

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, 2024

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Board of Directors
IUP Research Institute
Indiana, Pennsylvania

Independent auditors' report

Opinion

We have audited the accompanying financial statements of IUP Research Institute (a not-for-profit corporation), a component unit of Indiana University of Pennsylvania, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IUP Research Institute as of June 30, 2024, 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 U.S. Comptroller General. 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 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 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 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 financial statements of IUP Research Institute as a whole. The accompanying schedule of expenditures of federal awards (pages 17 to 18), as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2024, 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 22, 2024

IUP RESEARCH INSTITUTE
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024

ASSETS

Current assets

Cash and cash equivalents	\$ 1,902,528
Investments	955,128
Accounts receivable	<u>3,809,910</u>
Total current assets	<u>6,667,566</u>

Total assets **\$ 6,667,566**

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 1,935,687
Accrued expenses	106,293
Other payables	448,481
Deferred revenue	<u>2,677,479</u>
Total current liabilities	<u>5,167,940</u>

Long-term liabilities -

Total liabilities 5,167,940

Net assets

Without donor restrictions	<u>1,499,626</u>
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Total liabilities and net assets **\$ 6,667,566**

See independent auditors' report and notes to financial statements.

IUP RESEARCH INSTITUTE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024

Changes in net assets without donor restrictions

Revenue and other support

Federal grants and contracts	\$ 4,563,478
Other grants and contracts	2,402,676
Fees received	1,582,787
Other income	1,052
Interest and dividend income	33,538
Realized gain/(loss) on investments	(5,115)
Unrealized gain/(loss) on investments	<u>78,031</u>

Total revenue and other support 8,656,447

Expenses

IUP Program	6,521,040
Institute Program	928,525
Commonwealth Program	325,789
PennWest Program	11,276
Administration	<u>508,213</u>

Total expenses 8,294,843

Increase (decrease) in net assets without donor restrictions 361,604

Net assets at beginning of year 1,138,022

Net assets at end of year \$ 1,499,626

IUP RESEARCH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>IUP Program</u>	<u>Institute Program</u>	<u>Commonwealth Program</u>	<u>PennWest Program</u>	<u>Administration</u>	<u>Total</u>
Expenses						
Salaries and wages	\$ 1,927,706	\$ 483,999	\$ 182,535	\$ 9,094	\$ 264,910	\$ 2,868,244
Payroll taxes and benefits	565,705	175,082	41,755	1,157	95,828	879,527
Rent and utilities	7,550	43,976	-	-	24,069	75,595
Communication	689	7,454	136	-	4,080	12,359
Supplies and equipment	624,773	95,573	31,170	-	52,311	803,827
Travel	434,804	7,742	2,284	-	4,238	449,068
Printing and duplication	3,519	366	-	-	200	4,085
Professional and contracted services	1,932,115	43,194	-	-	23,641	1,998,950
Professional development	-	19,750	-	-	10,810	30,560
Insurances	-	15,747	-	-	8,618	24,365
Other expenses	561,381	35,642	-	-	19,508	616,531
Indirects	398,654	-	67,909	1,025	-	467,588
Fund close out costs	64,144	-	-	-	-	64,144
 Total expenses	 <u>\$ 6,521,040</u>	 <u>\$ 928,525</u>	 <u>\$ 325,789</u>	 <u>\$ 11,276</u>	 <u>\$ 508,213</u>	 <u>\$ 8,294,843</u>

See independent auditors' report and notes to financial statements.

