IUP RESEARCH INSTITUTE
AUDITED FINANCIAL STATEMENTS
AND REPORTS REQUIRED BY UNIFORM GUIDANCE
YEAR ENDED JUNE 30, 2020

Clay & Gascoine PLLC

Certified Public Accountants

IUP RESEARCH INSTITUTE

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CLAY & GASCOINE PLLC

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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, 2020, 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, 2020, 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, 2020 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 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 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, 2020

IUP RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

ASSETS	
Current assets	
Cash and cash equivalents	$ 1,423,529
Investments	487,500
Accounts receivable	725,891
Prepaids and other assets	84,728
Total current assets	2,721,648
Property and equipment	
Furniture and equipment	83,007
Less accumulated depreciation	59,119
Net property and equipment	23,888
Other assets	
Deferred tax asset	3,550
Total other assets	3,550
Total assets	$ 2,749,086
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	$ 435,266
Accrued expenses	133,163
Other payables	574,488
Deferred revenue	291,913
Total current liabilities	1,434,830
Long-term liabilities	-
Total liabilities	1,434,830
Net assets	
Without donor restrictions	1,314,256
Total liabilities and net assets	$ 2,749,086

IUP RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

Changes in net assets without donor restrictions	
Revenue and other support	
Federal grants and contracts	$ 1,592,955
Other grants and contracts	1,582,840
Other income	14,196
Fees received	1,351,893
Interest and dividend income	23,894
Realized gain/(loss) on investments	(759)
Unrealized gain/(loss) on investments	(9,974)
Total revenue and other support	4,555,045
Expenses	
IUP Program	2,756,995
Institute Program	754,877
BTG Program	410,421
Administration	559,803
Total expenses	4,482,096
Increase in net assets without donor restrictions before income taxes	72,949
Income tax expense/(benefit)	(38,018)
Increase in net assets without donor restrictions	110,967
Net assets at beginning of year	1,203,289
Net assets at end of year	$ 1,314,256

IUP RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	IUP Program	Institute Program	BTG Program	Administration	Total
Expenses					
Salaries and wages	$ 974,238	$ 421,425	$ 230,563	$ 323,323	$ 1,949,549
Payroll taxes and benefits	267,396	142,798	91,017	119,449	620,660
Rent and utilities	3,000	41,811	22,080	26,640	93,531
Communication	2,665	8,013	6,919	6,115	23,712
Supplies and equipment	290,427	27,331	8,235	15,087	341,080
Travel	121,182	25,428	2,050	11,929	160,589
Printing and duplication	381	1,800	-	790	2,971
Professional and contracted services	519,829	37,651	39,387	31,314	628,181
Professional development	300	11,887	766	5,504	18,457
Insurances	1,737	13,382	3,518	7,194	25,831
Other expenses	237,966	23,351	1,426	10,783	273,526
IUP indirects	157,669	-	-	-	157,669
Fund close out costs	180,205	-	-	-	180,205
Depreciation	-	-	4,460	1,675	6,135
Total expenses	$ 2,756,995	$ 754,877	$ 410,421	$ 559,803	$ 4,482,096

See notes to consolidated financial statements.

IUP RESEARCH INSTITUTE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities	
Cash received from grants and fees	$ 4,532,363
Cash paid to suppliers and employees	(4,378,545)
Other income received	13,846
Interest and dividend income received	23,894
Net cash provided by (used in) operating activities	191,558
Cash flows from investing activities	
Purchases of equipment	(9,295)
Proceeds from sale of property and equipment	350
Net purchase of investments	(500,000)
Net proceeds from sale of investments	4,417
Net cash provided by (used in) investing activities	(504,528)
Cash flows from financing activities	-
Net increase (decrease) in cash and cash equivalents	(312,970)
Beginning cash and cash equivalents	1,736,499
Ending cash and cash equivalents	$ 1,423,529

RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Increase (decrease) in net assets	$ 110,967
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities	
Depreciation	6,135
(Gain)/loss on sale of property and equipment	(350)
(Gain)/loss on sale of investments	759
Unrealized (gain)/loss	9,974
(Increase) decrease in deferred tax asset	(1,280)
(Increase) decrease in accounts receivable	402,971
(Increase) decrease in prepaids and other assets	(17,345)
Increase (decrease) in accounts payable	(81,066)
Increase (decrease) in accrued expenses	(27,434)
Increase (decrease) in other payables	186,523
Increase (decrease) in deferred revenue	(398,296)
Net cash provided by (used in) operating activities	$ 191,558
Noncash financing and investing activities	$ -

IUP RESEARCH INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 an Affiliation 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 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, money market accounts, and certificates of deposit.

