PA Wilds II Restoring Multiple Forest Stages, CFDA No. 10.683
  - PA Wilds 3, CFDA No. 10.683
  - Post Expedition Activity, CFDA No. 47.050
  - Delaware 4 Monitoring, CFDA No. 15.670
  - Delaware 4 Project Coordination, CFDA No. 15.670
  - Dynamic Forests NFWF/USDA, CFDA No. 10.683
  - DDAP-Prevention of Opioid Use & Misuse, CFDA No. 93.788
  - Forensic Archeological Field School in Germany, CFDA No. 12.740
  - Delaware 3 – ABC #19119A, CFDA No. 15.663
  - Population Survey of Allegheny Woodrats, CFDA No. 15.611
  - CEAP Wisconsin and Minnesota Assess Whippoorwill, CFDA No. 10.902
  - I Fear for My Life, CFDA No. 15.954
  - Pen or Pencil Collegiate Expansion, CFDA No. 15.954
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, 2021**

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, 2021**

Compliance Findings

There were no prior audit compliance findings.

Internal Control Findings

There were no prior audit internal control findings.