IUP RESEARCH INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Cash flows from operating activities	
Cash received from grants and fees	\$ 8,509,938
Cash paid to suppliers and employees	(7,816,283)
Other income received	1,052
Interest and dividend income received	<u>33,538</u>
Net cash provided by (used in) operating activities	<u>728,245</u>
Cash flows from investing activities	
Net purchase of investments	(536,516)
Net proceeds from sale of investments	<u>232,814</u>
Net cash provided by (used in) investing activities	<u>(303,702)</u>
Cash flows from financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	424,543
Beginning cash and cash equivalents	<u>1,477,985</u>
Ending cash and cash equivalents	<u><u>\$ 1,902,528</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 361,604
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities	
(Gain)/loss on sale of investments	5,115
Unrealized (gain)/loss on investments	(78,031)
(Increase) decrease in accounts receivable	(1,963,002)
(Increase) decrease in prepaids and other assets	5,537
Increase (decrease) in accounts payable	569,327
Increase (decrease) in accrued expenses	(1,092)
Increase (decrease) in other payables	(95,212)
Increase (decrease) in deferred revenue	<u>1,923,999</u>
Net cash provided by (used in) operating activities	<u><u>\$ 728,245</u></u>
Noncash financing and investing activities	<u><u>\$ -</u></u>

See independent auditors' report and notes to financial statements.

IUP RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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 service agreement 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 BTG ceased operations effective June 30, 2022, and was formally dissolved on August 8, 2023.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The accompanying 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 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 credit losses

The Institute will provide for an allowance for credit losses to adjust accounts receivable and program service revenue to amounts it expects to receive from customers, and for accounts that might not be collected. Management will estimate the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable consists of billed grants and contracts and fees. 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 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. 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.

The Institute does not have any property and equipment as of June 30, 2024.

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, 2024.

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.

Uncertain tax positions

The Institute has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Institute 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 evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

The Institute's evaluation on June 30, 2024, revealed no uncertain tax positions that would have a material impact on the financial statements. The 2020 through 2022 tax years remain subject to examination by the Internal Revenue Service. The Institute does 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 the number of personnel within each area.

IUP RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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

Advertising expenses

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

Compensated absences

Employees of the Institute are entitled to paid vacation days, which may be carried over to future periods if not used currently. The Institute'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 \$57,277 has been included with accrued expenses on the statement of financial position for the year ended June 30, 2024.

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.

New accounting pronouncements

On July 1, 2023, the Institute adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

Subsequent events

Management has evaluated subsequent events through August 22, 2024, the date the financial statements were available to be issued.

3. **CONCENTRATION OF CREDIT RISK**

The Institute maintains cash accounts at several financial institutions. 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 may have deposits with one of these financial institutions in excess of federal insurance coverage. On June 30, 2024, cash deposits exceeded the federal insurance coverage by \$1,036,665.

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. **RETIREMENT PLAN**

The Institute has 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 contributes 10% of each eligible employee's compensation into the retirement plan. The 401(k) expense for the year ended June 30, 2024, was \$65,204.

IUP RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

5. **LEASES**

The Institute leases commercial office space. The Institution assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Total office rent expense for the year ended June 30, 2024, was \$55,620.

6. **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 did not engage in any risk financing activities during the year ended June 30, 2024.

7. **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, 2024, the Institute paid IUP for contracted services in the amount of \$2,453,103. The Institute owed IUP \$1,289,690 as of June 30, 2024, 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, 2024, the total amounts paid by IUP to the Institute were \$1,143,440. IUP owed the Institute \$145,348 as of June 30, 2024, which is included in accounts receivable.

8. **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, 2024, was \$448,481 which was included in cash and cash equivalents. The Institute has also recorded an offsetting liability in the same amount included in other payables.

9. **SUPPORT OF IUP RESEARCH MISSION**

The Institute supports IUP Research Mission. This includes paying for researcher travel and training that will help improve their contacts, professional development, and experience. The Institute also recognizes and rewards principal investigators for successful submissions.

IUP RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

10. AVAILABLE RESOURCES AND LIQUIDITY

During the year, the Institute depends on cash flows from operations to cover costs. As of June 30, 2024, 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	\$1,902,528
Investments	955,128
Accounts receivable	<u>3,809,910</u>

Total financial assets at year-end \$6,667,566

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

Cash and cash equivalent, less cash held for others	\$1,454,047
Investments	955,128
Accounts receivable	<u>3,809,910</u>

Total financial assets available \$6,219,085

11. 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 \$273,364 as of June 30, 2024.