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 earned.

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.

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, 2020.

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, 2020 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2016 through 2018 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.

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

Compensated absences
Employees of the Institute and BTG are entitled to paid vacation days, which may be carried over to future periods if not used currently. The Institute's and BTG's policy is to recognize the cost of these compensated absences in the year which they are earned by the employees. Accordingly, a liability for compensated absences in the amount of $85,790 has been included with accrued payroll on the consolidated statement of financial position for the year ended June 30, 2020. Of this amount $55,481 is for the Institute and $30,309 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events
Management has evaluated subsequent events through September 2, 2020, 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, 2020, 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, 2020.

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, 2020 was $89,783 of which $60,827 was for the Institute and $28,956 was for BTG.

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, 2020, was $81,420 of which $57,240 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.

8. INCOME TAXES (CONTINUED)

Amounts for deferred tax benefit and liabilities are as follows:

Long-term deferred tax asset	$3,550
Long-term deferred tax liability	-
Net long-term deferred tax asset (liability)	$3,550

Summaries of the provisions for income taxes are as follows:

Current income tax expense (benefit)	$(36,738)
Deferred tax expense (benefit)	(1,280)
Total provision for income tax expense (benefit)	$(38,018)

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, 2020, the Institute paid IUP for contracted services in the amount of $1,407,096. The Institute owed IUP $372,910 as of June 30, 2020, 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, 2020, the total amounts paid by IUP to the Institute were $1,151,829. IUP owed the Institute $121,422 as of June 30, 2020, 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, 2020.

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, 2020, was $331,794 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

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 believe the amounts were spent accordingly, and no amounts will need paid back to the lender. The Institute and BTG received $167,387 and $75,307, respectively, of PPP proceeds, and the amounts are included in other payables until the SBA officially forgives the loans.

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, 2020, the Institute has spent $10,168 in this support.

14. AVAILABLE RESOURCES AND LIQUIDITY

During the year, the Institute depends on cash flows from operations to cover costs. As of June 30, 2020, 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	$1,423,529
Investments	487,500
Accounts receivable	725,891
Total financial assets at year-end	$2,636,920

Financial assets available to meet general expenditures over the next 12 months	
Cash and cash equivalent, less cash held for others	$1,091,735
Investments	487,500
Accounts receivable	725,891
Total financial assets available	$2,305,126

15. INVESTMENTS

The Institute uses multiple institutions to professionally manage its investment portfolio. The money market portion of one of the Institute' 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, 2020. Investments recorded at their fair value consisted of the following as of June 30, 2020:

	Cost	Fair Value
Money market	$ 3,084	$ 3,084
Mutual funds	247,902	257,070
Marketable securities	203,595	182,865
Fixed income	36,267	37,358
Other	6,626	7,123
	$497,474	$487,500

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

15. INVESTMENTS (CONTINUED)

June 30, 2020	Fair Value	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market	$ 3,084	$ 3,084
Mutual funds	257,070	257,070
Marketable securities	182,865	182,865
Fixed income	37,358	37,358
Other	7,123	7,123
Total	$487,500	$487,500

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.

16. ACCOUNTING CHANGE

The Institute's adoption of ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made* on July 1, 2019 to conform to U.S. GAAP materially changed the Institute's financial position as of June 30, 2020. The change in accounting required $229,996 of grant contracts be reclassed from deferred revenue to revenue for the year end June 30, 2020. The grant contract amount was reclassed due to the Institute overcoming any barriers set forth by the grantor or for unconditional grants received.

IUP RESEARCH INSTITUTE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	IUP Research Institute	IUP Research Institute Business and Technology Group, Inc.	Adjustments	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,130,248	$ 293,281	$ -	$ 1,423,529
Investments	487,500	-		487,500
Accounts receivable	682,189	43,702	-	725,891
Prepaids and other assets	38,592	46,136	-	84,728
Total current assets	2,338,529	383,119	-	2,721,648
Property and equipment				
Furniture and equipment	-	83,007	-	83,007
Less accumulated depreciation	-	59,119	-	59,119
Net property and equipment	-	23,888	-	23,888
Other assets				
Deferred tax asset	-	3,550	-	3,550
Investment in subsidiary	293,005	-	(293,005)	-
Total other assets	293,005	3,550	(293,005)	3,550
Total assets	$ 2,631,534	$ 410,557	$ (293,005)	$ 2,749,086
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$ 431,832	$ 3,434	$ -	$ 435,266
Accrued expenses	94,352	38,811	-	133,163
Other payables	499,181	75,307	-	574,488
Deferred revenue	291,913	-	-	291,913
Total current liabilities	1,317,278	117,552	-	1,434,830
Long-term liabilities	-	-	-	-
Total liabilities	1,317,278	117,552	-	1,434,830
Net assets				
Without donor restrictions	1,314,256	293,005	(293,005)	1,314,256
Total liabilities and net assets	$ 2,631,534	$ 410,557	$ (293,005)	$ 2,749,086

