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IUP RESEARCH INSTITUTE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2026 AND 2025

IUP RESEARCH INSTITUTE
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YEARS ENDED JUNE 30, 2026 AND 2025

INDEPENDENT AUDITORS' REPORT

Board of Directors
IUP Research Institute
Indiana, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IUP Research Institute (a nonprofit corporation), which comprise of the statement of financial position as of June 30, 2026, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IUP Research Institute, as of June 30, 2026 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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.

Other Matter

The June 30, 2025 financial statements were audited by other auditors whose report dated August 27, 2025, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
September 4, 2026

IUP RESEARCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 7,309,693	$ 5,525,775
Investments	1,521,659	1,246,712
Accounts Receivable	1,467,107	1,802,429
Other Current Assets	3,050	-
Total Current Assets	10,301,509	8,574,916
Total Assets	$ 10,301,509	$ 8,574,916
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 1,233,969	$ 1,647,603
Accrued Expenses	141,111	80,655
Other Payables	552,967	510,668
Deferred Revenue	6,249,496	4,529,481
Total Current Liabilities	8,177,543	6,768,407
Total Liabilities	8,177,543	6,768,407
NET ASSETS		
Without Donor Restrictions	2,123,966	1,806,509
Total Liabilities and Net Assets	$ 10,301,509	$ 8,574,916

See accompanying Notes to Financial Statements.

IUP RESEARCH INSTITUTE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
REVENUE AND OTHER SUPPORT		
Federal Grants and Contracts	$ 3,464,336	$ 4,466,986
Other Grants and Contracts	4,205,104	3,543,886
Fees Received	1,526,785	1,499,776
Other Income	11,981	57,008
Interest and Dividend Income	50,155	88,225
Realized Gain (Loss) on Investments	-	(1,804)
Unrealized Gain (Loss) on Investments	258,020	18,793
Total Revenue and Other Support	9,516,381	9,672,870
EXPENSES AND LOSSES		
IUP Program	6,775,902	7,582,792
Institute Program	1,439,139	975,893
Commonwealth Program	76,208	212,914
PennWest Program	399,453	107,868
Administration	508,223	486,520
Total Expenses and Losses	9,198,924	9,365,987
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	317,457	306,883
Net Assets Without Donor Restrictions - Beginning of Year	1,806,509	1,499,626
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	$ 2,123,966	$ 1,806,509

See accompanying Notes to Financial Statements.

IUP RESEARCH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2026

	IUP Program	Institute Program	Commonwealth Program	PennWest Program	Administration	Total
Salaries and Wages	$ 3,193,278	$ 683,794	$ 21,587	$ 202,461	$ 241,950	$ 4,343,070
Payroll Taxes and Benefits	788,176	236,899	5,941	58,285	83,823	1,173,125
Rent, Utilities, and Insurance	22,644	24,524	-	-	8,677	55,845
Supplies and Equipment	217,508	13,124	34,367	18,548	4,644	288,190
Travel	257,668	12,996	2,796	2,602	4,598	280,660
Professional and Contracted Services	1,704,162	72,056	-	79,754	25,496	1,881,468
Professional Development	-	14,324	-	-	5,068	19,392
Software	10,751	82,743	-	3,286	29,278	126,058
Other Expenses	581,715	298,679	11,517	34,516	104,688	1,031,115
Total Expenses by Function	$ 6,775,902	$ 1,439,139	$ 76,208	$ 399,453	$ 508,223	$ 9,198,924

See accompanying Notes to Financial Statements.

IUP RESEARCH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	IUP Program	Institute Program	Commonwealth Program	PennWest Program	Administration	Total
Salaries and Wages	$ 2,828,971	$ 562,958	$ 90,016	$ 50,329	$ 280,656	$ 3,812,930
Payroll Taxes and Benefits	758,904	163,967	25,071	11,772	81,743	1,041,457
Rent, Utilities, and Insurance	710	40,458	-	-	20,170	61,338
Supplies and Equipment	202,773	12,187	39,969	8,284	6,075	269,288
Travel	412,719	8,588	2,550	840	4,282	428,979
Professional and Contracted Services	2,329,991	48,258	-	26,936	24,059	2,429,244
Professional Development	-	16,159	-	-	8,056	24,215
Software	9,252	95,632	-	3,286	47,676	155,846
Other Expenses	1,039,472	27,686	55,308	6,421	13,803	1,142,690
Total Expenses by Function	$ 7,582,792	$ 975,893	$ 212,914	$ 107,868	$ 486,520	$ 9,365,987

See accompanying Notes to Financial Statements.