Investments recorded at their fair value consisted of the following as of June 30, 2024:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$638,393	\$616,745
Marketable securities	201,343	271,895
Fixed income	56,518	50,233
Other	<u>16,178</u>	<u>16,255</u>
	<u>\$912,432</u>	<u>\$955,128</u>

Investment management fees for the year totaled \$6,387 and are included in other expenses on the statement of functional expenses.

IUP RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

12. INVESTMENTS (CONTINUED)

June 30, 2024	<u>Fair Value</u>	<u>Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual funds	\$616,745	\$616,745
Marketable securities	271,895	271,895
Fixed income	50,233	50,233
Other	<u>16,255</u>	<u>16,255</u>
Total	<u>\$955,128</u>	<u>\$955,128</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.

13. SUBSEQUENT EVENTS

The Institute moved into new offices located within IUP facilities in July 2024. IUP is providing the office space at no cost to the Institute.

IUP RESEARCH INSTITUTE
REPORTS REQUIRED BY UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2024

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Board of Directors
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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 financial statements of IUP Research Institute (a not-for-profit corporation) which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated August 22, 2024.

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 or significant deficiencies 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 22, 2024

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Board of Directors
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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

Report on compliance for each major federal program

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, 2024. 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, 2024.

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 U.S. 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 U.S. 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 22, 2024

IUP RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal grantor/Pass-through grantor/project title	Contract/Award Number	Federal CFDA Number	Expenditures	Amount Provided to Subrecipients
Research and development cluster				
U.S. Department of Agriculture				
Pesticide Impact Assessment	20-DG-11094200-198	10.680	\$ 2,236	
Forest Science Partnerships	NR233A750010C001	10.902	26,590	
CEAP Wisconsin and Minnesota Assess Whippoorwill	NR203A50023C1016	10.902	61,694	31,835
Distribution and Abundance of Fish Species in the ANF Passed through Pheasants Forever	23-CS-11091900-011	10.669	2,946	2,510
Working Lands for Wildlife	NR213A750027C001	10.912	437,565	199,712
Passed through National Fish and Wildlife Foundation				
Central Apps PA State Parks -US Forest Service	22-CA-11132422-206	10.683	2,961	
Passed through American Bird Conservancy				
RCPP Great Lakes ARU	2245-A-0216	10.924	<u>175</u>	<u>-</u>
			<u>534,167</u>	<u>234,057</u>
U.S. Fish and Wildlife Services				
Passed through American Bird Conservancy				
PA Wilds 4.1 - Project Coordination FY 22/23	F20AP00233	15.663	274	
PA Wilds 4.1 Monitoring Jan 2022-Sept 2023	F20AP00233	15.663	7,468	
ABC Delaware V Monitoring	F21ACO151400	15.670	116,286	68,770
ABC DFRB Monitoring Delaware VI	75035.02	15.670	110,472	
ABC Delaware V Coordination	F21AC0151400	15.670	<u>439</u>	<u>-</u>
			<u>234,939</u>	<u>68,770</u>
U.S. Department of Defense				
SUNY ESF Fort Drum				
Passed through Henry Jackson Foundation	W9126G-28-2-0036	12.005	4,409	
Participant Support DPAA HJF023 Germany	HQ0761-18-2-001	12.740	84,681	
HJF Germany Field School 2024 Mission	HQ0761-18-2-0001	12.740	<u>130,195</u>	
			<u>219,285</u>	
U.S. Department of Interior				
Utah Protect & Inspect: Paleoenvironmental Analysis				
Passed through National Fish and Wildlife Foundation	L21AC10341-00	15.248	5,542	5,542
NFWF Chesapeake Wilds - Croptree	F22AC02642	15.670	<u>139,681</u>	<u>-</u>
			<u>145,223</u>	<u>5,542</u>
National Science Foundation				
NSF MRI 3D Partner				
Coastal and Ocean STEM Equity Alliance	2018408	47.050	9,900	
Also 2023 Workshop	2327032	47.050	7,159	
Linking Marine & Terrestrial Sedimentary Evidence	2114786	47.078	23	
Designing a Sustainable Coffee Production System	2120767	47.083	<u>80,161</u>	
			<u>97,243</u>	
U.S. Department of Energy				
Passed through University of Texas at Austin				
Phase Transitions in Mesoscopic Systems	DE-SC0013599	81.049	<u>161,953</u>	
			<u>1,392,810</u>	<u>308,369</u>
Total research and development cluster				