IUP RESEARCH INSTITUTE
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
AS OF JUNE 30, 2020

	IUP Research Institute	IUP Research Institute Business and Technology Group, Inc.	Adjustments	Total
Change in net assets without donor restrictions				
Revenue and other support				
Federal grants and contracts	$ 1,360,795	$ 232,160	$ -	$ 1,592,955
Other grants and contracts	1,420,281	162,559	-	1,582,840
Other income	13,746	450	-	14,196
Fees received	1,408,512	-	(56,619)	1,351,893
Interest and dividend income	23,112	782	-	23,894
Income (loss) from subsidiary	(130,573)	-	130,573	-
Realized gain/(loss) on investments	(759)	-	-	(759)
Unrealized gain/(loss) on investments	(9,974)	-	-	(9,974)
Total revenue and other support	4,085,140	395,951	73,954	4,555,045
Expenses				
Salaries and wages	1,632,406	317,143	-	1,949,549
Payroll taxes and benefits	495,464	125,196	-	620,660
Rent and utilities	63,160	30,371	-	93,531
Communication	14,195	9,517	-	23,712
Supplies and equipment	329,752	11,328	-	341,080
Travel	157,769	2,820	-	160,589
Printing and duplication	2,971	-	-	2,971
Professional and contracted services	630,622	54,178	(56,619)	628,181
Professional development	17,403	1,054	-	18,457
Insurances	20,992	4,839	-	25,831
Other expenses	271,565	1,961	-	273,526
IUP indirects	157,669	-	-	157,669
Fund close out costs	180,205	-	-	180,205
Depreciation	-	6,135	-	6,135
Total expenses	3,974,173	564,542	(56,619)	4,482,096
Increase (decrease) in net assets without donor restrictions before income taxes	110,967	(168,591)	130,573	72,949
Income tax expense/(benefit)	-	(38,018)	-	(38,018)
Increase (decrease) in net assets without donor restrictions	110,967	(130,573)	130,573	110,967
Net assets at beginning of year	1,203,289	423,578	(423,578)	1,203,289
Net assets at end of year	$ 1,314,256	$ 293,005	$ (293,005)	$ 1,314,256

See independent auditors' report.

IUP RESEARCH INSTITUTE
REPORTS REQUIRED BY UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2020

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 which comprise the consolidated statement of financial position as of June 30, 2020 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, 2020.

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) to determine 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 over financial reporting.

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 determination of financial statement amounts. 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, 2020

CLAY & GASCOINE PLLC

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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, 2020. 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, 2020.

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, 2020

IUP RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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)	$ 42,878	$ 37,729
Passed through Natural Resources Conservation Services				
CEAP Assessing Wildlife Resonse	68-3A75-17-337	10.902 (1)	116,993	
Passed through Louisiana State University				
Mitigating Drought Stress of Midrotation Pine	2018-67014-27507	10.310 (1)	20,331	
Passed through Pheasants Forever				
Decision Support Tool for Managing Working Forests	69-3A75-17-438	10.912 (1)	103,829	27,670
Passed through National Fish and Wildlife Foundation				
Improving Forest Health on Private Lands	68-3A75-17-262	10.912 (1)	172,308	
Passed through American Bird Conservancy				
Restoring Dynamic Forest Structure for Priority Birds	17-CA-11132422-109	10.683 (1)	27,739	
PA Wilds II Restoring Mulitple Forest Stages	18-CA-11132422-180	10.683 (1)	24,921	
PA Wilds 3	19-CA-11132422-155	10.683 (1)	13,457	-
			522,456	65,399
U.S. Fish and Wildlife Services				
Passed through American Bird Conservancy				
Forestry Technical Assistance	16CA1113242213	10.683 (1)	25,311	
Delaware 3 - ABC #19119A	F18AC00707	15.663 (1)	15,422	
			40,733	
National Sercurity Agency				
Gen Cyber Camp-Summer 2019	H98230-19-1-0167	12.903	15,674	
U.S. Department of Interior				
Passed through PA Game Commission				
Population Survey of Allegheny Woodrats		15.611 (1)	29,272	
National Science Foundation				
What Biases Expert Opinions	1754049	47.075 (1)	112,286	
NSF Teaching and Assessing Teamwork	1625429	47.076 (1)	84,160	
Scanning Electron Microscope	FAIN 1848414	47.050 (1)	31,898	
Post Expedition Activity	OCE1450528	47.050 (1)	13,473	
Outcome Online STEM instruction due to COVID-19	2027665	47.076 (1)	17,447	
Widzowski & Farell Mini Grant from Participant Support		47.076 (1)	638	
Laquarta/Tang Mini Grant		47.076 (1)	829	
Farnsworth/Chadwick Mini Grant		47.076 (1)	2,723	
McElroy & Okey Water Quality in Southwestern PA		47.076 (1)	1,287	
Passed through Case Western Reserve University				
NSF-Inst Dev Excellence	1464133	47.076 (1)	9,000	
Passed through Rutgers University				
IUSE Geopaths Extra	1701013	47.050 (1)	19,912	
Passed through Columbia University				
Science Support Salary	OCE-1450528	47.050 (1)	1,401	
			295,054	
National Endowment for the Arts				
Concert Series	1856701-59-19	45.024	10,000	