IUP RESEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grants and Fees	$ 11,251,562	$ 13,370,131
Cash Paid to Suppliers and Employees	(9,512,853)	(9,617,522)
Other Income Received	11,981	57,008
Interest and Dividend Income Received	50,155	88,225
Net Cash Provided by Operating Activities	1,800,845	3,897,842
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Investments	(76,251)	(783,557)
Net Proceeds from Sale of Investments	59,324	508,962
Net Cash Used by Investing Activities	(16,927)	(274,595)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,783,918	3,623,247
Cash and Cash Equivalents - Beginning of Year	5,525,775	1,902,528
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,309,693	$ 5,525,775
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase in Net Assets	$ 317,457	$ 306,883
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Gain (Loss) on Sale of Investments	-	1,804
Unrealized Gain (Loss) on Investments	(258,020)	(18,793)
(Increase) Decrease in Accounts Receivable	335,322	2,007,481
(Increase) Decrease in Other Assets	(3,050)	-
Increase (Decrease) in Accounts Payable	(413,634)	(288,084)
Increase (Decrease) in Accrued Expenses	60,456	(25,638)
Increase (Decrease) in Other Payables	42,299	62,187
Increase (Decrease) in Deferred Revenue	1,720,015	1,852,002
Net Cash Provided by Operating Activities	$ 1,800,845	$ 3,897,842

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

IUP Research Institute (the Institute) is a nonprofit 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.

NOTE 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 accounting principles general accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, money market accounts, and other short-term debt securities.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Institute adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made* to conform to accounting principles generally accepted in the United States of America 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.

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 $10,000 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, 2026 and 2025.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements 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, 2026 and 2025.

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 *Accounting Standards Codification* (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, 2026 and 2025, revealed no uncertain tax positions that would have a material impact on the financial statements. The 2022 through 2024 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.

Advertising Expenses

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $93,838 and $69,194 has been included with accrued expenses on the statements of financial position for the years ended June 30, 2026 and 2025, respectively.

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 statements of activities.

Credit Losses

The Institute adopted FASB ASU 2016-13 *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (FASB 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 September 4, 2026, the date the financial statements were available to be issued.

NOTE 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, 2026 and 2025, cash deposits exceeded the federal insurance coverage by $6,883,921 and $5,227,122, respectively.

A significant portion of the Institute's contracted services is with IUP as disclosed in Note 7 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.

NOTE 4 RETIREMENT PLAN

The Institute has a 40l(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 40l(k) expense for the years ended June 30, 2026 and 2025, was $75,540 and $53,989, respectively.

NOTE 5 LEASES

IUP agrees to provide space to the Institute, free of charge, as part of IUP's commitment of resources. The lease amount has not been recorded by the Institute since the fair rental value is not material. This agreement by IUP to provide space to the Institute is on a month-to-month basis.

The Institute 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.

NOTE 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 years ended June 30, 2026 and 2025.

NOTE 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 years ended June 30, 2026 and 2025, the Institute paid IUP for contracted services in the amount of $3,359,907 and $3,731,401, respectively. The Institute owed IUP $671,428 and $1,311,008 as of June 30, 2026 and 2025, respectively, 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 years ended June 30, 2026 and 2025, the total amounts paid by IUP to the Institute were $990,979 and $983,922, respectively. IUP owed the Institute $5,117 and $135,186 as of June 30, 2026 and 2025, respectively, which is included in accounts receivable.

NOTE 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, 2026 and 2025, was $552,967 and $510,668, respectively which was included in cash and cash equivalents. The Institute has also recorded an offsetting liability in the same amount included in other payables.

NOTE 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. For the years ended June 30, 2026 and 2025, the Institute has spent $2,227 and $31,609, respectively, in this support.

NOTE 10 AVAILABLE RESOURCES AND LIQUIDITY

During the year, the Institute depends on cash flows from operations to cover costs. As of June 30, 2026 and 2025, 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:

	2026	2025
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 7,309,693	$ 5,525,775
Investments	1,521,659	1,246,712
Accounts Receivable	1,467,107	1,802,429
Total Financial Statements at Year-End	$ 10,298,459	$ 8,574,916

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

	2026	2025
Cash and Cash Equivalents, Less Cash Held for Others	$ 6,756,726	$ 5,015,107
Investments	1,521,659	1,246,712
Accounts Receivable	1,467,107	1,802,429
Total Financial Assets Available	$ 9,745,492	$ 8,064,248

NOTE 11 INVESTMENTS

The Institute uses multiple institutions to professionally manage its investment portfolio. The money market and other short-term debt securities portion 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 $47,552 and $44,615 as of June 30, 2026 and 2025, respectively.

Investments recorded at their fair value consisted of the following as of June 30, 2026:

	Cost	Fair Value
Mutual Funds	$ 575,720	$ 856,538
Equity Securities	616,055	659,943
Fixed Income	-	-
Other	5,185	5,178
Total	$ 1,196,960	$ 1,521,659

Investments recorded at their fair value consisted of the following as of June 30, 2025:

	Cost	Fair Value
Mutual Funds	$ 505,368	$ 530,352
Equity Securities	584,579	648,336
Fixed Income	56,518	51,290
Other	15,976	16,734
Total	$ 1,162,441	$ 1,246,712

Investment management fees totaled $6,544 and $7,537 as of June 30, 2026 and 2025, respectively, and are included in other expenses on the statements of functional expenses.

	2026	
	Fair Value	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	$ 856,538	$ 856,538
Equity Securities	659,943	659,943
Fixed Income	-	-
Other	5,178	5,178
Total	$ 1,521,659	$ 1,521,659

NOTE 11 INVESTMENTS (CONTINUED)

	2025	
	Fair Value	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	$ 530,352	$ 530,352
Equity Securities	648,336	648,336
Fixed Income	51,290	51,290
Other	16,734	16,734
Total	$ 1,246,712	$ 1,246,712

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