See independent auditors' report.

IUP RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal grantor/Pass-through grantor/project title	Contract/Award Number	Federal CFDA Number	Expenditures	Amount Provided to Subrecipients
U.S. Department of Agriculture Curriculum Development in Biosafety Certification	58-3022-2-007	10.001	<u>85,393</u>	
U.S. Department of Commerce Passed through Advanced Robotics Manufacturing Institute ARM- Makerspace	01-79-15313	11.307	489,124	60,000
Passed through South Western PA Commission Build Back Better	01-79-5316 URI 121596	11.307	<u>254,011</u>	-
			<u>743,135</u>	<u>60,000</u>
U.S. Department of Defense Collaborative PA-Wide Community College Consortium GenCyber for Summer 2023	HQ00347222009 H98230-22-1-0116	12.006 12.903	1,501,519 123,472	1,087,636
GenCyber Camp Summer 2024	H98230-23-1-0101	12.903	<u>82,877</u>	-
			<u>1,707,868</u>	<u>1,087,636</u>
U.S. Department of State Passed through IREX Fulbright DAI Fall 2023	S-ECAGD-22-CA-002	19.408	219,709	
Fulbright DAI 2024	S-ECAGD-23-CA-0010	19.408	<u>1,619</u>	
			<u>221,328</u>	
U.S. Department of Transportation Passed through Indiana County Commissioners PennDOT Indiana County Highway Safety Project	256001035	20.600	<u>27,429</u>	
Appalachian Regional Commission Passed through East Tennessee State University Appalachian Collegiate Research Initiative	CO-12600-F-C21-23	23.011	<u>5,861</u>	
National Endowment for the Humanities Passed through Teagle Foundation Cornerstone Leaning for Living- Federal	AH-274009-20	45.162	<u>16,260</u>	
U.S. Department of Health and Human Services Passed through Central Susquehanna Intermediate Unit Evaluation Services for Project AWARE	23-C00-CF5-0016	93.243	30,616	
Project AWARE	479SM087504	93.243	<u>149,315</u>	<u>149,315</u>
			<u>179,931</u>	<u>149,315</u>
Total federal awards			<u>\$ 4,380,015</u>	<u>\$1,605,320</u>
Total expenditures for CFDA Number 10.902			<u>\$ 88,284</u>	
Total expenditures for CFDA Number 12.740			<u>\$ 214,876</u>	
Total expenditures for CFDA Number 12.903			<u>\$ 206,349</u>	
Total expenditures for CFDA Number 15.663			<u>\$ 7,742</u>	
Total expenditures for CFDA Number 15.670			<u>\$ 366,878</u>	
Total expenditures for CFDA Number 47.050			<u>\$ 17,059</u>	

See independent auditors' report.

IUP RESEARCH INSTITUTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

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, 2024. 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 has 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, 2024

Summary of the auditors' results

1. The type of report the auditors issued on the consolidated financial statements was an unmodified opinion.
2. No material weaknesses or 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 material weaknesses or 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 were:
 - Research and development cluster
 - Collaborative PA-Wide Community College Consortium, CFDA No. 12.006
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.

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, 2024

Compliance Findings

There were no prior audit compliance findings.

Internal Control Findings

There were no prior audit internal control findings.