IUP RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal grantor/Pass-through grantor/project title	Contract/Award Number	Federal CFDA Number		Expenditures	Amount Provided to Subrecipients
U.S. Department of Energy					
Passed through University of Texas at Austin					
Phase Transitions in Mesoscopic Systems	DE-SC0013599	81.049	(1)	175,640	
NASA					
Passed through University of Maryland					
Managing Forests	NNX17AG41G	93.558	(1)	8,578	
U.S. Department of Health and Human Services					
Passed through AIC Drug-Alcohol Commission					
Anti Stigma Campaign II	1GA1RH33485-01-00	93.912	(1)	18,974	
DDAP MAT FIA		93.788		20,193	
Passed through PA Dept. of Drug -Alcohol Programs					
DDAP-Prevention and Reduction of Opioid Use & Misuse		93.788	(1)	25,803	
				64,970	
Applachian Regional Commission					
Passed through Catalyst Connection					
Testing CCA Levels for Schroth Industries		23.011	(1)	4,143	
Passed through East Tennessee State University					
Disorder's Impact	CO-12600-F-C17-19	23.001		4,500	
				8,643	
U.S. State Department					
IREX Fulbright/DAI for FY 19/20	S-ECAGD-19-CA-0030	19.408		185,646	
National Park Service					
Delaware Water Gap Geophysical Survey			(1)	4,130	
Total federal awards				$ 1,360,796	$ 65,399

(1) Denotes a research grant included in the research and development cluster totalling $1,124,783

Total expenditures for CFDA Number 10.902	$ 159,871
Total expenditures for CFDA Number 10.912	$ 276,137
Total expenditures for CFDA Number 10.683	$ 91,428
Total expenditures for CFDA Number 47.050	$ 66,684
Total expenditures for CFDA Number 47.076	$ 116,084
Total expenditures for CFDA Number 93.788	$ 45,996

IUP RESEARCH INSTITUTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 deminimis indirect cost rate allowed under the Uniform Guidance.

IUP RESEARCH INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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
   Forestry Technical Assistance, CFDA No. 10.683
   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
   Science Support Salary, CFDA No. 47.050
   NSF-Inst Dev Excellence, CFDA No. 47.076
   IUSE Geopaths Extra, CFDA No. 47.050
   NSF Teaching and Assessing Teamwork, CFDA No. 47076
   Managing Forests, CFDA No. 93.558
   Anti Stigma Campaign II, CFDS No. 93.912
   Testing CCA Levels for Schroth Insdustries, CFDA No. 23.011
   PA Wilds II Restoring Muliple Forest Stages, CFDA No. 10.683
   PA Wilds 3, CFDA No. 10.683
   Post Expedition Activity, CFDA No. 47.050
   Outcome Online STEM instruction due to COVID-19, CFDA No. 47.076
   Widzowski & Farell Mini Grant from Participant Support, CFDA No. 47.076
   Laquarta/Tang Mini Grant, CFDA No. 47.076
   Farnsworth/Chadwick Mini Grant, CFDA No. 47.076
   McElroy & Okey Water Quality in Southwestern PA, CFDA No. 47.076
   DDAP-Prevention of Opioid Use & Misuse, CFDA No. 93.788
   Delaware Water Gap Geophysical Survey
   Delaware 3 – ABC #19119A, CFDA No. 15.663
   Population Survey of Allegheny Woodrats, CFDA No. 15.611

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, 2020

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, 2020

Compliance Findings

There were no prior audit compliance findings.

Internal Control Findings

There were no prior audit internal control findings.